

II

(Preparatory Acts)

COMMITTEE OF THE REGIONS

Opinion of the Committee of the Regions on the 'Proposal for a Council Regulation (EC) on the European Regional Development Fund'

(1999/C 51/01)

THE COMMITTEE OF THE REGIONS,

having regard to the Proposal for a Council Regulation (EC) on the European Regional Development Fund of 18 March 1998 [COM(98) 131 final — 98/0114 (SYN)]⁽¹⁾;

having regard to the decision taken by the Council on 19 May 1998, under Article 130e and the first paragraph of Article 198c of the Treaty establishing the European Community, to consult the Committee of the Regions on the matter;

having regard to the decision taken by the Bureau of the Committee of the Regions on 13 May 1998 to instruct Commission 1 — Regional Policy, Structural Funds, Economic and Social Cohesion, Cross-border and Inter-regional Cooperation — to draw up the relevant opinion;

having regard to the draft opinion adopted by Commission 1 on 30 September 1998 (CdR 240/98 rev.) (rapporteurs: Mr Chaves González and Mr Kauppinen);

referring to its opinion on the role of the regional and local authorities in the partnership principle of the Structural Funds (CdR 234/95)⁽²⁾;

referring to its opinion on the Structural Funds innovatory measures 1995-1999 — guidelines for the second series of actions under Article 10 of the ERDF Regulation (CdR 303/95)⁽³⁾;

referring to its opinion on strengthening the Mediterranean policy of the European Union: proposals for implementing a Euro-Mediterranean partnership (CdR 371/95)⁽⁴⁾;

referring to its opinion on the northern dimension of the European Union and cross-border cooperation on the border between the European Union and the Russian Federation and in the Barents region (CdR 10/96 fin)⁽⁵⁾;

referring to its opinion on current and future EU policy on the Baltic Sea region with specific reference to local and regional aspects (CdR 141/96 fin)⁽⁶⁾;

⁽¹⁾ OJ C 176, 9.6.1998, p. 35.

⁽²⁾ OJ C 100, 2.4.1996, p. 72.

⁽³⁾ OJ C 100, 2.4.1996, p. 124.

⁽⁴⁾ OJ C 126, 29.4.1996, p. 12.

⁽⁵⁾ OJ C 337, 11.11.1996, p. 7.

⁽⁶⁾ OJ C 42, 10.2.1997, p. 6.

referring to its opinion on the Interreg IIC Community initiative and the potential role for local and regional authorities (CdR 108/97 fin) ⁽¹⁾;

referring to its opinion on decentralized cooperation and the Euro-Mediterranean partnership (CdR 125/97 fin) ⁽²⁾;

referring to its opinion on views of the regions and local authorities on arrangements for European structural policy after 1999 (CdR 131/97 fin) ⁽³⁾;

referring to its opinion on Agenda 2000: the financing of the European Union after 1999 taking account of enlargement prospects and the challenges of the 21st century (CdR 303/97 fin) ⁽⁴⁾;

referring to its opinion on the Proposal for a Council Regulation (EC) laying down general provisions on the Structural Funds (CdR 167/98 fin) ⁽⁵⁾,

adopted the following opinion at its 26th plenary session held on 18 and 19 November 1998 (meeting of 18 November).

1. General comments

1.1. Regional and structural policy is of key importance to the development of a united Europe. A third of the EU budget is channelled via the Structural Funds into levelling out differences in degrees of development and creating conditions conducive to development in regions which are lagging behind. The European Regional Development Fund, ERDF, is crucial to this process.

1.2. The European Commission's proposals for new Structural Fund rules are an important component in the drive to promote balanced and sustainable economic and social development in Europe and to remove regional differences in the level of development.

1.3. The revision of the rules is happening at a time when regional and local authorities are facing major changes brought about by the rapid pace of social and technological development and the challenges these changes bring, namely how to avoid the problems development entails and to make the most of the possibilities it offers.

1.4. The COR feels that it is also important to see EU structural policy in practical terms as part of the all-embracing development work being carried out by the Member States, their regional and local authorities themselves.

1.5. It is equally vital from the outset to perceive the importance of the interaction of players at different regional levels.

1.6. Economic globalization is bringing about radical changes in the social and economic structure of localities and regions. In this connection, the local and regional authorities have a responsibility to ensure harmonious and balanced development.

1.7. The European Commission's proposals make up a coherent whole, representing a departure from normal practice in that a proposal for a Council Regulation (EC) on the general rules governing the Structural Funds has now been drawn up as a common basis covering all funds, in addition to specific proposals on the European Regional Development Fund, the European Social Fund, the European Agricultural Guidance and Guarantee Fund and the Financial Instrument for Fisheries Guidance.

2. The overall task of the European Regional Development Fund

2.1. This opinion on the ERDF makes reference to a separate opinion on the proposal for a Regulation (EC) laying down general provisions on the Structural Funds.

2.2. Article 130c of the EC Treaty lays down that the European Regional Development Fund (ERDF) is intended to help to redress the main regional imbalances in the Community.

2.3. According to the proposed general provisions on the Structural Funds, the main task of the ERDF is to support Objectives 1 and 2 within the meaning of Article 1 of the above-mentioned regulation and to take a part in funding cross-border, transnational and inter-regional cooperation. The fund also supports innovative measures and technical assistance at Community level.

⁽¹⁾ OJ C 244, 11.8.1997, p. 19.

⁽²⁾ OJ C 64, 27.2.1998, p. 59.

⁽³⁾ OJ C 64, 27.2.1998, p. 5.

⁽⁴⁾ OJ C 64, 27.2.1998, p. 40.

⁽⁵⁾ OJ C 373, 2.12.1998, p. 1.

3. The tasks of the ERDF analyzed according to the Commission proposal

3.1. Objective 1

3.1.1. The aim of Objective 1 is to promote the development and adjustment of regions whose development is lagging behind. According to the proposal, Objective 1 regions comprise those NUTS level II regions where the per capita GNP, measured in purchasing power parities and calculated on the basis of Community figures for the last three years available, is less than 75 % of the Community average. This Objective also covers the most remote regions and Objective 6 regions for the period 1995-1999. The Commission would confirm the Objective regions for the period 2000-2006.

3.1.2. Those regions which qualify as Objective 1 regions during the current programme period but no longer do so in the period about to start will receive transitional support under Objective 1 for a period of six years.

3.1.3. The COR is aware of the difficulty involved in defining Objective 1 regions, but feels that the Commission has submitted a balanced proposal in line with the position taken by the COR in November 1997.

3.2. Objective 2

3.2.1. According to the proposal, Objective 2 regions comprise four different types of area facing structural problems of socio-economic conversion whose population or area are sufficiently substantial. They include areas undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries. The population of these regions must not exceed 18 % of the total population of the Community. The grouping of different types of problem (rural and urban areas, socio-economic change, dependence on fisheries) within Objective 2 demonstrates the Commission's wish to simplify Community assistance and make it more transparent. The COR reiterates its concern that the effects of this simplification should also be felt at local level by the players responsible for implementing the Structural Funds.

3.2.2. The areas eligible for Objective 2 are determined by the Commission and Member States working in tandem. Those areas presently covered by Objectives 2 and 5(b) which are not eligible to become new Objective 2 areas, will receive transitional support for a period of four years under the new Objective 2 rules.

3.2.3. A number of individual provisions in respect of Objective 2 need to be revised along the lines of the proposals set out in the Committee's opinion of November 1997 and its opinion on the draft general Structural Funds regulation.

3.2.4. Defining Objective 2 areas will be a difficult task at national level. For the regional and local authorities, it is important that decisions are based on the most open possible statistical and qualitative examination and on achieving a balance between regions and between the different areas that make up these regions.

3.3. *The new Community Initiative for cross-border, transnational and inter-regional cooperation*

3.3.1. The number of Community Initiatives is limited to three in the proposals in such a way that one initiative is supported by each structural fund. The COR would, however, reiterate its call for a collateral instrument for industrial and sectoral structural change and military conversion, so that an appropriate response can be made to unforeseen crises.

3.3.2. With ERDF funding, the Commission proposes promoting cross-border, transnational and inter-regional cooperation intended to encourage harmonious and balanced regional development and planning.

3.3.3. This new Initiative thus constitutes an important part of the ERDF's mission. The COR will closely monitor the effectiveness of the Community Initiative in practice.

3.3.4. Each Community initiative project is financed from a single fund. However, as is customary, the regulation allows financing to be extended to all measures needed for the implementation of the project in question.

3.4. *Innovative measures*

3.4.1. At the initiative of the Commission, and subject to a ceiling of 0,7 % of their respective annual funding, the funds may finance innovative measures at Community level. These shall include studies, pilot projects and exchanges of experience.

3.4.2. Each field for pilot projects shall be financed by one fund only. The regulation allows for the traditional scope of financing to be amplified to include all measures required to implement the pilot project concerned.

3.5. *Technical assistance*

3.5.1. At the initiative or on behalf of the Commission, and subject to a ceiling of 0,3 % of their respective annual allocation, the funds may be used to finance the preparatory, monitoring, evaluation and checking measures necessary for implementing Structural Fund measures.

3.5.2. The details of technical assistance are set out in Article 22.

4. **The purpose and gist of the proposed ERDF Regulation**

4.1. According to the proposal, this regulation is intended to specify the kind of measures which may be funded by the ERDF and the tasks of regional development.

4.2. Apart from the preamble, the draft regulation consists of only nine articles, of which five deal with general administrative provisions. Articles 1-4 define the tasks of the fund, Article 2 the scope, Article 3 the Community Initiative rules and Article 4 the rules on innovative measures.

4.3. The COR is pleased to note the structural clarity which has been achieved between the general Regulation and the regulations on the separate funds.

5. **Assessment of the draft ERDF regulation**

5.1. *Preamble*

5.1.1. The COR feels that the preamble forms a coherent whole. It is also clear from the draft regulation that there are several funds, each with its various tasks. Thus, for instance, point 4 refers to funding granted for the harmonious, balanced and sustainable development of economic activity. However, within regional development as a whole, other aspects of society should also be looked at. At present, action on some of these aspects is funded through the European Social Fund. Owing to the difficulties inherent in the present state of affairs, the COR feels that coordination between the different Structural Funds should be improved so as to facilitate development planning in general.

5.1.2. Point 5 states the environmental objectives and conditions in more detail than elsewhere. For the sake of clarity, a specific reference should be made in this point to aiding the internationalization of SMEs up to a global level in all cases as part of support for the competitiveness of enterprises. Mention should also be made of the importance of securing adequate water resources to slow down and combat soil degradation

and erosion, and to ensure sustainable development in large areas of the EU.

5.1.3. Since the ERDF is specifically designed to promote economic and social cohesion by redressing regional imbalances and contributing to the development and conversion of regions, the Committee thinks that the criteria should include insularity and the backwardness of rural areas — in accordance with Article 158 of the Amsterdam Treaty — as these are factors which give rise to a number of structural disadvantages. Mention should also be made of the 'outermost regions' criterion — in accordance with Article 299 of the Amsterdam Treaty — which takes account of the remoteness and permanent disadvantages faced by the regions concerned. Finally, reference should also be made to the criterion of remoteness, firstly because of the disadvantages suffered by remote areas, and secondly because of the specific need to link-up and structure such areas in keeping with their territorial make-up and position within Europe.

5.2. *Article 1 — Tasks of the Fund*

5.2.1. The wording of the Article is sufficiently general, but at the same time quite precise, and the COR has no comment to make on it.

5.3. *Article 2 — Scope of the Fund*

5.3.1. This is the most important article in the draft regulation as it sets out the categories and areas which are eligible for ERDF funding. The COR feels that, under the proposal, Europe's regional and local authorities are free to act in those areas which they feel are appropriate for promoting balanced and sustainable economic and social development in line with their potential.

5.3.2. On the basis of each locality's and region's particular features, and taking into account progress towards European integration, the list of areas to be given priority support should include reforms of the production and service structure, in particular to help small and medium-sized businesses to adapt competitively to the single market and the euro.

5.3.3. The COR stresses the importance of joint funding of infrastructure investments by the ERDF. However, it does not understand the Commission's attitude towards the wish of local and regional authorities to participate in such investments, including in declining industrial areas, if they consider that modernization of the transport infrastructure is necessary.

5.3.4. Bearing in mind the major importance of culture to the identity and vitality of regions and localities, it is essential in a world which is becoming more and more globalized to make sure that cultural-economic activities and their various forms of expression

are taken into account in regional development. The COR therefore proposes that cultural activities with structural policy implications — including the cultural heritage and the development of cultural tourism — be added to the list of areas to be given support under Article 2.

5.3.5. In addition to the trans-European networks, the Committee believes that the ERDF should extend its sphere of activities to cover regional and inter-regional infrastructure in the transport, telecommunications and energy sectors, paying attention to the island, outermost, rural uplands and remote regions suffering specific structural disadvantages.

5.4. *Article 3 — Community Initiative on cross-border, transnational and inter-regional cooperation*

5.4.1. The Community Initiative, the revised Interreg programme, is concerned with cross-border, transnational and inter-regional cooperation intended to encourage the harmonious and balanced development and spatial planning of the European territory.

5.4.2. Funding of the programme is only through the ERDF but the action receiving funding may also be of the kind traditionally within the competence of other Structural Funds.

5.4.3. The COR is pleased to note the Commission's proposals on content and funding. Financing coming from a single fund may make implementation more straightforward. The proposed procedure also provides a good opportunity to test the single-fund principle in practice. The Interreg programmes have been largely effective apart from a few shortcomings, and the need for cross-border, transnational and inter-regional cooperation is great.

5.4.4. As detailed draft rules are only just being drawn up, the COR would draw attention to certain issues which should be borne in mind in the new rules and in the Commission's measures.

5.4.5. The Community Initiative consists of three parts: cross-border, transnational and inter-regional cooperation. The COR would like to see this programme focus particularly on encouraging the participation of localities and regions in cross-border and inter-regional cooperation since there are many opportunities at national level to foster transnational cooperation.

5.4.6. The COR believes that this Community initiative should pay special attention and lend special support, both in quantitative and qualitative terms, to regional cooperation and structuring processes designed to forge closer relations between respective economic and social

sub-units, thus promoting the formation and establishment of new functional, economic and social units integrated in relation to their position within Europe's territorial structure.

5.4.7. In the field of cross-border cooperation, the COR would pay special attention to removing the problems now affecting inter-regional cooperation across the EU's external borders.

5.4.8. Action under the MEDA, Phare and Tacis programmes to promote cross-border cooperation on the EU's external borders has come up against numerous problems in practice. This has affected cooperation. Hence there is a need for a clarification of procedures so that action under the new ERDF initiative is better coordinated with the Phare, MEDA and Tacis programmes, especially where their cross-border elements are concerned.

Bearing in mind that regional and local authorities are essential players in cross-border cooperation, the COR offers to collaborate in this process to find practical solutions.

5.4.9. Cooperation between Phare programmes and the new Initiative for cross-border, transnational and inter-regional cooperation is now of particular importance in the run-up to EU enlargement. Good cooperation will also serve to remove the problems which may arise in the EU's border regions in the course of enlargement.

5.4.10. By the same token, coordination between the new Initiative and the MEDA programme should be improved to enable the regional and local authorities to participate more effectively in the Euro-Mediterranean Association Agreement concluded at the Barcelona Conference in November 1995. In this way, and through decentralized cooperation, they can help to bring about an area of peace, stability and progress in the Mediterranean.

5.4.11. In conjunction with the new Community Initiative, cross-border cooperation under the Tacis programme may be a more effective means of bringing about interaction between Russia and the EU's border regions. It is in these European border regions that the most marked differences in levels of development are found, both in terms of living standards and the effectiveness of democratically elected regional and local administrations.

5.4.12. The COR also takes the view that this new initiative must give priority attention to those areas and regions whose common minority language and/or culture straddles the border between them.

5.4.13. Inter-regional cooperation is one of the key aspects involved in building Europe. The COR would place particular emphasis on the importance of such cooperation. In order to foster cohesion in Europe, it is essential to achieve a good level of mutual understanding within Europe. The new Community Initiative offers the means to achieve this objective.

5.4.14. The rules of the new Initiative on cross-border, transnational and inter-regional cooperation should also allow for combinations of cross-border and inter-regional cooperation in particular in the programmes to be drawn up.

5.4.15. The Committee believes that the initiative on cross-border, trans-national and inter-regional cooperation should make provision for specific inter-regional cooperation measures between the outermost regions.

5.5. *Article 4 — Innovative measures*

5.5.1. Innovative measures comprise studies on the Commission's initiative, pilot projects and exchanges of experience relating to innovation.

5.5.2. The COR supports the Commission's proposal in that innovative measures have proved important for regional and local authorities. Projects carried out on the Commission's initiative have had a major impact. Furthermore, regional and local authorities have been able to establish a close relationship with the Commission, thereby helping to increase mutual understanding.

5.5.3. It is also particularly pleasing to note that innovative measures can be financed from the ERDF by extending the scope to the spheres of other Structural Funds. The proposal demonstrates the Commission's lack of prejudice as well as an understanding of the needs of regional and local authorities. The COR ventures to hope that the Commission will establish simple and effective procedural rules, in particular by simplifying the rules on eligibility of expenditure, setting up some kind of retrospective financial control and establishing mechanisms for pooling the risks incurred by the smallest-scale projects.

5.5.4. On the subject of innovative measures, the COR wishes to draw attention to the fact that, recently, the Commission has decided to give priority to economically more substantial projects, thus reducing the number of projects co-financed. The COR understands the background to this, but is resolutely opposed to the trend.

5.5.5. Many European regions and localities are very small and, when the policy is for large-scale projects, they have minimal chances of participating. It is therefore essential that the Commission also gives a chance to small-scale innovative projects, including those originating from civil society. Small regions and localities also need innovations to cope with the furious pace of development.

5.5.6. The COR would like to see inter-regional cooperation encouraged as part of the innovative measures. Specifically, it supports continuity and an improvement in the procedures under the Ecos-Ouverture and Recite programmes, with a view to improving coordination between the measures financed by the ERDF and those included in the MEDA, Phare and Tacis Programmes.

5.6. *Articles 5-9*

5.6.1. The COR has no comments to make on these articles.

6. **Conclusion**

This opinion stands as an independent complement to the COR's opinion on the general regulation, and the COR would ask the Commission to review its proposal for a Council regulation on the European Regional Development Fund taking account of the recommendations made by the COR. The COR would also ask the Commission to take account of the proposals made by the COR in this opinion when drawing up detailed rules for the new Initiative on cross-border, transnational and inter-regional cooperation and innovative measures, and to review the MEDA, Phare and Tacis rules accordingly so as to create an effective system for drafting and implementing cross-border and inter-regional programmes.

Brussels, 18 November 1998.

The President
of the Committee of the Regions
Manfred DAMMEYER