

II

(Preparatory Acts)

COMMITTEE OF THE REGIONS

59th PLENARY SESSION ON 13 AND 14 APRIL 2005**Opinion of the Committee of the Regions of 13 April 2005 on the Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund**

(2005/C 231/01)

THE COMMITTEE OF THE REGIONS,

Having regard to the Proposal for a COUNCIL REGULATION laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, COM(2004)492 final — 2004/0163 (AVC);

Having regard to the decision of the European Commission of 16 July 2004, to consult it on this subject, under the first paragraph of Article 265 of the Treaty establishing the European Community;

Having regard to the decision of the European Parliament to consult it on this subject;

Having regard to the decision of the Council of 21 December 2004 to consult it on this subject, under the first paragraph of Article 265 and the Article 80 of the Treaty establishing the European Community;

Having regard to the decision of its President of 26 May 2004 to instruct its Commission for Territorial Cohesion to draw up an opinion on this subject;

Having regard to the other proposals for regulations of the European Commission concerning the Cohesion Fund, COM (2004) 494 final — 2004/0166 (AVC), the European Regional Development Fund (ERDF), COM (2004) 495 final — 2004/0167 (COD) the European Social Fund, COM(2004) 493 final — 2004/0165 (COD) and the 'Establishment of a European grouping of cross-border cooperation (EGCC)', COM(2004) 496 — final 2004/0168 (COD);

Having regard to its opinion on the Third Report on Economic and Social Cohesion (CdR 120/2004 fin) ⁽¹⁾;

Having regard to its Outlook report on Governance and simplification of the Structural Funds after 2006 (CdR 389/2002 fin) ⁽²⁾;

⁽¹⁾ JO C 318 du 22.12.2004, p. 1

⁽²⁾ OJ 2003/C 256/01

Having regard to its opinion on 'Partnerships between local and regional authorities and social economy organisations: contribution to employment, local development and social cohesion', (CdR 384/2001 fin) ⁽³⁾;

Having regard to the draft opinion of Mr Albert Bore on the financial perspectives (Communication from the Commission to the Council and the European Parliament: Building our common Future Policy challenges and Budgetary means of the Enlarged Union 2007-2013), adopted by the commission for Territorial Cohesion on 26 November 2004 (CdR 162/2004 rev. 3);

Having regard to the draft opinion of Mr Rosario Condorelli on the Proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund (ERDF), (CdR 233/2004 rev.1);

Having regard to the draft opinion of Mr Paiva on the Proposal for a Regulation of the European Parliament and of the Council on the Cohesion Fund, (CdR 234/2004);

Having regard to the draft opinion of Mrs Fernandez Felgueroso on the Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund, (CdR .../2004);

Having regard to its draft opinion (CdR 232/2004 rev. 3) adopted by the Commission for Territorial Cohesion Policy on 4 February 2005 (**rapporteurs: Mr Nilsson**, Kommunalrad/ORDF and **Mr Tatsis**, Proedros Nomarchiakias Aftodioikissis Dramas-Kavalas-Xanthis);

Whereas:

1. WHEREAS the key yardstick for the Committee's assessment continues to be the objective set out in Article 158 of the EC Treaty. Strengthening economic and social cohesion in order to promote the overall harmonious development of the Community and reducing differences between regions particularly in respect of reducing the development shortfalls of the most disadvantaged areas, will make a significant contribution to strengthening the role of regional and local authorities in Europe, and contribute to the achievement of the Lisbon and Goteborg agendas;
2. WHEREAS Article III-220 of the Treaty establishing a Constitution for Europe strengthens the cohesion objective by introducing a territorial dimension, '*In order to promote its overall harmonious development, the Union shall develop and pursue its action leading to the strengthening of its economic, social and territorial cohesion*';
3. WHEREAS enlargement has produced additional demands for cohesion in Europe that will require long-term and persistent efforts.

adopted the following opinion at its 59th plenary session on 13 and 14 April 2005 (meeting of 13 April).

THE COMMITTEE OF THE REGIONS

principles of solidarity and cooperation, thus representing one of the main cornerstones of the integration between the people and territories of the Union;

INTRODUCTION

I. General context

1. Holds that according to Art. 158 of the European Union Treaty the regional dimension of the cohesion policy is all important and it has to be strengthened after the enlargement in order to promote the harmonious development of the European Union.

2. Judges as positive the results attained in recent years in terms of cohesion and the impact of regional policy of the European Union with respect to strengthening the Community's social and economic cohesion as a whole; it also reiterates that cohesion policy endorsed by the Treaties is the most powerful, visible and important instrument used to implement

3. Accepts the European Commission financial proposals allocating EUR 336.1 billion to cohesion policy and the distribution of this amount amongst the three objectives. It considers the Commission's funding proposal to be adequate for continuing to aid regions in the EU15 and at the same time supporting the new Member States on an equal footing, if the resources are distributed fairly and focused on solving the most serious problems. This proposal is accepted for the time being under the express condition that the Commission and the Member States will seek to secure a reasonable increase, in view of the new requirements due to the Enlargement.

⁽³⁾ JO C 192 du 12.8.2002, p. 53

4. Considers that any reduction of the budget proposed by the E.C in whatever form will put in danger the basics of the Cohesion Policy and consequently undermine the principle of solidarity that represents after all a distinct and essential element of the identity of European integration.

5. Consequently rejects any attempted budgetary adjustments of the amounts proposed by the Commission in terms of allocation of funds between objectives.

6. Re-emphasises the inextricable linkage between an effective European-wide regional policy and the implementation of the Lisbon-Goteborg agenda. Future EU growth and competitiveness across all regions of Europe will be promoted by a continuation of EU cohesion policy involving all the regions, rather by a re-nationalisation of this policy; EU competitiveness depends on the competitiveness of each region.

7. Warns that delays to the start of the programming period as a result of protracted negotiations on the financial perspectives will lead to financial disruption and instability across the local and regional authorities of the EU.

II. A new partnership for cohesion policy

8. Approves the **concentration of resources and priorities on the three objectives** (Convergence, regional Competitiveness and Employment and Territorial Cooperation). This will improve the internal coherence, in terms of coordination between the Structural Funds at Community level and coordination with specific sectoral European policies, and external coherence, in terms of link between the different action levels (local, regional, national and European).

9. Welcomes the fact that the **Cohesion Fund** will apply to Member States with GNI lying below 90 % of the Community average. A political solution should be sought for Member States that will no longer be eligible as a result of enlargement.

10. Welcomes the proposal that Structural Funds support under the '**Convergence Objective**' be focused on sustainable regional and local economic development.

11. Welcomes the proposal of the Commission to find a solution for the regions affected by the so-called **statistical effect** within the new Convergence Objective. However, the relevant provision in the draft regulation does not go far enough, as it offers no planning certainty with regard to the scale of the support and the application of the rules governing aid.

12. Approves the Commission's proposal to create a '**Competitiveness and Employment Objective for all the regions** that do not fall under the Convergence Objective;

special attention could be devoted to regions with serious socio-economic problems and significant need for structural adaptation: these regions should be defined according to unique criteria; it also approves the fact that this new objective is to apply to the regional level as a whole.

13. Agrees that the **regions** totally covered by Objective 1 in 2006 and not eligible under the Convergence Objective, be classed as 'phasing in' regions and continue to benefit from the Structural Funds so that they are involved in the pursuit of the regional competitiveness and employment objective on fair and equitable terms.

14. Expresses appreciation for the creation of a specific '**Territorial Cooperation Objective**' and the mainstreaming of transnational, cross-border and network cooperation but also demands to include interregional co-operation as an independent strands in the new objective. This objective must place special emphasis on disseminating innovation and best practices in order to promote competitiveness in the EU.

15. Agrees that the support of the Funds takes into account the **territorial dimension of Europe**, with a special emphasis on the reinvigoration of urban areas, regions dependent on fishing, regions that present particular geographical and natural handicaps (islands, sparsely populated areas, mountain and border regions) and the outermost regions.

16. Welcomes the newly proposed **Neighbourhood Instrument** as an instrument that reinforces the vision for a Common European house and invites the European Commission to make clear proposals for the coordination between this instrument and the objective of territorial cooperation, in order to maximise mutual synergies.

17. Points out that it is necessary to re-think certain transnational spaces in order to take into account the new political geography of Europe in view of the **future enlargement**, and proposes retaining those transnational cooperation zones from the present 2000-2006 period which have met Community requirements of consistency and efficiency and have served to develop the common interests and opportunities of the regions covered by them.

18. Welcomes the integration of the **gender perspective** during all the stages of the programming, implementation, and evaluation of the Funds.

19. Appreciates the efforts made towards **simplifying the administration**, improving transparency and management of the Funds governed by the General Regulation and urges that the same approach be taken for the implementing provisions to be adopted by the Commission.

20. Supports the proposals for strengthening **partnership** and cooperation between local, regional, national and Community authorities, as well as with private and social actors, in the whole programming, implementation and evaluation process for the Structural Funds and Cohesion Fund.

21. Is in favour of the introduction of the **strategic approach** in the programming system because it leads to a new political process that will have the capacity to raise both the quality of the planning and the effectiveness and efficiency of the management. At the same time, it offers the opportunity for better coordination between the national strategies and the strategic objectives of cohesion policy.

22. Considers that the introduction of the **national strategic reference frameworks** will transfer management responsibilities to the managing authorities of the operational programmes and consequently estimates that the role of the regional and local authorities in all phases of the cohesion policy can be further strengthened.

23. Recognises that the addition of new exceptions regarding the application of rule N+2 increases the **flexibility** and helps the regions especially those of the new Member States to absorb in a timely and orderly manner the cohesion policy funds although it considers that the Commission should undertake more efforts to attain greater flexibility.

III. The views of the Committee of the Regions

24. Points out that simplification is not only a matter of decentralisation, but also a question of **greater accountability** of the system as a whole. The Committee of the Regions underlines the importance for the partnership principle and the involvement of elected representatives from local and regional authorities and calls on the Commission to encourage Member States to make use of the possibility for concluding tripartite agreements, where necessary.

25. Supports the Commission's effort to reinforce the **principle of subsidiarity**. In the efforts of simplification, the Committee of the Regions would therefore like to stress the importance not to increase the centralisation at the Member State level. It is important to secure the process of subsidiarity as well at local and regional level. The objective must not be to only hand over responsibility to the Member States, but to engage relevant actors at the appropriate stage of the implementation of the cohesion policy objectives. Therefore, wishes to see the subsidiarity principle applied within Member States and not just between the Member States and the European Union.

26. Considers that the deeper involvement of regional and local authorities in all the phases of the next programming period will positively contribute to the resolution of the

problems of absorption that appeared in the current programming period.

27. Calls on the European Commission to provide a supportive framework for **territorial differentiation in the State Aid rules** and regulations, to allow for targeted public investment, especially where this can correct real market failure in order to achieve the territorial cohesion objective.

28. Proposes that some **very sparsely populated regions** will be treated as a special case with due regard to the seriousness of the prevailing conditions, as stated in the Accession Treaties of Sweden and Finland.

29. Considers that the proposal on **the implementation of the European Territorial cooperation** Objective should be expressed more clearly. Considerable efforts should be made to simplify administrative formalities especially in the case of support programmes, which are administered on both sides of borders, since highly complex EU legal and administrative provisions have considerably hampered cross-border cooperation thus far.

30. Appreciates the inclusion of **maritime borders** for the purpose of territorial cooperation, and demands that the limit of 150 km should be interpreted in a flexible manner, in order to permit meaningful cooperation between regions that have common sea borders.

31. Suggests that in order to improve the effectiveness and **efficiency of interregional cooperation**, the regional programmes cover a full range of strategic themes presenting added value at European level and sufficient financial resources.

32. Welcomes the attention given by the Commission to strengthening **social inclusion** and calls for more measures able to respond to the needs of the people with disabilities.

33. Considers that greater attention should be given to issues relating to the ageing population, which is one of the greatest challenges facing Europe over the coming decades.

34. Strongly recommends that future programmes financed by the Structural Funds cover such issues as urban renewal, social deprivation, economic restructuring and public transport all of which tend to concentrate in metropolitan regions. The Structural Funds must support sustainable development in cities.

35. Is concerned about establishing the rate of Community co-financing in relation to the total public expenditure, as this might discourage private sector participation in programmes. Therefore, it proposes to calculate the contribution from the Funds in relation to the total national expenditure, as an essential tool to reinforce **private-public partnerships**.

36. Urges that the Committee of the Regions is actively consulted through participation at **the Spring European Council's** annual examination of competitiveness and cohesion agendas. This would provide local and regional authorities with opportunities to bring forward issues and good practice as required for improved functioning of the open method of coordination in the implementation of Lisbon and Goteborg agendas.

37. Argues that the **national strategic reference framework** should be a concise strategic document, leaving sufficient scope for the operational programmes led by the regions to determine the specific objectives and actions for each region. In addition, it is important to ensure that the document does not delay the procedure for approving the operational programmes or create further constraints on their implementation.

38. Asks the Commission to maintain the current system for the **performance reserve**.

39. Proposes to look into a system where only **reimbursable VAT** would not be eligible for contribution within ERDF,

similar to what the Commission has already proposed for the ESF. At present, this creates concrete costs for actions at local and regional level. As the VAT is an income for the State, a model should be identified in order to remove the negative impact on local and regional level.

40. Considers that the **N+2 rule** continues to have a negative impact in the beginning of the programming period, especially in the case of the territorial cooperation objective, as well as significant investment projects that do not reach the threshold amount of major projects. This impact could be considerably reduced if an increase in the payment on account not subject to automatic decommitment were provided for.

41. Demands that the operational programmes, priorities and measures make clear references to binding environmental commitments.

42. Holds that cohesion policy should promote a spatial development policy able to take into account the existing trans-european cooperation structures and the perspectives of cooperation under common territorial characteristics.

THE COMMITTEE OF THE REGIONS' RECOMMENDATIONS

TITLE I

OBJECTIVES AND GENERAL RULES ON ASSISTANCE

CHAPTER I

Scope and definitions

Recommendation 1

Article 2, paragraph 5

Text proposed by the Commission	CoR amendment
5) 'public expenditure': any public contribution to the financing of operations whose origin is the budget of the State, of regional and local authorities, of the European Communities related to the Structural Funds and the Cohesion Fund and any similar expenditure. Any contribution to the financing of operations whose origin is the budget of public law bodies or associations of one or more regional or local authorities or public law bodies within the meaning of Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts 9 shall be regarded as public contribution;	5) 'public expenditure': any public contribution to the financing of operations whose origin is the budget of the State, of national, regional and local authorities, of the European Communities related to the Structural Funds and the Cohesion Fund and any similar expenditure. Any contribution to the financing of operations whose origin is or associations of one or more regional or local authorities or public law bodies within the meaning of Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts 9 shall be regarded as public contribution;

Reason

Public expenditure is public contribution from public bodies. It is unnecessary to specify where the public funds come from. This only creates obstacles and limitations instead of creativity at local and regional level together with the partnership, as referred to in Article 10.

Recommendation 2

Article 3, paragraph 1

Text proposed by the Commission	CoR amendment
<p>1. The action taken by the Community under Article 158 of the Treaty shall be designed to strengthen the economic and social cohesion of the enlarged Community in order to promote the harmonious, balanced and sustainable development of the Community. This action shall be taken with the aid of the Funds, the European Investment Bank (EIB) and other existing financial instruments. It shall be aimed at meeting the challenges linked to the economic, social and territorial disparities, which have arisen particularly in countries and regions whose development is lagging behind, to the speeding-up of economic and social restructuring, and to the ageing of the population.</p> <p>The action taken under the Funds shall incorporate, at national and regional level, the Community's priorities in favour of sustainable development by strengthening growth, competitiveness and employment, social inclusion, as well as the protection and quality of the environment.</p>	<p>1. The action taken by the Community under Article 158 of the Treaty shall be designed to strengthen the economic and social cohesion of the enlarged Community in order to promote the harmonious, balanced and sustainable development of the Community. This action shall be taken with the aid of the Funds, the European Investment Bank (EIB) and other existing financial instruments. It shall be aimed at meeting the challenges linked to the economic, social and territorial disparities, which have arisen particularly in countries and regions whose development is lagging behind, to the speeding-up of economic and social restructuring, and to the ageing of the population.</p> <p><u>In pursuing the cohesion policy objectives the community shall contribute to the harmonious, balanced and sustainable development of economic activities in the EU territories.</u></p> <p>The action taken under the Funds shall incorporate, at national, regional and local level, the Community's priorities in favour of sustainable development by strengthening growth, competitiveness and employment, social inclusion, as well as the protection and quality of the environment.</p>

Reason

By highlighting the aim of the cohesion policy at large and making the activities and action a second sub-level of the paragraph, we put back the core to the common cohesion policy at Community level. The recommendation is in line with Article 1 of Regulation 1260/99 which provides that 'in pursuing these objectives the community shall contribute to the...'. The drafting in the current proposal for regulation clearly shifts the emphasis: 'the action taken under the Funds shall incorporate at national and regional level, the Community priorities in favour of sustainable development by strengthening growth' (financial goal). This provision clearly has a different emphasis from the current proposal.

Recommendation 3

Article 3, paragraph 2, point a)

Text proposed by the Commission	CoR amendment
<p>a) the 'Convergence' objective shall be aimed at speeding up the convergence of the least-developed Member States and regions by improving conditions for growth and employment through increasing and improving the quality of investment in physical and human capital, the development of innovation and of the knowledge society, the adaptability to economic and social changes, the protection and improvement of the environment as well as administrative efficiency. This objective shall constitute the priority of the Funds.</p>	<p>a) the 'Convergence' objective shall be aimed at speeding up the convergence of the least-developed Member States and regions by improving conditions for growth and employment through increasing and improving the quality of investment in physical and human capital, <u>infrastructure, entrepreneurship</u>, the development of innovation and of the knowledge society, the adaptability to economic and social changes, the protection and improvement of the environment as well as administrative efficiency. This objective shall constitute the priority of the Funds.</p>

Reason

It is important for the 'Convergence' objective, to have a clear emphasis on infrastructure issues, occurring not only physical infrastructures, but also human capital and entrepreneurial infrastructure as also for the development of innovation and of the knowledge society, for the protection and improvement of the environment and the improvement of the administrative efficiency.

Recommendation 4*Article 6, paragraph 1*

Text proposed by the Commission	CoR amendment
When presenting the national strategic reference framework referred to in Article 25, each Member State concerned shall indicate the NUTS I or II regions for which it will present a programme for financing by the ERDF.	When presenting the national strategic reference framework referred to in Article 25, each Member State concerned, by agreement with the regions, shall indicate the NUTS I or II regions for which it will present a programme for financing by the ERDF. <u>In accordance with Article 34(2), a Member State can also propose programmes at a different more appropriate territorial level.</u>

Reason

For the sake of clarity, it is important to include here a specific reference to Article 34 (point 2), according to which a Member State is allowed to propose operational programmes at a different territorial level than NUTS I or NUTS II regions.

Recommendation 5*Article 7, paragraph 3*

Text proposed by the Commission	CoR amendment
For the purpose of cooperation networks and exchange of experience, the territory of the Community shall be eligible.	For the purpose of cooperation networks and exchange of experience, <u>For interregional cooperation, which can cover a wide field, from exchange of experience to investment projects,</u> the territory of the Community shall be eligible. <u>The aim is to ensure that projects in region's adjoining former internal borders and new external borders of the Union will still be possible in the future.</u>

Reason

Trans-national cooperation takes place within one of the thirteen designated regions. In addition to this form of cooperation, there is also a need to establish cooperation projects with regions throughout the EU not covered by the designations 'cross-frontier' or 'trans-national' cooperation. If cooperation is confined to the exchange of information or the establishment of networks, this does not do full justice to the needs of regions to move to more extensive cooperation with other regions in the EU. The broad field of cross-border and trans-national cooperation therefore also needs to embrace interregional cooperation.

CHAPTER IV

Principles of assistance**Recommendation 6***Article 10 paragraph 1*

Text proposed by the Commission	Amendment
Assistance from the Funds shall be decided by the Commission within the framework of close cooperation, hereinafter 'partnership', between the Commission and a Member State. The Member State organises, in accordance with current national rules and practices, a partnership with the authorities and bodies which it designates, namely:	Assistance from the Funds shall be decided by the Commission within the framework of close cooperation, hereinafter 'partnership', between the Commission and a Member State <u>and the regions</u> . The Member State organises, in accordance with current national rules and practices, a partnership with the <u>appropriate</u> authorities and bodies which it designates, namely:

Reason

It is necessary for the regulation to guarantee the involvement of the regions in all phases of the negotiation of the Funds. The Commission's proposal makes the regions' involvement in the negotiation procedure subject to their designation by the Member State. It is essential that the regions be direct discussion partners of the Commission when negotiating Fund intervention in this area of responsibility.

In its White Paper on Governance the Commission itself points out that the regions' increased responsibility for implementing Community policies (and it refers specifically to cohesion policy) has not been matched by an increase in their real participation in the EU. It adds that this is because national governments do not sufficiently involve the regions in the preparation of their positions on Community policies. One way of ensuring that the regions participate in cohesion policy is for the regulations to lay down rules for their involvement in the negotiating procedure.

In conclusion, the regulation should recognise the regions as managing and paying authorities, and for this it is necessary that they be directly involved in consultations with the Commission during all phases of the Fund negotiating procedure.

Recommendation 7*Article 10, paragraph 1 c)*

Text proposed by the Commission	CoR amendment
c) any other appropriate body representing civil society, environmental partners, non-governmental organisations, and bodies responsible for promoting equality between men and women.	c) any other appropriate body representing civil society, environmental partners, non-governmental organisations, <u>social economy organisations</u> , and bodies responsible for promoting equality between men and women.

Reason

The partnership should strengthen the inclusion of the social economy organisations.

Recommendation 8*Article 10, paragraph 2*

Text proposed by the Commission	CoR amendment
2. The partnership shall be conducted in full compliance with the respective institutional, legal and financial jurisdiction of each partner category. The partnership shall cover preparation and monitoring of the national strategic reference framework as well as the preparation, implementation, monitoring and evaluation of the operational programmes. Member States shall involve each of the appropriate partners, and particularly the regions, in the various programming stages within the time limit set for each stage.	2. The partnership shall be conducted in full compliance with the respective institutional, legal and financial jurisdiction of each partner category. The partnership shall cover preparation and monitoring of the national strategic reference framework as well as the preparation, <u>financing</u> , implementation, monitoring and evaluation of the operational programmes. Member States shall involve each of the appropriate partners, and particularly the regions and cities, in the various programming stages within the time limit set <u>appropriate for having an impact on</u> each stage.

Reason

It is important that the partnership will be given a chance to have an impact on the programming stages. This can only be done with appropriate amount of time to its disposal. As well an impact on the issues of financing is important and should be added.

CHAPTER V

Financial framework**Recommendation 9***Article 15 (2)*

Text proposed by the Commission	CoR amendment
<p style="text-align: center;"><i>Article 15</i></p> <p style="text-align: center;">Global resources</p> <p>1. The resources available for commitment from the Funds for the period 2007 to 2013 shall be EUR 336.1 billion at 2004 prices in accordance with the annual breakdown is shown in the Annex 1.</p> <p>For the purpose of their programming and subsequent inclusion in the general budget of the European Communities, these amounts referred to in the first subparagraph shall be indexed at to 2 % per year.</p> <p>The breakdown of budgetary resources between the objectives defined in Article 3(2) shall be such to achieve a significant concentration on the regions of the 'Convergence' objective.</p> <p>2. The Commission shall make indicative annual breakdowns by Member States in accordance with the criteria established in Articles 16, 17 and 18 and without prejudice to the provisions referred to in Articles 20 and 21.</p>	<p style="text-align: center;"><i>Article 15</i></p> <p style="text-align: center;">Global resources</p> <p>1. The resources available for commitment from the Funds for the period 2007 to 2013 shall be EUR 336.1 billion at 2004 prices in accordance with the annual breakdown is shown in the Annex 1.</p> <p>For the purpose of their programming and subsequent inclusion in the general budget of the European Communities, these amounts referred to in the first subparagraph shall be indexed at to 2 % per year.</p> <p>The breakdown of budgetary resources between the objectives defined in Article 3(2) shall be such to achieve a significant concentration on the regions of the 'Convergence' objective.</p> <p>2. The Commission shall make indicative annual breakdowns by Member States in accordance with the criteria established in Articles 16, 17 and 18, <u>and by region</u>, and without prejudice to the provisions referred to in Articles 20 and 21. <u>Particular attention should be paid to areas with severe and permanent natural and demographic handicaps, such as the northernmost regions with very low population density, and island, cross-border and mountainous areas.</u></p>

Reason

The regions should be involved in the distribution of the Funds. In making the breakdowns by Member State, the Commission proposal places this distribution exclusively in the hands of the Member States. In fact, the first draft of the Third Cohesion Report established that the funding would be distributed on the basis of an indicative breakdown by region laid down by the Commission. This subparagraph was dropped from the final report. It should also be pointed out that the criteria set out in Articles 16, 17 and 18 cover distribution by the State and thus criteria for distribution by the regions should be added.

The second addition is necessary to bring the general regulation into line with the relevant provisions of the constitutional Treaty (Article III-220).

Recommendation 10*Article 17, paragraph 2*

Text proposed by the Commission	CoR amendment
<p>2. The appropriations referred to in paragraph 1, subparagraph a) shall be divided equally between the programmes financed by the ERDF and the programmes financed by the ESF.</p>	<p>2. The appropriations referred to in paragraph 1, subparagraph a) shall be divided equally between the programmes financed by the ERDF and the programmes financed by the ESF, <u>according to a ratio to be determined on the basis of regional conditions; there should also be a substantial level of decentralisation in respect of the implementation of these provisions.</u></p>

Reason

The switch from an economy based on agriculture and traditional manufacturing industries to a knowledge-based economy requires considerable efforts on the part of the business world to bring about innovation in the field of products, processes and marketing. Assistance under the ERDF would be a more effective vehicle for achieving this goal than assistance under the ESF.

TITLE II

STRATEGIC APPROACH TO COHESION

CHAPTER I

*Community strategic guidelines on cohesion***Recommendation 11***Article 23*

Text proposed by the Commission	CoR amendment
For each of the objectives of the Funds, those guidelines shall in particular give effect to the priorities of the Community with a view to promote balanced, harmonious and sustainable development.	For each of the objectives of the Funds, those guidelines shall in particular give effect to the priorities of the Community with a view to promote balanced, harmonious and sustainable development, <u>mainly through the reduction of regional disparities in conformity with Lisbon strategy and Gothenburg objectives</u>

Reason

The CoR wishes to recall that the basic objective of regional policy is the reduction of regional disparities, as stated in Article 158 of the Treaty.

Recommendation 12*Article 25, paragraph 1*

Text proposed by the Commission	CoR amendment
The Member State shall present a national strategic reference framework which ensures that Community structural aid is consistent with the Community strategic guidelines, and which identifies the link between Community priorities, on the one hand, and national and regional priorities in order to promote sustainable development, and the national action plan on employment, on the other hand. The framework shall constitute a reference instrument for preparing the programming of the Funds.	The Member State shall present a national strategic reference framework which ensures that Community structural aid is consistent with the Community strategic guidelines, and which identifies the link between Community priorities, on the one hand, and national, regional and urban priorities in order to promote sustainable development, and the national action plan on employment, on the other hand. The framework shall constitute a <u>concise and strategic</u> reference instrument for preparing the programming of the Funds.

Reason

It is sensible to add a reference to urban priorities in the light of the requirement that each national strategic reference framework specifies the priorities for urban interventions.

The CoR thinks that sufficient scope should be left for the operation programmes led by the Regions to determine the specific objectives and actions for each Region.

Recommendation 13*Article 25, paragraph 2*

Text proposed by the Commission	CoR amendment
2. Each national strategic reference framework shall contain a summary description of the Member State's strategy and its operational implementation.	2. Each national strategic reference framework shall contain a summary description of the Member State's strategy and its operational implementation. <u>This strategy should be guided by the partnership approach as defined in article 10.</u>

Reason

It is good to establish a national strategic framework but it should be strongly influenced by the local and regional situation.

Recommendation 14*Article 27 paragraph 1*

Text proposed by the Commission	CoR amendment
<p>Annual report by Member States</p> <p>For the first time in 2008 and at the latest by 1 October each year, each Member State shall present to the Commission a report on the progress in implementing its strategy and achieving its goals, taking particular account of the indicators set, and their contribution towards implementing the Community strategic guidelines on cohesion, as well as of available evaluations.</p> <p>The report shall refer to the national action plan on employment.</p>	<p>Annual report by Member States</p> <p>For the first time in 2008 2009 and at the latest by 1 October each year, each Member State shall present to the Commission a report on the progress in implementing its strategy and achieving its goals, taking particular account of the indicators set, and their contribution towards implementing the Community strategic guidelines on cohesion, as well as of available evaluations.</p> <p>The report shall refer to the national action plan on employment.</p>

Reason

The beginning of the strategic programming leading to a proper evaluation of cohesion policy should be 2009.

TITLE III

PROGRAMMING

CHAPTER I

General provisions on the structural funds and the cohesion fund**Recommendation 15***Article 31, paragraph 5*

Text proposed by the Commission	CoR amendment
<p>The Commission shall adopt each operational program as soon as possible after its formal submission by the Member State.</p>	<p>The Commission shall adopt each operational program as soon as possible <u>within six months</u> after its formal submission by the Member State.</p>

Reason

There must be a limit in time for how long the Member State will have to wait for the final decision by the Commission. The amendment results adhere to a more precise timetable.

Recommendation 16*Article 32, paragraph 1*

Text proposed by the Commission	CoR amendment
<p>At the initiative of the Member State or the Commission, and after approval by the Monitoring Committee, operational programmes shall be re-examined and, if necessary, revised for the rest of the programming period following significant socioeconomic changes or in order to take greater or different account of the Community priorities, particularly in the light of Council conclusions.</p>	<p>At the initiative of the Member State, or the Commission, or the eligible areas concerned, and after approval by the Monitoring Committee, operational programmes shall be re-examined and, if necessary, revised for the rest of the programming period following significant socioeconomic changes or in order to take greater or different account of the Community priorities, particularly in the light of Council conclusions. <u>This revision procedure will conform to Article 10.</u></p>

Reason

It is of importance that the partnership, as stated in Article 10, will have influence on the decision of re-examination of the programmes.

Recommendation 17*Article 32, paragraph 2*

Text proposed by the Commission	CoR amendment
2. The Commission shall adopt a decision on the requests for revision of operational programmes as soon as possible after formal submission of the request by the Member State.	2. The Commission shall adopt a decision on the requests for revision of operational programmes as soon as possible <u>within three months</u> after formal submission of the request by the Member State.

Reason

There must be a limit in time for how long the Member State will have to wait for the final decision by the Commission. The amendment results adhere to a more precise timetable.

Recommendation 18*Article 36, paragraph 4*

Text proposed by the Commission	CoR amendment
4. Operational programmes financed by the ERDF shall contain in addition to the 'Convergence' and the 'Regional competitiveness and employment' objective: a) actions for inter-regional cooperation with, at least, one region of another Member State in each regional programme;	4. Operational programmes financed by the ERDF may contain in addition to the 'Convergence' and the 'Regional competitiveness and employment' objective: a) actions <u>aiming</u> for inter-regional cooperation with, at least, one region of another Member State in each regional programme;

Reason

At the moment of the decision of the actions, the specified region must be stated. It is not possible to determine in advance which region or regions to cooperate with on programming level. The projects themselves have to be able to decide upon the region/regions to cooperate with.

Recommendation 19*Article 40, paragraph 3*

Text proposed by the Commission	CoR amendment
3. The Commission shall adopt a decision as soon as possible after the submission by the Member State or the managing authority of all the information referred to in Article 39.	3. The Commission shall adopt a decision as soon as possible <u>at the latest six months</u> after the submission by the Member State or the managing authority of all the information referred to in Article 39.

Reason

There must be a limit in time for how long the Member State will have to wait for the final decision by the Commission. The amendment results adhere to a more precise timetable.

Recommendation 20*Article 41, paragraph 1*

Text proposed by the Commission	CoR amendment
The managing authority may entrust the management and implementation of a part of an operational programme to one or more intermediate bodies, designated by the managing authority, including local authorities, regional development bodies or non-governmental organisations, which shall ensure the implementation of one or more operations in accordance with the provisions of an agreement concluded between the managing authority and that body.	The managing authority may entrust the management and implementation of a part of an operational programme to one or more intermediate bodies, designated by the managing authority, including <u>regional and</u> local authorities, regional development bodies or non-governmental organisations, which shall ensure the implementation of one or more operations in accordance with the provisions of an agreement concluded between the managing authority and that body.

Reason

It seems appropriate to specify that regional authorities may also be entrusted the management and implementation of a part of an operational programme through a global grant.

TITLE IV

EFFECTIVENESS

CHAPTER I

Evaluation**Recommendation 21***Article 45 paragraph 1*

Text proposed by the Commission	CoR amendment
1. The strategic guidelines of the Community, the national strategic reference framework, and the operational programmes shall be the subject of evaluation. Evaluations shall aim to improve the quality, effectiveness and consistency of Fund assistance and the implementation of operational programmes. They shall also appraise their impact with respect to the strategic objectives of the Community, to Article 158 of the Treaty and to the specific structural problems affecting the Member States and regions concerned, while taking account of the needs of sustainable development and of the relevant Community legislation concerning environmental impact and strategic environmental assessment.	1. The strategic guidelines of the Community, the national strategic reference framework, and the operational programmes shall be the subject of evaluation. Evaluations shall aim to improve the quality, effectiveness and consistency of Fund assistance and the implementation of operational programmes. They shall also appraise their impact with respect to the strategic objectives of the Community, to Article 158 of the Treaty and to the specific structural problems affecting the Member States and regions concerned, while taking account of the needs of sustainable development and of the relevant Community legislation concerning environmental impact and strategic environmental assessment, <u>equality between men and women, non-discrimination on the grounds covered by Article 13 of the EU Treaties, social inclusion and accessibility for disabled persons.</u>

Reason

Non-discrimination and social inclusion are important commitments and goal of the European Community and must be explicitly recognised in the objectives for the strategic guidelines.

CHAPTER II

Reserves

Recommendation 22

Article 48

Text proposed by the Commission	CoR amendment
<p>1. Within the context of the annual debate referred to in Article 29, the Council shall in 2011, in accordance with the procedure laid down in Article 161 of the Treaty, allocate the reserve referred to in Article 20 among the Member States to reward progress made as compared with the initial situation:</p> <p>a) for the 'Convergence' objective, on the basis of the following criteria:</p> <p>i) growth in the per capita gross domestic product measured at NUTS II level, in relation to the Community average, on the basis of the data available for the 2004-2010 period;</p> <p>ii) growth in the employment rate at NUTS II level, on the basis of the data available for the 2004-2010 period;</p> <p>b) for the 'Regional competitiveness and employment' objective, on the basis of the following criteria:</p> <p>i) pro rata to those regions having spent between 2007 and 2010 at least 50% of their ERDF allocation on innovation-related activities as referred to in Article 5(1) of Regulation (EC) No [...];</p> <p>ii) growth in the employment rate at NUTS II level, on the basis of the data available for the 2004-2010 period.</p> <p>2. Each Member State shall allocate the amounts concerned among operational programmes taking into account the criteria referred to in the previous paragraph.</p>	<p>1. Within the context of the annual debate referred to in Article 29, the Council shall in 2011, in accordance with the procedure laid down in Article 161 of the Treaty, allocate the reserve referred to in Article 20 among the Member States to reward progress made as compared with the initial situation:</p> <p>a) for the 'Convergence' objective, on the basis of the following criteria:</p> <p>i) growth in the per capita gross domestic product measured at NUTS II level, in relation to the Community average, on the basis of the data available for the 2004-2010 period;</p> <p>ii) growth in the employment rate at NUTS II level, on the basis of the data available for the 2004-2010 period;</p> <p>b) for the 'Regional competitiveness and employment' objective, on the basis of the following criteria:</p> <p>i) pro rata to those regions having spent between 2007 and 2010 at least 50% of their ERDF allocation on innovation-related activities as referred to in Article 5(1) of Regulation (EC) No [...];</p> <p>ii) growth in the employment rate at NUTS II level, on the basis of the data available for the 2004-2010 period.</p> <p>2. Each Member State shall allocate the amounts concerned among operational programmes taking into account the criteria referred to in the previous paragraph.</p> <p><u>1. Each Member State, in close consultation with the Commission, shall assess under each objective and not later than 31 December 2010 the performance of each of their operational programmes on the basis of a limited number of monitoring indicators reflecting effectiveness, management and financial implementation and measuring themed-term results in relation to their specific initial targets.</u></p> <p><u>These indicators shall be decided by the Member State in close consultation with the Commission considering the indications given by regional authorities taking account of all or part of an indicative list of indicators proposed by the Commission and shall be quantified in the existing different annual implementation reports as well as the mid-term evaluation report. The Member States shall be responsible for their application.</u></p> <p><u>2. At mid-term and not later than 31 March 2011, the Commission shall allocate, in close consultation with the Member States concerned, under each objective, on the basis of proposals from each Member State, taking account of its specific institutional features and their corresponding programming, the commitment appropriations to the operational programmes and their priorities which are considered to be successful.</u></p>

Reason

We consider that the Commission's proposal to change the 'philosophy' and the allocation of the reserve, for quality and performance between the Member States, is not appropriate. We think that the reserve for quality and performance should be allocated by the Member State, as it used to be done during the third programming period (2000-2006).

Recommendation 23*Article 49*

Text proposed by the Commission	CoR amendment
<p>National contingency reserve</p> <p>1. The Member State shall reserve an amount of 1% of the Structural Fund annual contribution for the 'Convergence' objective and 3% of the Structural Fund annual contribution for the 'Regional competitiveness and employment' objective to cover unforeseen local or sectoral crises linked to economic and social restructuring or to the consequences of trade opening.</p> <p>This reserve assists the adaptability of the concerned workers and the economic diversification of the regions concerned, as a complement to the operational programmes.</p> <p>2. Each Member State proposes specific operational programmes for the budgetary commitments covering the entire period in order to respond to the crises referred to in the previous paragraph.</p>	<p>National contingency reserve</p> <p>1. <u>The Member State shall reserve an amount of 1% of the Structural Fund annual contribution for the 'Convergence' objective and 3% of the Structural Fund annual contribution for the 'Regional competitiveness and employment' objective to cover unforeseen local or sectoral crises linked to economic and social restructuring or to the consequences of trade opening.</u></p> <p>This reserve assists the adaptability of the concerned workers and the economic diversification of the regions concerned, as a complement to the operational programmes.</p> <p>2. Each Member State proposes specific operational programmes for the budgetary commitments covering the entire period in order to respond to the crises referred to in the previous paragraph.</p> <p><u>Any modifications to the programme which may be necessary shall be subject to a simplified and speeded-up approval procedure.</u></p>

Reason

A significantly simplified and speeded-up programme modification procedure is essential in order to respond quickly.

TITLE V

FINANCIAL CONTRIBUTION BY THE FUNDS

CHAPTER 1

*Contribution of the funds***Recommendation 24***Article 50, point d)*

Text proposed by the Commission	CoR amendment
d) the rate of mobilisation of private financing, in particular under public-private partnerships, in the fields concerned.	d) the rate of mobilisation of private financing, in particular under public-private partnerships, in the fields concerned.

Reason

The term 'rate' refers to something countable. The following articles of the chapter (51-53) do not define anything about that, such as the methods of measuring it, the upper ceilings etc.

Recommendation 25*Article 51, paragraph 2*

Text proposed by the Commission	CoR amendment
The contribution from the Funds shall be calculated in relation to the total public expenditure.	The contribution from the Funds shall be calculated in relation to the total <u>public and private</u> expenditure.

Reason

The CoR is concerned about establishing the rate of Community cofinancing in relation to the total public expenditure, as this might discourage private sector participation in programmes. Therefore, it proposes to calculate the contribution from the Funds in relation to the total national expenditure, as an essential tool to reinforce private-public partnerships.

Recommendation 26*Article 51, paragraph 3*

Text proposed by the Commission	CoR amendment
<p>The contribution from the Funds for each priority shall be subject to the following ceilings:</p> <p>a) 85% of the public expenditure co-financed by the Cohesion Fund;</p> <p>b) 75% of the public expenditure co-financed by the ERDF or the ESF under operational programmes in regions eligible under the 'Convergence' objective;</p> <p>c) 50% of the public expenditure co-financed by the ERDF or the ESF under operational programmes under the 'Regional competitiveness and employment' objective;</p> <p>d) 75% of the public expenditure co-financed by the ERDF under operational programmes under the 'European territorial cooperation' objective;</p> <p>e) the co-financing rate for specific measures financed under the additional allocation for the outermost regions provided for in Article 5(4) shall be 50% of the public expenditure.</p>	<p>The contribution from the Funds for each priority shall be subject to the following ceilings:</p> <p>a) 85% of the public and private expenditure co-financed by the Cohesion Fund;</p> <p>b) 75% of the public and private expenditure co-financed by the ERDF or the ESF under operational programmes in regions eligible under the 'Convergence' objective;</p> <p>c) 50% of the public <u>and private</u> expenditure co-financed by the ERDF or the ESF under operational programmes under the 'Regional competitiveness and employment' objective;</p> <p>d) 75% of the public <u>and private</u> expenditure co-financed by the ERDF under operational programmes under the 'European territorial cooperation' objective;</p> <p>e) the co-financing rate for specific measures financed under the additional allocation for the outermost regions provided for in Article 5(4) shall be 50% of the public <u>and private</u> expenditure.</p>

Reason

In the context of the Third Cohesion Report, issued in February 2004, the European Commission was still in favour of private co-financing. Now the draft regulation provides for co-financing with public funds only. In contrast to the current funding period, practicable private co-financing resources could no longer be used in the funding of EU projects if the regulation were to be adopted.

Private co-responsibility should be brought into play instead of being totally excluded. Such a rule would first and foremost affect broad areas of preventive labour market policy and contribute to a situation where measures of this kind are no longer undertaken to the present extent. This sector in particular is characterised by a particularly high level of innovation and a variety of public-private partnerships.

Recommendation 27*Article 51 paragraph 4*

Text proposed by the Commission	CoR amendment
<p>4. The maximum contribution from the Funds shall be increased to 85% of public expenditure for operational programmes under the 'Convergence' and the 'Regional competitiveness and employment' objectives in the outermost regions and for operational programmes of the outlying Greek islands under the 'Convergence' objective.</p>	<p>4. The maximum contribution from the Funds shall be increased to 85% of public expenditure for operational programmes under the 'Convergence' and the 'Regional competitiveness and employment' objectives in the outermost regions and for operational programmes of the outlying Greek islands under the 'Convergence' and 'Regional competitiveness and employment' objectives.</p>

Reason

A large proportion of the Greek islands are covered by the 'Regional competitiveness and employment' objective, and it is therefore unjustifiable, counterproductive and unfair to exclude them.

TITLE VI

MANAGEMENT, MONITORING AND CONTROLS

CHAPTER I

Management and control systems**Recommendation 28**

Article 58, paragraph 7 (new)

Text proposed by the Commission	CoR amendment
	<p>7. <u>Subject to Article 57(1) the tripartite agreements between local and regional bodies, the Member State and the Commission may be applied. This kind of agreement may contribute to consolidate the partnership principle, linking together local, regional, national and trans-national elements.</u></p>

Reason

If all parties agrees it should be possible to strengthen the cooperation on all levels by tripartite agreements. This should be part of the general regulation in order to stress the importance of the local and regional involvement as well as the partnership, stated in Article 10.

TITLE VII

FINANCIAL MANAGEMENT

CHAPTER I

Financial management

SECTION 3

Pre-financing**Recommendation 29**

Article 81 paragraph 1

Text proposed by the Commission	CoR amendment
<p>1. Following the Commission decision approving the contribution from the Funds to an operational programme, a single pre-financing amount shall be paid by the Commission to the body designated by the Member State. This pre-financing amount shall represent 7% of the contribution from the Structural Funds and 10.5% of the contribution from the Cohesion Fund to that operational programme. It may be spread over two financial years, in accordance with the availability of budget funds.</p>	<p>1. Following the Commission decision approving the contribution from the Funds to an operational programme, a single pre-financing amount shall be paid by the Commission to the body designated by the Member State. This pre-financing amount shall represent 7%10.5% of the contribution from the Structural Funds and the Cohesion Fund to that operational programme. It may be spread over two financial years, in accordance with the availability of budget funds. Two-thirds shall be paid during the first financial year and the remaining third shall be paid during the second financial year.</p>

Reason

Increasing the proportion of the contribution not subject to automatic decommitment and splitting the payment in this way are a response to the need for a more realistic expenditure pattern during the initial years of a project's implementation; these measures are based on the arrangements already established in respect of the Cohesion Fund.

TITLE VIII

COMMITTEES

CHAPTER 1

ERDF, Cohesion Fund and Fund Coordination Committee**Recommendation 30***Article 104 (add new point)*

Text proposed by the Commission	CoR amendment
<p>1. The Commission shall be assisted by the ERDF, Cohesion Fund and Fund Coordination Committee (hereinafter: the 'committee').</p> <p>2. Where reference is made to this paragraph, the advisory procedure laid down in Article 3 of Decision 1999/468/EC shall apply, in compliance with Article 7(3) thereof.</p> <p>3. Where reference is made to this paragraph, the management procedure laid down in Article 4 of Decision 1999/468/EC shall apply, in compliance with Article 7(3) thereof.</p> <p>The period referred to in Article 4(3) of Decision 1999/468/EC is fixed at one month.</p> <p>4. The committee shall draw up its rules of procedure.</p> <p>5. The EIB and the EIF shall appoint a non-voting representative.</p>	<p>1. The Commission shall be assisted by the ERDF, Cohesion Fund and Fund Coordination Committee (hereinafter: the 'committee').</p> <p>2. Where reference is made to this paragraph, the advisory procedure laid down in Article 3 of Decision 1999/468/EC shall apply, in compliance with Article 7(3) thereof.</p> <p>3. Where reference is made to this paragraph, the management procedure laid down in Article 4 of Decision 1999/468/EC shall apply, in compliance with Article 7(3) thereof.</p> <p>The period referred to in Article 4(3) of Decision 1999/468/EC is fixed at one month.</p> <p>4. The committee shall draw up its rules of procedure.</p> <p><u>5. The European Economic and Social Committee and the Committee of the Regions shall each appoint one non-voting representative.</u></p> <p><u>6.</u> The EIB and the EIF shall appoint a non-voting representative.</p>

Reason

The two Committees are commendatory parts of the European Union, so they should be clearly named within the framework of close cooperation. The Committees' working framework referred to in this Article should be further defined as it is in Regulation 1260/99, Articles 47 and 48. This is in conformity with the partnership principle.

Brussels, 13 April 2005.

The President
of the Committee of the Regions
Peter STRAUB