

**Opinion of the European Economic and Social Committee 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**

(COM(2004) 492 final — 2004/0163 (AVC))

(2005/C 255/16)

On 21 December 2004 the Council of the European Union decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned communication.

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

At its 416<sup>th</sup> plenary session on 6 and 7 April 2005 (meeting of 6 April), the European Economic and Social Committee adopted the following opinion by 126 votes to three with seven abstentions:

## 1. Preamble

1.1 The European Economic and Social Committee has often and emphatically spoken out in favour of a European policy for 'economic, social and territorial cohesion', as the Constitutional Treaty puts it. The EESC reaffirmed its support for cohesion in its opinion on the financial perspective for 2007–2013<sup>(1)</sup>, and advocated more funding for structural policy and the Cohesion Fund, particularly in order to reflect the impact of new and future Member States without exposing the most severely disadvantaged countries and regions in the EU-15 to adverse consequences.

1.2 The proposal under review sets the tone for possible programming activity during the 2007-2013 period and lays down a framework. The proposal comes halfway through the current programming cycle of the Structural Funds, which has not yet been fully evaluated or assessed, particularly with regard to structural measures in new Member States.

1.2.1 Under such circumstances, it represents a general financial and technical framework, in which the ground rules are laid down; however, a considerable amount of negotiation, particularly between Member States, is still needed to work out detailed implementation procedures and budgetary implications. It should also be borne in mind that during the 2007-2013 period, the EU will undergo further enlargement, with the accession in 2007 of two countries in particular, Bulgaria and Romania, which are likely to derive considerable benefit from cohesion policy due to their economic and social situation.

1.3 In its proposal, the Commission announces its intention of maintaining the key principles of cohesion policy — programming, partnership, co-financing and evaluation, while delegating more responsibilities to Member States and local authorities, simplifying procedures and introducing 'clear and more rigorous monitoring mechanisms'.

1.4 On the specific subject of the future of cohesion policy, during the last four years the EESC has made over 70 suggestions in no fewer than 12 opinions<sup>(2)</sup>. An exploratory opinion on the implementation of partnership<sup>(3)</sup> was requested by the Commission; in 2003, in the course of preparations for the informal Council of Ministers meeting on 20 October 2003 in Rome of ministers responsible for cohesion policy, an EESC opinion<sup>(4)</sup> was also requested by the Council presidency. The EESC's numerous opinions on the subject contain some very innovative proposals for improving implementation of cohesion policy.

1.5 The Commission's overall track record of responding to EESC proposals is generally positive, except with regard to the key issue of partnership: the majority (39 of a total of

<sup>(1)</sup> OJ C 74, 23.3.2005, p.32.

<sup>(2)</sup> European policy on crossfrontier cooperation and experience with the INTERREG programme, OJ C 155, 29.5.2001, p. 12  
Second Report on Economic and Social Cohesion, OJ C 193, 7.8.2001, p. 70

The future of cohesion policy in the context of enlargement and the transition to a learning society, OJ C 241, 7.10.2002, p. 66  
Future strategy for the outermost regions of the European Union, OJ C 221, 17.9.2002, p. 37

The future of upland areas in the EU, OJ C 61, 14.3.2003, p. 113  
The contribution of other Community policies to economic and social cohesion, OJ C 10, 14.1.2004, p. 92

URBAN 2000-2006, OJ C 133, 6.6.2003, p. 53  
Second progress report on economic and social cohesion, OJ C 234, 30.9.2003, p. 45

Partnership for implementing the Structural Funds, OJ C 10, 14.1.2004, p. 21

Economic and social cohesion: regional competitiveness, governance and cooperation, OJ C 10, 14.1.2004, p. 88

European Metropolitan Areas: socio-economic implications for Europe's future, OJ C 302, 7.12.2004, p. 101

Third report on economic and social cohesion – A new partnership for cohesion: convergence, competitiveness, cooperation, OJ C 302, 7.12.2004, p. 60

<sup>(3)</sup> EESC opinion on the *Partnership for implementing the Structural Funds*, OJ C 10, 14.1.2004, p. 21

<sup>(4)</sup> Exploratory EESC opinion on *Economic and social cohesion: regional competitiveness, governance and cooperation*, OJ C 10, 14.1.2004, p. 88.

70 specific proposals) were followed up, and in eight cases cohesion policy rules were modified to reflect EESC proposals. Thus, a large majority (47 of a total of 72) of EESC proposals were acted on by the Commission.

## 2. The challenge to cohesion policy posed by enlargement

### 2.1 *Building a powerful new entity*

2.1.1 Following the accession of 10 new countries, the enlarged European Union is the third most populous political entity in the world: with 455 million inhabitants its population is considerably smaller than that of China or India, but larger than that of the United States (300 million) and Russia (140 million). With a GDP of EUR 10 billion, the EU has one-third of the world's wealth and controls one-fifth of world trade, and therefore has the potential to be a major player on the current global stage.

2.1.2 Although they are less developed than older Member States, the new countries can contribute an economic impetus, with average economic growth in 2003 of 3.6 % in the 10 accession countries compared to 0.4 % in the EU-15, a difference which is bound to have a profound and favourable impact on economic trends and growth in the European Union as a whole.

### 2.2 *Facing new challenges*

2.2.1 As in the case of any significant change, institutions, policies and budgets will inevitably have to be adapted to reflect the new dimensions of the European Union. After the previous four enlargements of the EU — in 1973 (United Kingdom, Ireland, Denmark), 1981/1986 (Greece, Spain, Portugal), 1989 (German reunification) and 1995 (Sweden, Finland, Austria), major changes were necessary.

2.2.2 Given the exceptionally large number of accession countries and the relative weakness of their economies, the current enlargement poses the EU with a series of specific problems.

### 2.3 *Expanding borders*

Now that the geographical, cultural, religious and historical identity of the EU is being questioned, the borders of Europe are no longer set in stone. Further enlargement is already scheduled (for Romania and Bulgaria) or being discussed (Turkey, Croatia), and it is quite possible that other countries will apply to join. There is no doubt that such developments will necessitate greater cohesion, and, at the same time, respect for different identities.

### 2.4 *Economic disparities*

2.4.1 The ten accession countries in 2004 have an average per capita income (in terms of purchasing power) that is less than 76 % of the average for the EU-15. The two countries which are expected to join in 2007 (Romania and Bulgaria) are even further behind, with per capita incomes of less than 30 % of the Community average. The European Union must therefore address the budgetary implications of this situation, not least in the debate on adoption of the financial perspective for the 2007-2013 period.

2.4.2 Changes to the funds will need to take these factors into account, so that the Commission has the resources to support a sustainable financial policy for the EU and Member States. In this context, the ceiling of 4 % of GDP which limits total access to Community funds reflects the need for fairness and for economic efficiency. However, disparities in development levels which were already present in the EU-15 will not simply disappear as a result of integration of new Member States. In view of this, policies for economic, social and territorial cohesion need to embrace the whole of the European Union, and to be backed up by the requisite funding.

### 2.5 *A mixed picture*

2.5.1 There is no doubt that appropriations by the EU have helped to narrow the gaps between countries. However, the overall positive impact should not be allowed to obscure the fact that there are many shortcomings. The need for radical reforms of cohesion policy is backed up by analysis of implementation:

— Objective 1 has achieved a fair degree of success in narrowing the gaps between Member States and regions; however, the lack of convincing results in terms of narrowing gaps within some large EU countries reflects the difficulty of making an overall success of a policy of territorial cohesion. Besides, progress in narrowing the gaps between Member States has as much to do with macro-economic policies as with structural intervention. At the level of interregional disparities, where structural measures do have a decisive impact, European intervention does not always target key activities where there would be genuine leverage potential. The lack of consultation and effective involvement of civil society actors has often been cited as the main cause of this relative lack of success. Given that these deficiencies are even more pronounced in the new Member States, tackling this issue is especially important;

— thanks to intervention in numerous European regions, Objective 2 has had the advantage of giving the European Union a higher profile and promoting quite close cooperation with economic and social actors, although that does vary from Member State to Member State. However, Objective 2 has come under attack, mainly due to the limited availability of funding;

- Objective 3 has often been used to co-finance national measures which neither generate added value nor enhance the visibility of EU action;
- thanks to effective networking and technical support, and in spite of a disproportionate amount of red tape, Community initiative programmes and innovative measures have made a genuine contribution;
- the Cohesion Fund, which is linked to Objective 1 support, is acknowledged to have made a decisive contribution to the financing of many major investment projects.

## 2.6 Results which call for radical reform of cohesion policy

2.6.1 An analysis of the overall economic impact of the Structural Funds reveals that there is considerable variation in terms of measures. What is clear, however, is that they do not represent some kind of magic formula for regional economic development. The Structural Funds are not a passport for growth for the countries and regions that qualify for funding. Although they back up the work of actors at regional and national levels in the least developed parts of Europe, the risk is that, unless priorities are set in close collaboration with all the local stakeholders, the funds can only have a limited impact in overcoming natural and structural handicaps. They should therefore be seen as a tool to assist strategies implemented by development players, with the widest possible involvement of the appropriate grassroots stakeholders. Thus, a significant proportion of European funding should be set aside for innovative measures to support the development of local capacity, in order to make underdeveloped regions more attractive and competitive. The EU plays a key role in facilitating the sharing of best practice among the relevant actors.

2.6.2 Reforms of cohesion policy should aim to strike a better balance between investments in the requisite infrastructure and investments in human resources, which are currently under-supported and play a key role in enhancing the potential of underdeveloped regions.

2.6.3 Greater efficiency and higher standards are thus essential if the European public are to accept and support a cohesion policy that is more ambitious and more in tune with regional and local concerns.

## 2.7 Outline of the new cohesion policy

2.7.1 In this context, the Commission's proposal on cohesion policy should, on the one hand, address the need for territorial cohesion in an enlarged Europe with 25 Member States and, on the other, contribute to achieving the major European

objectives of competitiveness in a knowledge-based economy, full employment and sustainable development.

## 3. The draft regulation should be brought into line with the objectives of radical reform

### 3.1 The new objectives of the draft regulation

3.1.1 **The new Objective 1 of Convergence, which combines the Cohesion Fund and the existing Objective 1 of the Structural Funds.** Appropriations relating to phasing out on statistical grounds are also covered by this objective.

3.1.1.1 Eligible areas: regions with per capita GDP < 75 % of the EU average, 'cohesion' countries, i.e. countries with gross national income < 90 % of the EU average, regions which qualify under the current Objective 1 but would lose their eligibility due to the statistical effect of enlargement, and, as an additional benefit outermost regions.

3.1.1.2 Financial aspects: total financial appropriation: 78 % of budget allocated to cohesion policy (as envisaged by the Financial Perspective for 2007-2013); support for programmes under the new Objective 1 by the ERDF, the ESF and the Cohesion Fund.

#### 3.1.1.3 Main areas of funding:

- under the ERDF: R&TD, innovation and entrepreneurship, the information society: development at local levels of content, applications and services, the environment, tourism, energy, direct financing of investment by SMEs contributing to job protection and job creation;
- under the ESF: enhancing the adaptability of companies and employees, stimulating investments in human resources;
- under the Cohesion Fund: trans-European transport networks, environmental protection, activities which are conducive to sustainable development and have an environmental dimension.

3.1.2 **New Objective 2, dedicated to regional competitiveness and employment**, replacing the current Objectives 2 (regions facing structural difficulties) and 3 (employment and training).

#### 3.1.2.1 There are two priorities for intervention:

- **regional competitiveness**, supported through regional programmes, funded solely by the ERDF. The emphasis here is on tackling problems rural and urban areas face because of economic restructuring and the difficulties of regions with natural and structural handicaps especially islands and sparsely populated areas;

— **employment**, supported through national programmes which are solely funded by the ESF; here, the emphasis is on supporting policies aimed at ensuring full employment, quality and productivity, and social inclusion.

This objective is in line with the strategy put forward by the Lisbon European Council of supporting employment, economic reform and social cohesion in the context of a knowledge-based economy and the needs of sustainable development.

3.1.2.2 Eligible areas: generally, all regions which are not covered by the new Objective 1.

3.1.2.3 Financial aspects: total financial appropriation: 18 % of budget allocated to cohesion policy (as envisaged by the Financial Perspective for 2007-2013). This appropriation is split equally between the two priorities for intervention.

3.1.2.4 Main areas of funding:

— under the ERDF: firstly, innovation and the knowledge-based economy, access to transport and telecommunications services of general economic interest, facilitating access by SMEs to ICT; secondly, the environment and risk prevention;

— under the ESF: enhancing the adaptability of businesses and employees.

3.1.3 **New Objective 3, European territorial cooperation**, dedicated to interregional and European cooperation, and replacing the current Interreg Community initiative programme.

3.1.3.1 Eligible areas: Member States and regions are to propose transnational cooperation zones based on 13 existing cooperation zones defined under INTERREG III B; the Commission will then decide on cooperation zones in partnership with Member States and regions. Eligible measures: similar to measures under INTERREG III B, with an emphasis on the Lisbon and Gothenburg priorities. Support for interregional cooperation networks. Applies throughout the European Union.

3.1.3.2 Financial aspects: total financial appropriation: 4 % of budget allocated to cohesion policy (as envisaged by the Financial Perspective for 2007-2013). Relevant fund: the ERDF.

3.1.3.3 Main areas of funding: this objective relates to three types of territorial cooperation:

— **cross-border cooperation**: development of entrepreneurship, SMEs and tourism, overcoming isolation through better access to services and transport, information and communication networks;

— **transnational cooperation**: improving accessibility, supporting technological development and R&D;

— **support for interregional cooperation networks**: innovation and the knowledge-based economy, the environment and risk prevention, the urban dimension.

### 3.2 *A comprehensive approach to cohesion policy*

3.2.1 Insofar as it is essentially concerned with promoting 'harmonious development of the Community' as a whole, in particular by aiming to reduce 'disparities between the levels of development of the various regions', cohesion policy has particular features which make it a priority for negotiation, particularly in the context of the new budgetary negotiations.

3.2.2 In this connection, the role of cohesion policy will be crucial for new and future Member States. Their lag in development and ageing infrastructure are now familiar issues which fully justify the application of cohesion policy once these countries accede to the EU.

3.2.3 At the same time, it should not be forgotten that cohesion policy is still very important for the current Member States. Firstly, the commitment of Objective 1 regions to cohesion policy is a major political factor. Furthermore, some regions currently benefiting from cohesion policy, which risk being excluded from it in the future, are still facing serious internal problems of territorial cohesion.

3.2.3.1 The Third Cohesion Report has rightly emphasised that, while disparities between countries have been partially overcome, the differences between regions within the same country have persisted or even widened in some countries, thus demonstrating the very real nature of natural and structural handicaps. These disparities would have been even wider without the impact of structural and cohesion policies, given the strong tendency for economic development to be concentrated in the most prosperous regions.

3.2.4 Finally, it seems appropriate to involve the regions of all the Member States, given the aim of securing greater grass-roots support for European integration. The political importance of these appropriations, which help to bridge the communication gap between the EU and ordinary Europeans, should not be forgotten. Many observers have noted that the EU is often perceived as being both remote and restrictive; however, European funding can help to bring Europe closer to its citizens.

3.2.5 Moreover, territorial cohesion has been enshrined by the Treaty establishing a Constitution for Europe as a fundamental principle of EU action. Therefore, structural instruments should underpin this policy by intervening on the behalf of the EU, and hence, must, in one way or another, rally the resources of all the Member States, both financially — to reflect Community solidarity — and in terms of ideas, expertise and projects. Structural Fund measures not only give the EU a

higher profile; they also bring added European value to any project, not so much financially as in terms of EU-facilitated joint strategies, exchanges, cooperation and transfer of expertise.

### 3.3 Closer involvement of economic and social players

3.3.1 Although the EESC, in its exploratory opinion<sup>(5)</sup> recommended strengthening the role of economic and social partners by conferring voting rights in bodies involved in preparation and follow-up, providing technical assistance, introducing rigorous selection procedures for partners and working out a detailed role for follow-up committees, these recommendations were not followed by the Commission. The EESC is disappointed that the European Commission is lacking in political courage in this area, given that the effectiveness of cohesion policy is closely dependent on involvement of economic and social actors, and other civil society organisations concerned. In the EESC's view, this failure to include economic and social actors is at odds with the principles of participatory democracy set out in the Constitutional Treaty. In the light of the gap that exists between the institutions and the public, this is a practical opportunity to better respond to civil society's expectations. Experience of genuine consultation with economic and social players (for example, in Northern Ireland) has shown that considerable benefits can be reaped in terms of quality and effectiveness; the Commission should therefore more actively promote effective partnerships.

3.3.1.1 Complaints about inadequate involvement in structural policies and the consequent adverse effects on the visibility, transparency and effectiveness of cohesion policy are becoming increasingly common. The EESC is concerned about the growing criticism of this lack of partnership, much of which originates from civil society organisations in new Member States. In this connection, the EESC recommends setting up national and regional economic and social councils or similar bodies able to serve as autonomous, open and transparent forums for consultation and monitoring.

3.3.1.2 Significantly, the European Commission has not assessed or commented on the fundamental principle of involving economic and social partners. Too few rules and standards are in place at both Community and national levels to secure the involvement of the social partners and other civil society organisations concerned in all stages of implementing the Structural Funds.

3.3.1.3 The European Commission should advocate capacity building of local and regional authorities and players and of civil society stakeholders. It is surprising that regulations on the

ERDF and the EAFRD ignore the contribution of administrative capacity building to good governance, even though the Commission's *White paper on European governance*<sup>(6)</sup> has emphasised that civil society has a fundamental role to play in this respect. The EESC specifically proposes that all programmes should include measures to support capacity building for local and regional economic and social players (as is done in the draft ESF regulation which allocates 2 % of resources for that purpose), but backed up by more adequate funding (at least 5 % for each programme); it also asks that the eligibility of economic and social interest groups for technical assistance should explicitly be mentioned (Article 43).

3.3.1.4 For the EESC, the quality of partnership is central to how cohesion policy is implemented and perceived. The EESC therefore requests that the Commission draw up a report on how partnership works in practice, and offers its support in sounding out the views of civil society organisations. The EESC requests that the European Parliament assess the proposals for regulations on the basis of how they address the need for partnership; the weakness of this aspect is a reflection of the lack of interest on the part of EU authorities.

### 3.4 Setting new priorities at European level

3.4.1 The EESC endorses the Commission's proposal to align cohesion policy with the broad strategic objectives of the European Union, such as the Cardiff, Luxembourg, Lisbon and Gothenburg Processes. The commitments of the European Charter for Small Enterprises and issues relating to the quality of public services, which were emphasised again in Barcelona, must also be included in the debate on priorities. The EESC favours mandatory guidelines incorporating the Union's political priorities and drawn up jointly by the Member States, the Committee of the Regions and the European Economic and Social Committee.

3.4.2 The EESC would like the draft regulation to refer to these broad guidelines more specifically. A considered choice should be made to give greater priority to education and training as well as instruments favouring the knowledge-based society and sustainable development.

3.4.3 Basic infrastructure, not only in terms of transport but also educational and research institutions, as well as infrastructure connected with environmental improvement, is vital for the least developed regions in order to compensate for their disadvantages.

3.4.4 As far as regions with natural handicaps are concerned, permanent support should be provided in order to overcome disparities within Europe and ensure equal opportunities.

<sup>(5)</sup> EESC opinion on the *Partnership for implementing the Structural Funds*, OJ C 10, 14.1.2004, p. 21

<sup>(6)</sup> White Paper on European Governance, COM(2001) 428 final.

3.4.5 With regard to state aid for business, the EESC feels that distortions of competition should be avoided, and notes that such aid rarely has much of an impact due to considerable delays in allocation. In the EESC's view, there should be greater emphasis on creating a favourable environment for business start-up and development (training, infrastructure, joint action). With regard to aid, subject to the reservations expressed above, the EESC is pleased to note that the development of small and medium-sized enterprises has been made a priority, and that the period during which a company which has received such aid must commit to maintaining its investment in the recipient region has been set at seven years.

3.4.6 The EESC draws attention to the importance of building up research and innovation capacities which, like education and training, are catalysts for local development and chime in with the Lisbon objectives. Indeed, the conclusions of the Lisbon Summit envisage building up educational capacity both for basic training and lifelong vocational training.

3.4.7 Cohesion policy should also support development of health infrastructure in the least developed regions, as well as helping to remedy the causes of exclusion. It could make a real contribution here by sharing information about successful efforts across the EU. Particular emphasis should be given in this context to the situation of marginalised groups such as migrants and ethnic minorities, which are deprived of access to employment or education. In preference to subsidies, which rarely have a real impact, experience should be shared on the basis of tried-and-tested methods, combined with the promotion of 'best practice'.

3.4.8 With specific regard to the issue of social inclusion, the EESC feels that it is important that non-discrimination be acknowledged across the board in activities financed under the Structural Funds, and that Structural Funds should not cause the creation of additional barriers to access by disabled persons. Given that the Structural Funds are a vital tool in reducing and mitigating social exclusion and in combating discrimination against disabled people, the Member States and the Commission must act to ensure that these funds are used as an economic instrument to:

- improve access to employment by jobseekers and increase participation in the labour market,
- enhance social inclusion and combat discrimination, and
- undertake reforms in the field of employment that also benefit disabled persons.

3.4.8.1 The Commission's current proposals do not take social aspects sufficiently into account. The Structural Funds, and the European Social Fund in particular, must be a tool for employment, and also for the European strategy on social inclusion, by encouraging the development of labour markets specifically geared to that end.

3.4.9 Priorities should include a strategy for locally generated development based on optimum knowledge of the areas concerned through observation tools that involve a local partnership of all stakeholders. As discussed in a recently adopted EESC own-initiative opinion, particular attention should be paid to the situation in large cities. (7)

3.4.10 It is important that the regulation should provide for procedures to support innovative action in terms of both methods and types of operation. In this connection, the EU must play a key role in supporting and propagating innovation in economic, social and territorial cohesion policy, bringing genuine European added value to measures planned and implemented at local, regional, national and international levels.

### 3.5 *Bringing procedures into line with European developments*

3.5.1 Over the years, European procedures have tended towards complexity, resulting in very elaborate procedures at the expense of transparency and accessibility. The same problems can already be seen in the implementation of pre-accession aid to applicant countries. It is vital that the presentation, implementation and management arrangement of the Structural Funds should be kept straightforward, with shorter cycles and processing times that match actual programme needs.

3.5.2 Thus radical changes are needed in order to simplify procedures. It often happens that national legislation is superimposed onto European legislation, which can create problems; these can be particularly difficult to overcome in the case of cross-border or transnational cooperation. With this in mind, the EESC views the Commission's proposal to delegate the choice of eligibility criteria to national level — with the exception of Objective 3, and subject to request by the Member State concerned — with considerable concern, and questions the underlying reasons for doing so. In order for structural policy to remain consistent, the EESC calls for a common base for eligibility criteria.

3.5.3 **Selecting eligible regions:** The EESC fundamentally disagrees with the Commission's intention to delegate to Member States selection of the regions to benefit from the Structural Funds. In the EESC's view, regions should be selected jointly by the Commission and the Member State concerned. In this connection, high priority should be given to regions with structural and natural handicaps; for these regions, the Commission should be very closely involved in selection to ensure equitable treatment at European level. For example, it would not be right for one island to be declared eligible in one country while a neighbouring island with similar characteristics

(7) EESC own-initiative opinion on *European metropolitan areas: socio-economic implications for Europe's future* OJ C 302, 7.12.2004, p. 101.

were excluded in another country. In the event of such decisions, the public would be entitled to wonder what had happened to consistency within Europe and to the European dimension.

**3.5.4 Defining priorities:** It is also important to give the EU a stronger role in this connection in order to enable the Funds to be used as a catalyst for measures which are in keeping with EU priorities, including the Lisbon strategy and the main European networks.

**3.5.4.1** At all events, the greatest vigilance will be needed to combat the ever-present risk of 'renationalising' Structural Fund policies. Implementation methods should reinforce the European dimension, never weaken it.

**3.5.4.2** In overall terms, the Commission document on general provisions on the three funds is very ambitious. With an approach that lumps together all aspects of research, innovation, educational investment, the information society, transport investments, the environment, etc., without identifying priorities, there is a risk that the programme might prove impossible to implement due to resources that are — potentially — insufficient for the task.

**3.5.4.3** In the EESC's view, the text must — in terms of both arguments and content — make more reference to the priorities that are to be set. This recommendation will be taken up and built upon in specific opinions drawn up for each of the funds.

**3.5.5 Cooperation between Member States, regions and actors representing civil society:** The EESC is disappointed that new arrangements have shifted responsibility for strategies and means of action to the Member States. Not enough emphasis has been given to opportunities for cooperation between Member States, even though this aspect is an essential part of the Lisbon strategy (innovation, education, major networks, dissemination of knowledge). It is thus important to promote — and make more flexible — conditions for access to the resources needed for cooperation across borders and between Member States.

**3.5.5.1** Given the pressing need for a uniform European measure on cooperation between regions and Member States, the EESC strongly supports the establishment of European groupings of cross-border cooperation.

**3.5.5.2** However, it is worth considering whether this instrument, which is solely intended for cross-border cooperation, should not in practice be more tightly defined, including in terms of project management requirements for each kind of cooperation. This concern is taken up and built upon in the opinion on the specific subject of EGCCs.

**3.5.6 Public/private partnership:** In its exploratory opinion on the partnership for implementing the Structural Funds, the Committee recommends strengthening the public/private part-

nership in order to help projects to succeed through a range of measures designed to boost legitimacy, coordination, effectiveness and transparency. With this in mind, the Committee is concerned about the impact of the changes introduced by the European Commission, which will only allow co-financing to be supported by public expenditure. Enforcement of this requirement could ultimately reduce or even eliminate the private component of such partnerships, an outcome which contradicts the objective of encouraging private sector involvement. **The EESC calls on the European Commission to conduct an impact analysis of this new measure before implementation. The EESC would also like dispensation from this rule for all technical support measures targeted at economic and social actors, in order to ensure that EU support is not tied to that of national authorities. It should be possible for organisations' own funds to serve as a basis for contributions from European Structural Funds.**

**3.5.7 Single fund:** In Recital 35, the draft regulation states that 'the programming and management of the Structural Funds should be simplified by providing for operational programmes to be financed by either the ERDF or the ESF'. Although this innovation simplifies the way the programmes operate, it has yet to be seen whether it will actually improve the coordination and comprehensibility of the funds at regional level. The EESC would have preferred a single fund to cover the whole of cohesion policy; however, this was not the option chosen by the Commission.

**3.5.8 National strategic framework:** The Commission proposes that an overall strategic document for cohesion policy should be adopted by the Council, after an opinion from the EP, in advance of the new programming period. Thus, each Member State would prepare a policy document on its development strategy, which would be negotiated with the Commission. In order to ensure genuine consistency in the approach to issues of shared concern, the EESC would like the European Commission to act as coordinator, so that Member States can confer together on the objectives of these strategic documents. Encouragement should be given to incorporating European considerations and strategies — including those of a cross-border nature — into these national strategic frameworks.

**3.5.9 Follow-up committees:** With this in mind, the EESC does not look favourably on the proposal to make attendance by the European Commission at follow-up committee meetings optional; rather, it feels that EU action needs to be made more visible for the public, and instead of undermining the role of follow-up committees through an additional procedure, their position needs to be strengthened. The absence of the Commission will leave the economic and social partners and other civil society organisations concerned to their own devices in dealing with government departments, disappointing them in their expectations of the Commission acting as custodian of the partnership principle.

**3.5.10 Additionality:** The EESC endorses the additionality principle, provided that it is interpreted flexibly — i.e. in the context of the actual objectives and programmes rather than from project to project.

**3.5.11 Adjusting the level of participation:** The EESC supports proposals which envisage adjusting the level of EU participation to reflect geographical handicaps in the regions concerned. It suggests that such additional support could be cumulative in the case of regions suffering from more than one handicap (e.g. thinly populated islands with rural and/or mountainous zones). The Committee feels that it is important to emphasise that the priority objectives of structural policy always apply to such thinly populated regions, with their permanent natural handicaps: 'Regional policy and rural development policy must reflect this in the way in which they are implemented, not least by proposing a higher level of co-financing to take account of these constraints'.<sup>(8)</sup>

**3.5.12 Making decentralised management more effective:** The EESC feels that permanently delegating responsibility to Member States and local authorities is too risky, besides making EU action considerably less comprehensible. It therefore suggests that the setting up of implementing agencies with a temporary remit should be considered, especially for the applicant countries. One of these agencies' tasks could be to encourage benchmarking of best performance and achievements to help promote such practices. In all cases EU action should have a higher profile and greater visibility for the public. As opposed to posters displaying the largely arcane symbols or acronyms of European instruments, the presence on the ground of EU representatives or local authorities acting on their behalf would be the most tangible manifestation of visibility.

**3.5.13 Promoting the method of global grants:** The EESC is pleased to note that the draft regulation confirms the procedure of awarding global grants to grassroots organisations. This approach is particularly suited to measures promoting micro-businesses. It is gratified that the Commission has heeded its call for more flexible rules on the award of such global grants. However, although this approach has proven to be effective, the Committee is disappointed that its proposal for a minimum threshold of 15 % of interventions in this form has not been followed up. It therefore reiterates its request.

**3.5.14 Wherever possible, the EU needs to boost its profile in order to ensure that its intervention has a European dimension.** In order to enhance effectiveness, priorities and methods should be worked out through European partnerships. The success of cohesion policy is less dependent on the amount of funding paid out than on the choice of priorities and the standard of working procedures. There is no point in solidarity unless it goes hand in hand with cooperation.

**3.5.15 Evaluation:** As far as evaluation of programmes is concerned, the EESC reiterates its statement that a qualitative evaluation of the impact of programmes should be conducted, rather than just a financial and administrative evaluation as is largely the case today. In particular, civil society actors must be involved in this procedure.

**3.5.16** In the draft regulation, providing 'the human and financial resources necessary for carrying out evaluations' is the responsibility of Member States, but it is also up to them to 'draw up, under the 'Convergence' objective, an evaluation plan to improve the management of operational programmes and their evaluation capacity' (Article 46(1)). It is all very well for the Commission to delegate responsibility for monitoring implementation of programmes to Member States. However, at the same time, the Commission should take a strong line on its right to conduct ongoing supervision of the use of Structural and Cohesion Funds within Member States. Given the frequent problems which have arisen, the EESC feels that withdrawal of the Commission from evaluation procedures will inevitably give rise to situations that are detrimental to the interests of all.

**3.5.17 Cancellation of appropriations which have not been committed:** The EESC is sceptical of the value of the 'N+2' rule, which stipulates cancellation of appropriations which have not been committed by two years after the planned programming period. Experience shows that, in order to get round this rule, national authorities are inclined to make hasty decisions on projects of dubious value, sometimes with the tacit cooperation of the European Commission. The EESC considers that rigorous evaluation of projects by the EU in relation to the objectives which have been set should be the usual procedure and the only permanent procedure. The EESC thinks that funding which has not been used by the given deadlines should be recycled rather than used up in a hasty and superficial way merely to avert the threat of automatic decommitment.

**3.5.18** Moreover, a number of reports by the Court of Auditors have pointed out that the Member States in question do not have the capacity to make use of funding which has been allocated to them. In future, the emphasis will be on the new Member States. That fact should be taken into account, and appropriate corrective measures taken.

**3.5.19 A new audit authority:** Creation of an audit authority is intended to reinforce monitoring structures, in addition to the existing management and certification authorities (Articles 59 and 60 respectively). The draft regulation introduces a requirement for submission of an audit strategy (Article 61(1)(c)): the audit authority is to present 'to the Commission within six months of the approval of the operational programme an audit strategy covering the bodies which will perform the audits (...), the method to be used, the sampling method (...)'. In addition, the audit authority is required to issue an annual opinion for each operational programme, similar in content to the final statement of validity. As Article 61.1 states, the audit authority should provide 'a declaration at

<sup>(8)</sup> EESC opinion on *The CAP second pillar: outlook for change in development policy for rural areas (follow-up to the Salzburg Conference)* OJ C 302, 7.12.2004, p. 53.



the closure of the operational programme assessing the validity of the application for payment of the final balance (...) supported by a final control report.' The EESC reiterates its recommendations that auditing and monitoring procedures for the implementation of programmes should focus not merely on quantitative aspects but also on qualitative issues as well. Also, the EESC is again disappointed that auditing responsibilities have been delegated to national level, yet another indication of the EU's lack of interest in its responsibilities. The EESC is awaiting the European Court of Auditors' opinion on this proposal; whatever the outcome, the Committee would like to be involved in any auditing arrangements that are introduced.

#### **4. The performance and quality reserve and the contingency reserve**

4.1 The EESC reiterates the proposals which were put forward in its exploratory opinion on *Economic and social*

*cohesion: regional competitiveness, governance and cooperation* <sup>(9)</sup>. However, the EESC feels that these provisions should be redefined and amended in line with the proposals which it has already put forward, i.e.:

- with regard to the performance and quality reserve: the criteria for eligibility should be expanded to include an analysis, not in quantitative or administrative terms, but in terms of the economic and social impact of the results achieved. Another useful criterion which should be applied here is implementation of the *Lisbon strategy*, as set out in Wim Kok's recommendations;
- with regard to the contingency reserve, the EESC supports the Commission's proposal, provided that the regulation offers explicit scope for the involvement of economic and social partners. The EESC reiterates its view that responding to the economic and social implications of major changes such as enlargement, globalisation, and the introduction of new technologies should be a priority of the Structural Funds.

Brussels, 6 April 2005.

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

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<sup>(9)</sup> OJ C 10, 14/01/2004, p. 88, point 3.8.