

Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006’

COM(2011) 614 final — 2011/0275 (COD)

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On 25 and 27 October 2011, respectively the European Parliament and the Council decided to consult the European Economic and Social Committee, under Articles 178 and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006

COM(2011) 614 final — 2011/0275 (COD).

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 3 April 2012.

At its 480th plenary session, held on 25 and 26 April 2012 (meeting of 25 April), the European Economic and Social Committee adopted the following opinion by 178 votes to 1 with 2 abstentions.

1. Conclusions and considered reflections of the opinion

1.1 The legislative proposals for Cohesion Policy for the period 2014-20, which the Commission adopted on 6th October 2011 (the ‘Cohesion Package’), introduce major changes to the way cohesion policy is designed and implemented. The primary goal of this policy and one of its essential tools, the European Regional Development Fund (ERDF), is to use investment as a means of achieving the objectives of the Europe 2020 strategy. ERDF investments must therefore yield benefits for all EU citizens.

1.2 It is important not to lose sight, however, of the rules contained in the proposed regulation laying down general provisions relating to the Funds (‘the Common Provisions Regulation’), some of which relate directly to the ERDF. These general features have an important impact on the use of ERDF funding:

- concentrating funding on a smaller number of priorities;
- linking those priorities more closely to the Europe 2020 strategy;
- focusing on results;
- monitoring progress towards agreed objectives;
- increasing the use of conditionalities;

— and simplifying delivery.

But so do more specific provisions, for instance the ones that promote the use of a more integrated approach, or the ones that regulate more explicitly the use of financial instruments.

1.3 It should also be borne in mind that on 29 June 2011, the European Commission put forward a proposal on the multi-annual financial framework for the 2014-2020 period i.e. the budget for the Europe Union for the forthcoming programming period. EESC also put forward a number of opinions related to the Union’s own resources.

1.4 In its opinion on Structural Funds – General Provisions⁽¹⁾, the EESC formulated a number of key messages with respect to the ‘Cohesion Package’ as a whole. The current opinion fully supports those messages and builds on them with specific regard to the ERDF.

1.4.1 Partnership

1.4.1.1 The EESC strongly believes that genuine partnership which involves all partners as defined in Article 5(1) of the Common Provisions Regulation in the preparation, execution and ex-post evaluation of projects undertaken in the framework of EU cohesion policy contributes directly to their success; it therefore welcomes that various partners have been defined in Article 5(1) of the Commission’s proposals and also that partnership will become a mandatory feature of EU cohesion policy.

⁽¹⁾ Structural Funds – General Provisions, Rapporteur Mr Vardakastanis, (See page 30 of this Official Journal).

1.4.1.2 The EESC is pleased to note that the implementation of the Lisbon Treaty may be strengthened, not only through the accentuation of the European identity, but also through the involvement in projects of the partners as defined in Article 5(1) of the Common Provisions Regulation, helping to make these more effective.

1.4.1.3 The EESC is deeply worried by signals from the Council where some Member States seem to restrict the partnership principle; it calls upon the Commission and the EP to help reverse this.

1.4.1.4 The EESC considers that the draft regulation once adopted will uphold the principle of subsidiarity given that the tasks of the ERDF are set out in the Treaty and the policy is implemented in accordance with the principle of shared management and respect of the institutional competences of Member States and regions.

1.4.2 Conditionality

1.4.2.1 The EESC believes that greater use of conditionality in EU cohesion policy will achieve more focussed and real, sustainable results. In many of its analyses, the EESC has dwelt on issues relating to the 'conditionality' of implementation, which should go hand in hand with greater efficiency, improved quality and essential simplification.

1.4.2.2 Ex-ante conditionality should be linked to proper implementation of the partnership principle.

1.4.2.3 The EESC disagrees with macro-economic conditionality as currently formulated for sending out the wrong signals and *in fine* penalising regions and citizens who are not to blame for macro-economic excesses committed at national level.

1.4.3 Simplification

1.4.3.1 The EESC recognises the efforts undertaken by the Commission to simplify procedures in and around EU cohesion policy. Nevertheless, too much complexity remains.

1.4.3.2 Through an excessive emphasis on auditing and procedures, both national and European authorities are stifling access to EU funding for SMEs and NGOs – too much energy is lost in administrative burdens. Gold plating at all levels is absolutely to be rejected.

1.4.3.3 The EESC definitely agrees with the efforts undertaken to coordinate the Europe 2020 strategy and EU cohesion policy, and to concentrate more on key themes and to step up the focus on results.

1.4.3.4 The EESC also fully agrees with the need to simplify the financial, administrative, monitoring and procedural rules relating to utilisation of the structural funds.

1.4.4 Policy coordination

1.4.4.1 The EESC further welcomes the Commission's proposals for thematic concentration as a means to reduce fragmentation of effort.

1.4.4.2 The EESC nevertheless recommends showing greater flexibility with regard to thematic concentration, largely to make the territorial approach easier to apply and thus to improve the effectiveness of the policy.

1.4.4.3 The EESC considers the Common Strategic Framework (CSF) to be an important tool to coordinate interventions of the structural funds; it regrets that, as currently formulated, it cannot offer its opinion on the CSF.

1.4.5 Financing, financial engineering

1.4.5.1 The EESC strongly believes that maximum impact should be sought from each euro made available for cohesion funding.

1.4.5.2 The results of the public consultation on the Fifth Cohesion report show that there is general agreement with the concept to concentrate funding. The EESC considers that several concerns that were expressed regarding certain issues are well-founded and require a response before the future general regulation enters into force.

1.4.5.3 Guarantees are needed to ensure that excessive concentration, especially the rigid interpretation of the 11 thematic objectives and the minimum percentage of resources to be used on funding certain priority thematic objectives (e.g. energy efficiency and renewable energies, research and innovation, support for SMEs) does not obstruct support for development-related projects arising from local and regional differences.

1.4.5.4 The EESC has often emphasised that Europe 2020 and cohesion policy complement each other. However, in order to coordinate stability policy (which requires structural reforms), cohesion policy (which is geared towards convergence) and growth strategies, more resources for the Union are essential.

1.4.5.5 To this end, greater use should be made of Europe 2020 Project Bonds as set out in recent EESC opinions.

1.4.5.6 The EESC further suggests carefully examining the possibility to use committed future cohesion funding, as well as unspent funding from the current programming period with a view to kick-starting European economic growth NOW.

2. General comments and recommendations

2.1 The EESC acknowledges the extremely detailed and painstaking preparations that the European Commission has carried out regarding the implementing provisions for cohesion policy and the Europe 2020 strategy for the 2014-2020 period.

2.2 In its various studies and opinions, the EESC has made a number of observations on the content of the fourth and fifth cohesion reports, on the use of the Structural Funds over the last decade, their effectiveness, and on whether or not they are fit for purpose. Many of these observations have been taken on board in the conception of cohesion policy for the 2014-2020 period.

2.3 The EC proposals for the general provisions governing the use of the Structural Funds for the 2014-2020 period have been published at a time when views as to the nature of the worsening European crisis and its causes differ widely.

2.4 The EESC considers that the historical roots of the current economic and financial crisis in Europe make it necessary to implement structural reforms in the institutional, social and political system. The ERDF may play a crucial role in transforming the social welfare systems to be more cost-efficient and sustainable. However, to bring about change in these systems, additional financial resources are temporarily required. The EESC acknowledges that limited availability of resources and the application of the principle of concentration resulted in less emphasis being given to the investment priorities that aim for structural changes in the infrastructure of social welfare systems. The EESC also points to the fact that without such investments, the impact of cohesion policy on these systems remains limited.

2.5 As a consequence of the crisis, scarcity of both public and private resources may result in difficulties to provide the necessary co-financing for interventions which are essential for making the desired changes happen. The EESC considers that a flexible responsible approach with regard to co-financing rates and conditionality clauses would improve the chances of obtaining a lasting impact of the interventions financed by the Funds.

2.6 The Europe 2020 strategy and the draft ERDF regulation inspired by it, reflect an economic approach that matches the aptitudes and needs of developed economies which are characterised by slow growth, and possess a significant capacity in the area of research and development. In developed countries, there is no doubt that research, development and innovation play an important part in economic growth. Competitiveness, which although it is not in contradiction with cohesion policy as such, does grant it less importance.

2.7 Cohesion policy is meant to be the main investment instrument for supporting the key priorities of the Union as enshrined in the Europe 2020 strategy. It does so by focusing on the countries and regions where needs are greatest. The EESC fundamentally agrees with this approach, but at the same time points to some elements of the proposed regulation that may hamper achieving Europe 2020 objectives.

2.7.1 The ERDF can have a considerable impact both on the achievement of convergence objectives and on Europe-wide objectives in the area of competitiveness. Given that the level

of resources cannot be increased in any significant way, the EESC believes there is a further potential in defining clearer objectives and ensuring that the proposed investment priorities are more precisely linked with the objectives. As the territorial approach lends itself to define more precise objectives, the EESC's view is that more emphasis is to be placed on Europe-wide territory-based strategies, such as existing or future macro-regional strategies, as references for area-specific objectives.

2.7.2 Macro-economic conditionality can hold back economic growth and thus reduce the instruments available, potentially leading to the withdrawal of aid and the redistribution of instruments withdrawn in favour of more developed regions. A major conflict is likely to arise between the pursuit of competitiveness on the one hand, and of cohesion policy on the other. Thematic and institutional ex-ante conditions, as listed in Annex IV of the 'Common Provisions' regulation, however, may serve to improve the effectiveness of the ERDF.

2.7.3 In certain less-developed Member States or regions, the 50 % share of ERDF funding which has been ring-fenced for specific purposes might bring about a loss of effectiveness. This impact may result from the fact that 'mandatory' investment objectives are perhaps not the best way to achieve the optimal development of the region or Member State in question. In these cases, the effectiveness of resource utilisation declines. There is even a risk of absorption problems, while the critical mass which is necessary to effectively address the real bottlenecks of development cannot be achieved. In addition, measures that do not respond to real development problems can give rise to a growing lack of confidence on the part of the public. All these points underline that specific development goals and needs of the regions are to be managed in a flexible way within the context of the ERDF investment priorities.

3. Specific comments and recommendations

3.1 *Particular territorial features (Urban development, Outermost regions)*

3.1.1 The EESC welcomes the fact that extra attention has been paid to address specific problems for sustainable urban development and the outermost regions.

3.1.2 The EESC welcomes the explicit obligation to apply an integrated approach in the area of urban development. It nevertheless considers that the Partnership Contract should give only an indicative list of the cities to benefit from aid and the annual distribution of resources for this objective, in order to allow each State to manage projects more flexibly, which may also have a positive impact on results in beneficiary cities.

3.1.3 As regards the management of integrated actions, the EESC emphasises that for these complex measures there is a risk of implementing excessively bureaucratic and rigid project selection and administration procedures. This can detract from the ability of Member States and beneficiaries to benefit in full

from these opportunities. The EESC therefore recommends that the European Commission must ensure that Member States are able to implement these integrated actions and be encumbered as little as possible by red tape.

3.1.4 The EESC is in favour of establishing a European urban development platform in the context of sustainable urban development. The EESC does not consider it to be necessary that the right to decide which cities take part in the platform should fall to the European Commission; a fixed set of criteria ought to suffice.

3.1.5 Regarding the creation of the urban development platform, the EESC considers that the establishment of a new body is not necessary: the tasks can be carried out by relying on the existing federations of European cities. The Committee recommends that the EC ought to explore the possibilities to involve existing organisations to the operations of the platform as much as possible.

3.1.6 The platform would also support the creation of networks between all cities undertaking innovative measures at the Commission's initiative. The EESC's view is that in addition to the Commission, groups of Member States shall also be able to take the initiative when it comes to innovative measures, or establishing networks within the framework of the platform.

3.1.7 The EESC welcomes the proposal that a minimum of 5 % of ERDF funding is to be spent on integrated urban development. This sends an important and encouraging message from the EU to Member States and their regions. However, the allocation of this amount and its link with the utilisation of other resources is not yet clear.

3.1.8 The EESC believes there is a case for establishing a definition of the urban systems of small, medium-sized and large cities at European level, on the basis of a pan-European strategy for territorial development. It is also important to draw up guidelines for the development of a polycentric network of agglomerations in accordance with the objectives of the Europe 2020 strategy.

3.2 Territorial development

3.2.1 As previous EESC opinions also point out, the best way to help regions to catch up is to reinforce territorial links and support all forms of mobility. Competitiveness grows if spatial networks of agglomeration and production are allowed to develop. However, desired linkages are not restricted to transport and communication, and related objectives differ region by region.

3.2.2 The EESC recommends that a new European framework for integrated project concepts of Special European Interest shall be identified; this framework shall have specific territorial objectives. The CSF shall be considered the appropriate document that refers to this new European framework.

The EESC recommends to consider whether a need for a formalised 'European Territorial Development Strategy' exists. In addition to the priorities of the macro-regional strategies, special attention should be given to the objectives regarding Europe's urban network.

3.2.3 It is worth examining whether, in the case of integrated urban development or macro-regional strategies, it might not be necessary to formulate and promote new objectives without which large-scale projects might be stunted in their development. Well-drafted documents based on preparatory work, drawn up for instance as part of preparations for the EU's territorial agenda or the ESPON programme, are available to help define these objectives, which should preferably be place-based.

3.2.4 The territorial development strategy could define objectives that encourage macro-regional economic and social cooperation in areas such as:

- enhancing research and innovation infrastructure (research areas): linking up European centres of excellence and nurturing centres of competence, in order to invigorate Europe's development poles;
- investment in business research and innovation, product and service development, etc., internationalisation of local production systems (clusters), and support for the formation of European networks;
- transport systems in addition to the TEN-T infrastructure network (management of water resources; environmental protection; energy; information and communication systems; etc.);
- the institutional network, for the bottom-up development of macro-regional and transnational tiers of government, etc.

3.2.5 In this respect, the EESC has high hopes of the European Commission's proposals on the CSF. These are not yet available, but the Committee expects to be informed and consulted.

3.3 Connecting Europe

3.3.1 The EESC has often affirmed that given the concentration of resources, there is a need to provide resources and distinct legal frameworks to bolster transnational cooperation and thus strengthen links within Europe. However, the EESC proposes that the Commission consider widening the scope of possible interventions undertaken by the Connecting Europe Facility by opening it up so that it can co-finance projects of Special European Interest in addition to transport and communication ones. Furthermore, the EESC recommends introducing mechanisms that ensure that financed projects do serve the interest of better economic, social and territorial cohesion in Europe.

3.3.2 The EESC believes that it would be in keeping with the TFEU to develop the Connecting Europe Facility into a financial framework that finances the implementation of project of Special European Interest, as outlined in point 3.2.2 of this opinion. The Facility should include transport, energy and ICT related initiatives.

3.4 *Economic activities*

3.4.1 The EESC is in favour of giving priority to four objectives that are especially important with regard to the ERDF's contribution to the public good:

- the contribution to employment, R&D and innovation through enterprise support;
- investing in basic infrastructure (e.g. transport, energy, environment, social and health infrastructure);
- the creation, and equally important, the transfer of enterprises; and
- the development of competitiveness for SMEs, with special support for micro and crafts-related enterprises.

3.4.2 The EESC also believes that areas such as education or the development of tourism are important and remain the focus of ERDF interventions in accordance with the specific development needs of certain Member States or regions.

3.4.3 The EESC agrees that when it comes to support for enterprises it can be argued that such support, in particular in the form of grants, is most needed for small enterprises, for innovative activities, and in areas which are in industrial decline or undergoing structural change. The EESC believes that the concept of enterprise should not refer exclusively to SMEs in certain regions that are lagging behind.

3.4.4 In the case of innovation chains, also known as clusters, and of local production systems that are functioning perfectly well, the question is whether it would be preferable for there to be greater flexibility for enterprises that are well-rooted in an area and also for suppliers and to increase the share of reimbursable resources in the form of aid (for instance interest rate subsidies) in cases of multiple and combined financing.

3.4.5 This also raises the question as to whether, when it comes to basic infrastructure, support for developed regions is not necessary. Exceptions and a flexible approach ought to be considered e.g. in cases where the development of a central, more developed region is necessary for the development of its surrounding territories.

3.4.6 As regards the proposed priorities concerning the support of enterprises and business competitiveness, the EESC reiterates the important contribution of social economy enterprises to territorial and regional development as the European Institutions have recognised in several official documents. The EESC recommends including social economy in the framework of measures devoted to business competitiveness, entrepreneurship, new business models, training, education, research, technological development & innovation, promotion of employment, fostering of energy efficiency and renewable energy and social inclusion.

3.5 *Financial framework*

3.5.1 The EESC supports the Commission's proposal regarding the new nomenclature of regions and rates of structural funding.

3.5.2 The EESC believes it is necessary to use part of the ERDF funds which are currently earmarked for the Connecting Europe Facility for objectives of extended transnational linkages in general, as proposed in point 3.2.2 above.

3.5.3 The EESC agrees with the Commission's proposal which lays down minimum shares for each category of region in relation to the European Social Fund (ESF), so as to increase the funds' contribution to achieving the Europe 2020 strategy's main objectives. The EESC recommends that resources earmarked for the ESF, which can be invested in educational and social infrastructure should, as a priority, be used for integrated growth-promoting measures.

3.5.4 The EESC considers that the concentration of investment priorities is a good reflection of the objectives of the Europe 2020 strategy, and in this respect refers to the points 1.4.5.3, 2.4, 2.5, 2.6 and 2.7 of this opinion.

Brussels, 25 April 2012.

The President
of the European Economic and Social Committee
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