The future of EU cohesion policy as seen by regions and cities

Interinstitutional negotiations on cohesion policy post - 2013

2nd edition
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The European Union’s cohesion policy demonstrates its added value in the field every day. It is the policy that best represents solidarity and at the same time offers a crucial lever for the economic, social and territorial development of our regions, cities and towns.

In the current context of economic crisis, the structural and cohesion funds are a valuable tool for cooperation: supporting policies that enable the regions to get back on course for economic growth and social development. The added value generated by cohesion policy resources is increasingly visible to people across the EU who benefit from them, and the continuous improvement in the use and management of European funds clearly has the capacity to boost their leverage effect. The contribution of cohesion policy to the successful implementation of the new Compact for Growth and Jobs has rightly been considered essential. Together with EU project bonds and the European Investment Bank’s well-targeted structural programme loans, the new cohesion and structural funds must become the new springboard for making qualitative investments happen on the ground.

In this setting, any reforms that are intended to enhance the results, efficiency and effectiveness of cohesion policy are welcome, all the more in the present period of tightened budgets, provided that the proposed reforms promote greater synergies between all EU funds and do not undermine the ultimate aims of this policy for a new economic, social and territorial balance.

Some ex-ante conditions were previously introduced in the rules governing the 2007-2013 period. Nevertheless, caution must be adopted when imposing conditions in order to avoid generating the opposite effect to that intended, especially considering that cohesion policy also contributes to the achievement of the Europe 2020 strategy objectives.

Although any improvement designed to boost the results of cohesion policy is welcome, excessively inflexible management must also be avoided: unforeseeable events may require adjustment of a strategy laid down for a seven-year financial programming period. The differing effects of the current economic crisis on the regions illustrate this.

Similarly, it must be possible to calibrate the scope of EU intervention to the varying economic, social and territorial conditions of each region, rather than be limited to a list of common objectives for the entire EU. This is one of the reasons why the Committee has called for greater flexibility in the European budget. Indeed, the proportionality and subsidiarity principles could be adversely affected by the application of macroeconomic conditionality that takes no account of the territorial environment.

It is actually hard to grasp the logic of using cohesion policy in a carrot and stick approach to ensure compliance with Stability Pact criteria, since a range of methods for guaranteeing this already exist. What is more, the link between the infringement itself and the target of the penalty may be highly uncertain.

On the other hand, it may be understandable, and even advisable - with a view to increasing the efficiency of EU interventions - to introduce some ex-ante conditions such as transposing EU legislation in areas concerning European financial aid or administrative capacity-building and territorial planning in a given region so as to improve fund management.

Finally, multi-level governance (MLG) also requires the management of territorial development in keeping with the partnership principle and in the light of familiarity with territorial conditions. The specific institutional arrangements of each country must be taken into account, especially regarding their internal division of powers. Regional and local authorities must be treated as equal partners with national authorities in planning, managing and supervising the funds: MLG instruments such as the Partnership Contracts within the new regulations for the cohesion funds or the Territorial Pacts in the wider context of the Europe 2020 strategy, must therefore be used as keys to achieving the results of social, economic and territorial cohesion.

The Committee of the Regions is fully aware of the challenges that cohesion policy will be up against from 2014. This awareness strengthens the determination of all its members to make sure the voice of local and regional authorities is heard. This brochure bears witness to that, at a time when the Committee’s opinions are taken into consideration by the various EU institutions and Member States in order to shape the future legislation on cohesion policy and its financial instruments.
Development of our cities and regions, access to high-quality public services for all, attractive living and working conditions, and a climate conducive to innovation, creativity and cooperation to make our businesses – not least, the smallest ones – more competitive: all these objectives lie at the heart of our concerns. Now more than ever, for local and regional elected representatives, European cohesion policy is a vital tool for helping local and regional elected representatives to achieve these goals.

Furthermore, local and regional authorities are joint managers of this policy, with national authorities, and are also often the main co-financers of Structural Fund programmes. It is therefore not surprising that the proposal for the future 2014-2020 cohesion policy is a key political priority for the Committee of the Regions.

Mindful of the way in which the new programming will be devised and implemented, we call attention to the need for an adequate budget. This is vital for several reasons:

- first, to enable all our citizens and all regions to benefit from the single market. This is not a new aim, and it remains the main reason for cohesion policy. However, the current crisis and national austerity measures make it even more legitimate;
- second, to carry out the new duties enshrined in the Lisbon Treaty, which recognises territorial cohesion as a cross-cutting objective of the Union. Cohesion policy is not the only agent of this, but it has a special guiding role here, notably as regards territorial cooperation and compensation for natural geographical disadvantages;
- and third, to explore new avenues for boosting cohesion within cities and regions and achieving the key components of smart, green and inclusive growth at European level. Aside from the sums allocated, including the fixed amount from the EU budget, what is important here is the accessibility of the funds, secured by simplified procedures and appropriate instruments.

The Committee of the Regions is fully aware of the variety and scale of the challenges which cohesion policy – an irreplaceable investment policy for the Union – will have to meet from 2014 onwards. This awareness strengthens the determination of all its members to make sure the voice of local and regional authorities is heeded. Fortunately, this message has been heard by the European Parliament and by “cohesion-friendly” Member States. On the long road ahead in the upcoming months, the Committee of the Regions will continue to advocate this cause relentlessly as it has yet to fully convince its other partners.

It is for this reason that this brochure has been updated. I hope that it will help readers to understand more clearly:

- what cohesion policy is: the front-line instrument for European solidarity between regions;
- its main purpose: to secure the development of our regions and produce medium- and long-term effects, on the basis of strategic programming, integrated use of the funds, and enough flexibility to adapt to special situations;
- what we see as its strength: the partnership method of co-financing combined with strict quality requirements for public spending, whilst ensuring that the new implementation conditions do not prove counterproductive by creating an excess of red tape or unwarranted delays.
Since the Single European Act of 1986, regional policy has become a cornerstone EU policy and the quintessential expression of solidarity among Member States, regions, territories and ordinary citizens.

In 1957, with the six founding members experiencing very similar levels of development, economic and social cohesion was not a major concern. Nevertheless, the Treaty already set out a vision for cohesion policy as it provided that “the Community shall aim at reducing the disparities between the levels of development of the various regions”. Subsequently, however, successive enlargements brought a steady widening of economic and social disparities and, in response, policies aimed at supporting the common market have been accompanied by a more active development policy to spread the benefits of economic integration. Regional policy has become the “visible hand” of the Union, acting to prevent the widening of disparities between Member States and regions, and to enable every territory to benefit from Europe’s economic integration.

In 1989, Jacques Delors, then President of the European Commission, described the situation as follows: “[…] Europe sees its future as striking a balance between competition and cooperation, collectively trying to steer the destiny of the men and women who live in it. Is this easily done? No. Market forces are powerful. If we left things to their own devices, industry would be concentrated in the north and leisure pursuits in the south. But these market forces, powerful though they may seem, do not always pull in the same direction. Man’s endeavour and political aspiration is to try to develop a balanced territory”. This, then, was the role assigned to cohesion policy in the 1980s.

In 1975 the European Regional Development Fund (ERDF) was set up, initially for a three year test period. However, its operations were limited to co-financing predetermined projects in the Member States, with little European influence, and Member States had to apply for support at project level on an annual basis. The 1980s witnessed a considerable strengthening of European regional policy. In 1988, the European Council allocated ECU 64 billion to Structural Funds over five years and the Council adopted the first regulation integrating the Structural Funds. Between the first programme for the 1989-1993 period and the current 2007-2013 programme, there has been a steady increase in the resources allocated to cohesion policy, to the point where it is now the EU’s largest policy in budgetary terms, with EUR 347 billion allocated to the Structural Funds over seven years. Apart from the increase in the budget, regional policy has also undergone other major reforms, but there has been no change in its primary objective of ensuring balanced, sustainable development for all areas of the European Union, or in the key principles of Programming, Partnership, Concentration and Additionality that were introduced when the policy was reformed in 1988.

The aim of the successive reforms has always been to strengthen these principles. In the case of the con-
A brief history of cohesion policy

centration of spending, for instance, changes have been directed towards avoiding the pitfalls of dispersing and spreading resources too thinly, by concentrating larger sums on the objectives set by key EU strategies, such as the Lisbon strategy. On the other hand, the "earmarking" exercise for 2007-2013 highlighted the limits of too much concentration, which would make it impossible for the management authorities to carry out particular development projects that would benefit their regions and contribute to the objectives of economic, social and territorial cohesion. Similarly, the partnership principle has been consolidated over the various programming periods, with local and regional authorities becoming more involved in developing programmes and selecting projects. In this connection, multilevel governance has been recognised by all the institutions as one of the keys to the success of the policy. As far back as the first Cohesion Forum in 1997, Regional Development Commissioner Monika Wulf-Mathies pointed out that "the quality of implementation is determined more and more by the quality of partnership. The success of cohesion policy on the ground depends on a workable partnership bringing together all those involved in economic development in a region."

The consolidation of regional policy over the years has brought many successes, particularly in terms of narrowing the differences in levels of development between Member States and regions, and strengthening administrative capacity at national, regional and local levels. As a study commissioned by the Committee of the Regions has shown, in addition to financial leverage, the Structural Funds have created three other types of leverage: better strategic planning and government policy making, institutional and administrative capacity-building and a more cohesive, partnership-based approach to policy-making on the ground. Nevertheless, despite repeated demonstrations of the added value of cohesion policy, numerous criticisms have been levelled at its alleged shortcomings and ineffectiveness. The first real attack came in July 2003, with the Sapir report, which called for partial re-nationalisation of regional policy, arguing that it should be concentrated solely on the Union’s “poor” regions, since the “rich” regions could use national public funding to support their development. This proposal was overwhelmingly rejected by the Member States, which stood behind the idea of a cohesion policy for all European regions; it was also opposed by the Committee of the Regions and the European Union’s local and regional authorities, which highlighted the deficiencies of the report, in particular the proposal that Community funding for the “rich” regions be reallocated entirely to innovation and excellence policies, thereby endangering the very objectives of cohesion policy. However, since then cohesion policy — as one of the Union’s key budgetary policies — has continued to be a focus for tensions between the Member States in their discussions on the financial perspectives, with major debates over how it should be reformed to give better results.

In recent years, three important texts have fed into the debate: the Green Paper on Territorial Cohesion (2008), the Barca report (2009) and the Fifth Cohesion Report (2010). The Committee of the Regions has been an ardent and patient defender of the concept of territorial cohesion, and the pressure it exerted at the Convention on the Future of Europe in 2003 played a key role in the concept being included in the Treaty as one of the European Union’s political objectives.

Territorial Cohesion has been at the core of policy debates and expert analyses since the publication of the Green Paper in 2008. According to the Territorial Agenda approved by the Committee of the Regions, it will “help - in terms of territorial solidarity – to secure

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1 Cf. The leverage effect of European Cohesion Policy under the Structural Funds, OIR, Study commissioned by the Committee of the Regions, 22/11/2007.

2 Cf. Treaty of Lisbon, ratified in 2007, which entered into force on 1 December 2009 – Article 174 TFEU.
better living conditions and quality of life with equal opportunities, oriented towards regional and local potentials, irrespective of where people live – whether in the European core area or in the periphery”. Territorial Cohesion can also be defined as meaning “the balanced distribution of human activities across the Union (…) [which] includes fair access for citizens and economic operators to Services of General Economic Interest (SGEI), irrespective of the territory to which they belong” (Article 16 of the TEC).

In 2009 the report by Dr Fabrizio Barca commissioned by cohesion policy commissioner Danuta Hübner put forward a series of recommendations aimed at reforming cohesion policy, so as to make it more efficient and adapted to the new challenges facing Europe’s regions. Although the key focus was on striking a better balance between “efficiency” (understood as the search for competitiveness and growth) and “equity” (understood as the combat against social exclusion and the provision of decent living conditions for all citizens), the Barca report also advocated addressing the lack of strategic planning, concentrating funding on a limited number of priorities determined through discussions based on genuine partnership, strengthening the territorial dimension, particularly of the European Social Fund (ESF) (via a “territorialised social agenda”), and continuing to apply the policy across all regions.

Lastly, in 2010 the Commission published its 5th Report on Economic, Social and Territorial Cohesion, whose conclusions set out the broad outlines of regional policy after 2013. Contrary to the concerns that had arisen regarding the future of the policy – facing a considerable decrease in its budget and, de facto, a disappearance of the programmed approach – this report reaffirmed the need to reform cohesion policy in response to the challenges faced by the European Union, particularly those underpinning the Europe 2020 strategy: tackling the economic and financial crisis, combating poverty, ensuring a more equitable division of economic activity and wealth and creating a more sustainable, competitive economy to enable Europe to participate more effectively in the process of globalisation. Whilst cohesion policy alone cannot meet these complex challenges, it should enable all Europe’s regions to make better use of their advantages and economic potential and take their place in the knowledge economy, while ensuring sustainable development.

In this connection, the legislative package presented by the European Commission on 6 October 2011, described in detail in the following chapter, is an attempt to address these challenges, taking account of the results of the discussions over recent years on the future of cohesion policy.

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In 2012, the debate about cohesion policy 2014-2020 is at its peak, with ongoing discussions in the Council, the European Parliament, and the Committee of the Regions. In the context of economic crisis and widespread austerity measures, it is clear that cohesion policy is part of the solution to Europe’s economic problems. European stability and prosperity will be at risk if Member States and regions do not work together to deliver growth and jobs.

After 2014, I would like to see cohesion policy delivering the Europe 2020 agenda of smart, sustainable and inclusive growth. This can be achieved by concentrating funding on eleven objectives that will help us to achieve our goals, three of which are particularly important for driving growth: strengthening research, technological development and innovation; enhancing the competitiveness of SMEs; and supporting the shift to a low carbon economy. Another central element of the reformed policy is an increased focus on delivering results. Programme success will be measured against milestones and targets and, where Member States fail to address weaknesses sufficiently, payments can be suspended. A reserve of 5% of all funds will only be released to Member States in 2019, which will be available solely for programme axes that have performed well.

We have introduced new conditionality provisions that are directly linked to achieving fund objectives. These will incentivise the creation of the right policy environment for the effective investment of the funds, with a possible suspension of payments if conditions, agreed with a Member State beforehand, remain unfulfilled. It has also become clear that we need to link cohesion policy more closely with EU economic governance in order to promote economic stability. Where a Member State is failing to make the necessary progress with reforms asked for by the Council, the Commission may request amendments to relevant programmes. As a measure of last resort, the Commission may suspend funding – while always, of course, acting in a fair and proportionate way.

To support the focus on Europe 2020 and achieving tangible results, the “Common Strategic Framework” document, covering cohesion policy, rural development and fisheries funds, will provide a comprehensive investment strategy for all funds. It will present “key actions” for each objective to demonstrate how these can be delivered in practice, and will show how synergies between the funds and wider EU funding instruments can be exploited to increase impact. It will also ensure better coordination with national, regional and local investment programmes.

The Common Strategic Framework will be used to develop a national-level investment strategy in the form of Partnership Contracts, which will be agreed between Member States and the Commission. These Contracts will be developed with the close involvement of national, regional and local partners from the public, private, and third sectors, and will set out the multilevel governance arrangements for each fund. Member States will have to show how partners will be involved in the design and delivery of programmes. A binding Code of Conduct will also be introduced to provide objectives and criteria for establishing productive partnerships and to facilitate the sharing of best practice between Member States. Partnership increases the legitimacy of investment choices, increases a sense of ‘ownership’ of the funds at all levels, and improves efficiency by making the most of available expertise.

New instruments to promote a more integrated approach to territorial development will be introduced in 2014. Integrated Territorial Investments will allow the setting up of investment plans that combine funding from different priority axes and/or different operational programmes. The implementation of these plans can be delegated to bodies such as local authorities or NGOs. A territorial approach will also be supported by community-led local development (drawing on the example of rural development’s LEADER programme). This will allow a bottom-up approach to policy-making within a given area. Local action groups consisting of representatives from across a community will deliver a local development strategy, and funding will be available to support the preparation of strategies, cooperation activities, and running costs.
Urban areas in particular are centres of innovation, economic opportunity, and social and cultural diversity, but many also have high rates of poverty, unemployment, and environmental degradation. The new proposals recognise the importance of cities by ringfencing 5% of the European Regional Development Fund for cross-sectoral sustainable urban development, to be managed by cities themselves. Cities will be encouraged to innovate with a fund of around EUR 400 million for piloting new approaches, and the lessons learned from both these new initiatives will be shared via an EU level Urban Development Platform.

Finally, we have put a strong emphasis on simplifying the new regulations. With common eligibility rules, easier access to funding, annual rolling closure of programmes and the use of online applications, the bureaucratic burden on all partners will be reduced.

The Commission’s 2011 Multiannual Financial Framework proposal allocated EUR 336 billion to cohesion policy. Whatever the final figure, it is clear that we will have to increase the impact of the funds without increasing the budget. Although funding will not increase overall, it will be distributed more equitably. The introduction of a third category of “transition” regions, those with a GDP per capita of between 75% and 90% of the EU average, will make receipts more proportional to a region’s level of development. Cohesion policy will of course remain a policy for all regions, so that everyone, no matter where they live, benefits from European investment.

This reform is certainly ambitious. I look forward to working closely with the other EU institutions as the proposals continue to develop, and to continuing to exchange views with regional and local partners, whose support is undoubtedly crucial to the success of future cohesion policy.
On 6 October 2011, the European Commission unveiled its proposals for the future cohesion policy of the European Union (EU) during the next programming period, 2014–2020. The aim of the reform is to align the policy more closely with the objectives of the Europe 2020 strategy, bolster the effectiveness and impact of the Structural Funds, and simplify the implementation and accessibility of the regionally-oriented funds.

The cohesion package

The proposed legislative package comprises: 1) a general regulation laying down common provisions on the three cohesion policy funds (the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund) and on the two other funds with a strong regional dimension: the European Agricultural and Rural Development Fund (EAFRD) and the European Maritime and Fisheries Fund (EMFF). This regulation will enable the use of these funds to be better coordinated. There are then 2) three separate regulations for the ERDF, ESF and Cohesion Fund; and 3) two regulations covering the European territorial cooperation objective and the European grouping of territorial cooperation (EGTC).

The proposed budget

Under the Multiannual Financial Framework\(^4\), a total of EUR 376 billion is allocated to “cohesion policy instruments”; of this, some EUR 40 billion would be earmarked for a “new” fund for trans European infrastructure\(^5\), which will have a radically different modus operandi to the programmes co-financed by the Structural Funds. Therefore, cohesion policy in the strict sense of the term is to be allocated EUR 336 billion. While this constitutes a slight reduction on the 2007-2013 period\(^6\), it amounts to just over 32% of the future general budget of the EU (as against just over 35% in the current period) and will continue to cover all European regions (271 in total).

The Commission’s proposals envisage the following breakdown of the cohesion budget: 1) EUR 162.6 billion, or 48.3% of the total budget, for the less developed regions (whose GDP per capita is below 75% of the EU average); 2) EUR 53.1 billion, or 15.7% of the total, for the more developed regions (GDP per capita above 90% of the EU average); 3) EUR 39 billion, or 11.6% of the total, for the new category of transition regions (GDP between 75% and 90% of the EU average); 4) EUR 11.7 billion, or 3.48% of the total, for territorial cooperation; and 5) EUR 68.7 billion, or 20.4% of the total, for the Cohesion Fund (of which EUR 10 billion should be ring-fenced for funding trans-European transport networks). A special appropriation of around EUR 1 billion would be provided for the outermost regions and sparsely populated areas; this would also represent a reduction compared to the current period.

The investment priorities retained: towards greater concentration of resources

The general regulation lists the following 11 thematic objectives that the Structural Funds are to support, tying in with the Europe 2020 strategy, and it is up to the Member States to choose the investment priorities towards which to channel their funding: 1) strengthening research, technological development and innovation; 2) enhancing access to and use of information and communication technologies; 3) enhancing the competitiveness of small and medium-sized enterprises (SMEs); 4) supporting the shift towards a low-carbon


\(^5\) Connecting Europe Facility.

\(^6\) EUR 347 billion.
economy in all sectors; 5) promoting climate change adaptation, and risk prevention; 6) protecting the environment and promoting resource efficiency; 7) promoting sustainable transport and removing bottlenecks in key network infrastructures; 8) promoting employment and supporting labour mobility; 9) promoting social inclusion and combating poverty; 10) investing in education, skills and lifelong learning; and 11) enhancing institutional capacity and an efficient public administration. Furthermore, to avoid dispersal of the various allocations, minimum rates of investment in some objectives have been set for each category of region. In the case of the more developed regions, for instance, at least 80% of their ERDF allocation is to target three priorities (research, technological development and innovation; SME competitiveness; and the shift towards a low-carbon economy).

A new category of European regions
European regions are to fall into the following three categories: less developed regions (whose GDP per capita is below 75% of the EU average); transition regions (GDP between 75% and 90% of the EU average); and more developed regions (with GDP per capita above 90% of the average). This classification determines the amount of the Structural Fund allocation for each region.

Thus, a new category of European region is set to come into being after 2013: regions in transition, i.e. all regions whose GDP is between 75% and 90% of the EU average. Within this category, regions phasing out from the current “convergence” objective will be guaranteed a minimum level of structural funding, equivalent to two thirds of their current allocation. Overall, the Commission has set aside EUR 39 billion for this new category, slightly over 11% of the total cohesion policy budget. Going on current statistics, 51 regions will fall into this category.

The Common Strategic Framework
As provided for in the general regulation, the Commission has proposed that a Common Strategic Framework (CSF) should include the five Structural Funds covered by the general regulation. The idea here is to improve the consistency and synergies between these different funding sources. The CSF sets out the future general priorities for investment, detailing the types of investment that will serve each of the thematic objectives now included in the general regulation. The CSF, whose legal status remains to be clearly defined, is to be adopted by the European Parliament and the Council in the three months following final adoption of the general regulation.

Partnership contracts with conditionality
Partnership contracts will be concluded between the Commission and each Member State and, like the CSF, will cover all of the funds and focus on an integrated development strategy. These partnership contracts will set the Member States’ investment priorities, which will tie in with the Europe 2020 goals, the national reform programmes and the stability and convergence programmes. The contracts are to be drawn up with the full involvement of grassroots “partners”, including local and regional authorities. In this regard, the general regulation provides for a code of conduct setting out the rules for effective partnership between the tiers of government and organised civil society, and this is to be published in the coming months.

In addition to the investment priorities, the partnership contract will also set out the Member State’s commit-
ments as regards meeting the ex ante conditionalities that have to be fulfilled in order to receive the funding, the aim being to optimise the use of the funds, by laying down a series of preconditions to be met, such as the transposition of EU legislation, or clear rules for audits and calls for projects.

Moreover, in order to optimise the results of cohesion policy, the general regulation proposes to put in place a system of ex-post conditionalities to help measure the tangible results of investments made using the Structural Funds. If the quantitative targets are not met, the proposed regulation provides for certain sanctions (including the suspension of funding). On the other hand, the best-performing regions have the possibility of accessing a “performance reserve”, containing 5% of the funds for each programme.

The controversial issue of macro-economic conditionality

Among the innovations in the legislative package, macro-economic conditionality has met by far the most resistance. The clearly stated aim of the initiative is to maximise the results of the regional investments. Thus, a Member State that fails to manage its debt, or follow the Commission’s recommendations, could well see the disbursement of its funds suspended, initially, or even cancelled, in an extreme case, thereafter. Clearly, this is by far the most controversial aspect of the package.

The European Commissioner for Regional Policy has explained that this is a “last resort” measure which would be preceded by many stages and would be applied on a case-by-case basis. He believes it would ensure that funds are disbursed in ideal circumstances so that cohesion policy can really deliver the desired results.

This measure would involve a significant tightening of the current rules, even though it is already possible to suspend or cancel certain funding granted under the Cohesion Fund – and only that fund – for failure to comply with the EU Stability and Growth Pact rules. In the future, this may become an even greater threat, especially since the rules on economic governance have recently been adapted to make sanctions more automatic if something goes wrong.

A strengthened territorial dimension

The proposed general regulation accords considerable importance to the territorial aspect, providing for several new tools:

• local development actions, based on the experience of the LEADER approach, drawing on the EAFRD (rural development), constituting the epitome of the bottom-up territorial approach, based on local needs and implemented in an integrated manner as it is possible to combine several funds. The innovative aspect of this proposal lies in the fact that local development is no longer solely restricted to rural development, thus enabling the establishment of urban or district strategies local development strategies (urban regeneration, etc);

• integrated territorial investments (ITI): this type of investment concerns integrated projects in urban areas, giving cities the opportunity to manage funds earmarked for integrated urban actions, thus contributing to meeting the objective of territorial cohesion;

• innovative actions in sustainable urban development: in order to identify and pilot new solutions in this area, the proposed regulation provides for an allocation of 0.2% of the ERDF to such actions; and
• joint action plans, which should allow for a better integrated approach to public policy, insofar as they combine several funds into a large-scale joint operation.

An enhanced role for the European Social Fund

Investment in people is a key component of the Europe 2020 strategy for smart, sustainable and inclusive growth. The European Social Fund (ESF) is the main instrument through which cohesion policy invests in people. The proposed reforms aim to reinforce the ESF in creating jobs, enhancing social inclusion, tackling youth unemployment and contributing to growth and competitiveness:
• a minimum share of the budget is allocated to each category of region, which is higher than at present (at least 25% for less developed regions, 40% for transition regions and 52% for more developed ones). This share corresponds to at least EUR 84 billion for the ESF, compared to EUR 75 billion at present;
• Member States must concentrate the ESF on a limited number of investment priorities in line with the Europe 2020 strategy, in order to increase impact and reach a critical mass;
• a minimum share of 20% of the ESF is dedicated to social inclusion actions;
• a greater emphasis is placed on combating youth unemployment, promoting active and healthy ageing and supporting the most disadvantaged groups and marginalised communities such as Roma;
• greater support is provided to social innovation, that is testing and scaling up innovative solutions to address social needs e.g. to support social inclusion;
• the participation of social partners and civil society in the implementation of the ESF is further encouraged, through capacity building, the promotion of community-led local development strategies and simplification of the delivery system. Rules governing reimbursement are simplified, in particular for “small” beneficiaries, who make up at least 50% of recipients of ESF funding;
• equipment linked to investments in social and human capital is eligible for support from the ESF.

A tight procedural timeframe

These proposals are already being discussed by the European Parliament and the Council with a view to their adoption by late 2012 (or early 2013). The aim is for the new generation of cohesion policy programmes to be rolled out on 1 January 2014. Negotiations on the Multiannual Financial Framework (MFF) for the whole EU budget are continuing in parallel. While the Commission has already proposed to allocate EUR 336 billion to cohesion policy for 2014-2020, the fact remains that the final amounts allocated to each Member State and the lists of eligible regions by category will not be agreed until after the final adoption of the legislative package currently on the table. The forthcoming negotiations will be tough as always, and, for the first time, will see the European Parliament on an equal footing with the Council, since all the regulations are to be adopted under the co-decision procedure.

Comments from the Polish Presidency of the Council of the EU

Elżbieta Bieńkowska  
Minister of Regional Development, Polish Presidency of the Council of the European Union,  
July-December 2011

“The cohesion policy is an integral part of the EU’s development policies and should support all of its regions. Each region, regardless of its level of development, has potential which should be tapped in order to meet the EU’s development goals. The objective of this policy is therefore not to support the development of only the poorest areas of the Community. Thanks to the single market, all countries and regions of the EU benefit from it, even the richest areas. Poland is also proof that cohesion policy promotes modernisation, development and lasting structural change, creates a requirement for comprehensive development measures and encourages various groups and levels of government to carry out joint projects.”

Focus on European territorial cooperation

The proposed regulation on European territorial cooperation stands out as an innovation among the array of instruments for the future EU cohesion policy. There is to be a separate regulation for territorial cooperation, in response, inter alia, to calls from a wide range of stakeholders during the consultation that preceded the drafting of the document. In other words, there will be a separate set of rules to govern programmes that have to be implemented in a multi-national context.

Although the proposed text is underpinned by the same key principles governing the other proposals (strategic integration, concentration of investment, results-oriented approach), adjustments to the general rules are provided for to take account of the particular context in which the programmes are launched and managed. Here are some examples, by way of illustration: firstly, the adjustment of the rule on automatic decommitment, to give more leeway to cooperation programmes compared to other programmes (N + 3 instead of N + 2) in order to take account of the additional difficulties in launching and managing a programme involving multiple regions or territories from across several Member States. Secondly, the adjustment giving increased importance to technical assistance (up to 6% of the total funds allocated to cooperation programmes, as against 4% under the general rules). Finally, future territorial cooperation programmes will be exempt from ex ante conditionalities and excluded from the system of providing additional funds through a performance reserve. The specific investment priorities, which can be supported by the European Regional Development Fund (ERDF) in the framework of territorial cooperation, have also been adapted to accommodate the specific needs of areas on either side of a border, in terms of mobility or training, for instance. It is also explicitly stipulated that support for macro-regional strategies is to be an investment priority for transnational cooperation programmes.

The three strands of territorial cooperation

As is currently the case, territorial cooperation programmes will fall under three strands: 1) cross-border cooperation (between areas on either side of the same border, including maritime borders); 2) transnational cooperation (between neighbouring regions in respect of EU strategic priorities); and 3) interregional cooperation (not dependent on the geographical location of the areas). Also as at present, it is the cross-border strand that will absorb the bulk of the funds, with an allocation of EUR 8.569 billion for the whole period, or more than 73% of the total territorial cooperation budget, as against EUR 2.431 billion for transnational cooperation (just over 20% of the funds), and EUR 700 million for interregional cooperation (just under 6% of the budget).

Among the major developments, it is worth emphasising the desire of the Commission for the territorial cooperation programmes to be concentrated around a limited number of thematic objectives, in line with what was proposed for the other types of programme. This concentration has by no means always been the prerogative of territorial cooperation programmes, which have tended to be based on very broad strategies, making it thus quite difficult to get a clear picture of their real impact. Thus, local authorities and Member States are supposed to focus their cross-border and transnational cooperation programmes around a maximum of four out of the eleven thematic objectives listed in the general regulation, while interregional cooperation programmes may cover the full range of those objectives.

The amended EGTC Regulation

Separately from the new specific set of rules now established for territorial cooperation, the proposals adopted on 5 October by the College of Commissioners include, as expected, an amended Regulation on the European Grouping of Territorial Cooperation (EGTC). This is the legal instrument introduced by the EU in 2006 to facilitate cooperation between local and regional authorities across the Member States, particularly cross-border cooperation, but also to overcome existing obstacles hindering broader European territorial cooperation.

It should be pointed out that the proposed text is more an adaptation than a major reform, an adaptation, nonetheless, that is intended to facilitate the creation and functioning of EGTCs and clarify certain existing provisions.

Indeed, although perceived as very useful, the EGTC is still a relatively underused instrument. According to the analysis of the Committee of the Regions, which is closely monitoring its implementation and progress, only 29 EGTCs have been set up since 1 August 2007 when Regulation 1082/2006 came into full effect. While, according to the Committee, around twenty EGTCs are in the pipeline, multiple barriers have been identified over the last few years, chief among them: 1) the length and technical nature of the procedures; 2) the difficulty in involving third country authorities; and 3) the extreme complexity around employment contracts applicable to staff from a number of different Member States. On these three aspects, the Commission has tried to propose suitable solutions.

Firstly, as regards procedures, new rules on Member State approval should speed up the establishment of EGTCs. At present, Member States are supposed to formally approve the creation of an EGTC within three months of a request. However, in practice, this has been the exception and formal approval procedures have tended to drag on. The Commission is therefore proposing that the deadline be extended to six months and that, once this time limit is up, in the absence of reasoned objections from the

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1 Number of EGTCs registered in the Cor Register of EGTCs (http://portal.cor.europa.eu/egtc/en-US/Register/Pages/welcome.aspx).
Member States, the EGTC will be deemed approved by tacit agreement. This can only encourage Member States to review applications with greater diligence.

Secondly, the participation of third countries or the local and regional authorities of third countries will also be facilitated, since, although this is not expressly prohibited at present (Serbia, for example, participates in an EGTC), there is clearly a lot of room for clarification here. However, and this is indeed something new, it will finally be possible to create an EGTC between only one Member State and a third country, whereas at present the Regulation requires that members of an EGTC be drawn from at least two Member States.

Finally, with regard to the employment law applicable to the staff of an EGTC, flexibility should prevail as the proposed text indicates explicitly – something that was rather confusing up to now – that this may, for instance, be the law of the country where the EGTC has its registered office or of the place where one of the statutory bodies of the EGTC is located or carries out its tasks.

Comments from the Danish Presidency of the Council of the EU

Nicolai Wammen Minister for European Affairs, Danish Presidency of the Council of the European Union, January-June 2012

“Cohesion policy plays an important role in creating growth and employment in Europe and Denmark prioritised this area by seeking to achieve as much progress as possible in the negotiations on cohesion regulations during our past Presidency. In this respect, I am pleased with the Committee of the Regions’ contribution to assisting the Danish Presidency by providing the necessary insight and expertise for which the Committee has earned a reputation.”

The Committee of the Regions’ contribution to the debate on cohesion policy

For the first time since the cohesion policy was established in 1988, the legal texts governing its operation will all be adopted under the co-decision legislative procedure, thereby placing Member States and the European Parliament on an equal footing. The decision-making process has therefore become more transparent, and democratic too, allowing the Committee of the Regions – as a consultative body – to ensure that its voice is better heard.

Since the legislative package was issued on 6 October 2011, the Committee of the Regions’ rapporteurs have had lengthy discussions with their counterparts at the European Parliament and have been able to put forward their draft reports to EP committees. These special relations with MEPs have ensured that the Committee of the Regions has had a positive influence on EP debates, which have often been long and complex. In fact, more than 3,500 amendments have been examined by MEPs on the whole of the “cohesion package” – some going so far as to renationalise cohesion policy. In the end, MEPs were able to ensure that the European general interest would prevail, by supporting a cohesion policy that is both ambitious – adapted to the different needs of the different regions – and realistic.

Thus, the texts adopted by the EP committees (on the ESF in the EMPL committee on 5 July 2012, and on all the other draft regulations in the REGI committee on 11 July) reflect the essence of what the CoR has been calling for, in particular regarding the establishment of transition regions, the need for greater flexibility in the concentration of investment.

A new bridge across the Danube will speed up international traffic and connect Calafat in Romania to Vidin in Bulgaria.

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The Committee of the Regions’ political stance adopted in May and July 2012

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In REGI: 1642 amendments on the general regulation, 727 on the ERDF, 99 on the Cohesion Funds, 328 on European territorial cooperation and 29 on the EGTC. In EMPL: 474 amendments on the ESF. These do not include the amendments from other EP committees consulted, nor the compromise amendments tabled by rapporteurs.
ments for each Fund, the involvement of local and regional authorities in the operational programmes, the opposition to macro-economic conditionality and the restrictive vision of ex ante conditionality.

This is therefore an initial success for local and regional authorities, for whom the legislative package is an absolute political priority. In fact, local and regional authorities in the European Union are not only the main beneficiaries of the structural funds, but also the main co-financers of this European policy and, to a large extent, the (co-)managers alongside central government.

The main stances adopted by the Committee of the Regions are as follows:

• A cohesion policy accessible to all European regions, i.e. including the more developed regions in the Union, in keeping with the territorial cohesion principle, the incorporation of which in the Treaty was in particular the result of major efforts by the Committee of the Regions when the Treaty was being drawn up. The proposals contained in the legislative package bring with them a number of solutions, particularly the Common Strategic Framework, which comes in response to the Committee’s wish that regional policy not be deemed to be the only policy governing territorial cohesion, and which encompasses all of the “regionally-oriented funds” such as those earmarked for rural development and for fisheries and maritime affairs. Moreover, the intervention possibilities for the funds at different territorial levels (sub-regional, regional, multi-regional and macro-regional), in keeping with specific geographical features and functional areas, should generate a more integrated approach to policies in a given region, thus meeting the concerns expressed by the Committee, especially in the opinion by Jean-Yves Le Drian (FR/PES) on the Green Paper on Territorial Cohesion9.

• Support for the new category of transition regions, incorporating all regions with an “intermediate” level of development, i.e. with between 75 and 90% of the Community average GDP per head. This new category of regions, supported in the opinion by Michel Delebarre (FR/PES) on the 5th Cohesion Fund report10 and confirmed in the Commission’s proposals, means it will be possible to simplify the current system and respond in a more satisfactory way to the needs of many regions, such as those coming out of the convergence objective who have to consolidate what they have achieved, as well as those whose GDP per head remains poor and is stagnating – and in some cases even in recession.

• Full involvement on the part of local and regional authorities by means of stronger partnership with the regions, towns and other districts so as to secure a consolidated model of multi-level governance. To this end, the Committee of the Regions has always advocated greater involvement of sub-national levels of government, from the drafting to the implementation and monitoring of regional policy. Here, the CoR strongly supports the idea of a “European code of conduct on partnership”, as proposed by the European Commission in Article 5 of the draft general regulation, and is discussing the content of this code in its COTER commission with Stanislaw Szewabski (PL/EA) as rapporteur. Moreover, the “partnership contracts” which will be drafted in the course of 2013 will be examined carefully with a view to checking that local and regional authorities in each Member State have been properly involved in drafting strategic documents.

• A more flexible thematic focus built up around the Europe 2020 strategy, particularly by lowering some fund concentration thresholds and by providing the possibility of carrying out integrated projects across

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Lyon Biopôle: the new infectiology centre received support from the ERDF, Rhône-Alpes, France.
a functional territory level, such as in conurbations. The CoR would like there to be a more territorial approach to operational programmes, avoiding the concentration of all the funds on the thematic objectives of Europe 2020. These calls were made in October 2010 in the opinion by Michael Schnei-
der (DE/EPP) on the contribution of cohesion policy to the Europe 2020 strategy¹¹: the Committee at that time clearly expressed its support for this strategy and its triple objective of smart, sustainable and inclusive growth, and has constantly pointed out that cohesion policy should not be just a simple tool for implementing the strategy, even if it has a positive contribution to make to achieving its objectives. In this respect, the flexibility called for will enable the investments linked to the structural funds to be adapted to the different development levels and the variety of regional economic structures.

• A rejection of macro-economic conditionality linked to the Stability and Growth Pact. Regions and towns should not be subject to budget cuts in the structural funds because of scarce funds at national level. More flexible ex ante conditionality are needed, concentrating solely on the conditions essential for good implementation of cohesion policy.

• A rejection of the system of financial sanctions, but also of a system of rewards, as is provided for in the performance reserve. The CoR has warned co-legislators about the dangers inherent in such a system: first of all, reward granted to the “best” would run counter to the very philosophy underlying the cohesion policy; secondly, it would encourage management authorities to set low objectives with the sole aim of obtaining this “reserve”.


The Warsaw-Lódź railway line modernisation project supported by EU Funds, Poland.

EU Commissioners Johannes Hahn and László Andor with CoR rapporteurs on the future of EU cohesion policy, meeting of the COTER Commission, Committee of the regions, 5 December 2011.
The position of European Parliament confirms the CoRs’ priorities

Danuta Hübner Chair of the European Parliament Committee on Regional Development and Chair of the EP negotiating team with the Council on the legislative package on cohesion policy

The European Parliament strongly believes that cohesion policy is much more than a conventional development policy or a financial contribution to growth and jobs. Its added value goes further, engaging local and regional representatives and involving them in policy design and delivery. It is precisely this multi-level governance that the European Parliament values and supports because it brings knowledge, legitimacy and efficiency to the way European money is spent.

At the same time, the European Parliament is fully alert to the variety of challenges that cohesion policy faces and will face from 2014 onward. Bearing in mind the future challenges and the need for an out of crisis solution, the Committee on Regional Development is a strong defender of a more efficient future cohesion policy, which will translate the Europe 2020 objectives into national, regional and local ones. The explicit linkage of cohesion policy and Europe 2020 provides a real opportunity for reform, prioritisation, increased synergies and a better delivery system.

Seizing this opportunity for reform, the Committee has prepared the path towards the inter-institutional negotiations that will lead to the adoption of the cohesion policy legislative package for the period 2014-2020. The Committee on Regional Development adopted the negotiating mandates on every regulation of the post 2013 EU cohesion package at its meeting on 10-11 July 2012, thus signalling the European Parliament’s readiness to engage in inter-institutional negotiations.

In doing so, the Parliament defends a number of principles and propositions. First, we need to ensure that Member States and regions concentrate EU and national resources on a small number of priorities fully in line with their specific territorial challenges. Secondly, we support the need to introduce stronger incentives and policy-related conditionality, which would enable the effectiveness of cohesion policy interventions to be improved. Thirdly, cohesion policy should rely on a simplified results-oriented delivery system to strengthen both the accountability and transparency of the policy. Furthermore, the Parliament asks for improvement in two key areas, territorial cohesion and partnership. The involvement of local and regional partners should be strengthened in both policy dialogue and implementation. One way this can be done is to reinforce local approaches to development and to promote the integrated approach to programming and spending.

The European Parliament defends an ambitious reform and believes that the EU’s success will depend not only on investments and funding, but also on the system of governance it seeks to apply. Partnership and ownership of reform priorities will be critical factors for the successful implementation of the policy. Our work in the Committee on Regional Development reflects therefore this fundamental belief that the Union needs a development and investment policy that ensures that all regions are able to fulfil their economic potential and that all citizens benefit from the process of integration wherever they live. We look forward therefore to the outcome of the current inter-institutional negotiations, with the firm conviction that all actors involved in this process will strive to achieve a common goal: a better, more competitive and more cohesive Europe for the benefit of us all.
Following the adoption in July 2012 by the European Parliament’s REGI committee of texts of mandate on the regulations on cohesion policy, the Parliament and the Council have officially launched the negotiation procedure, with a view to reaching a compromise on the legislative package. The first informal trialogues started in mid-September, involving the two co-legislators plus the European Commission acting as a mediator.

On the European Parliament side, the positions established in the parliamentary committees in July largely echo the demands of local and regional authorities as adopted in the Committee of the Regions’ opinions. Within the Member States, in contrast, the compromises currently being negotiated do not always meet the expectations of European local and regional authorities, and certain matters such as the issue of the budget, macroeconomic conditionality and the transition region category are proving to be significant stumbling blocks. It is worth noting that, within the Council, there is real tension between those Member States that are supporters of “better spending” and those that are “friends of cohesion policy” and, like the CoR, are insisting on maintaining an ambitious and fair cohesion policy for all regions of Europe.

Since the publication of the legislative package on 6 October 2011, Member States have negotiated under the Polish, Danish and Cyprus Presidencies, and have reached preliminary agreement on the following thematic blocs:

- programming;
- ex-ante conditionality;
- management and control;
- monitoring and evaluation;
- eligibility;
- major projects;
- thematic concentration;
- financial instruments;
- net revenue generating operations and public private partnership;
- performance framework.

12 On 5 July in the EMPL committee on the ESF, and 11 July in the REGI committee on the other regulations.
Additional compromises on the following topics should be agreed under the current Cyprus Presidency during the next two General Affairs Council meetings (16 October and 11 December): a) territorial development; b) indicators-information and communication-technical assistance; c) additionality and financial issues not in the MFF; d) European Territorial Cooperation; e) management and control & financial management; f) Common Strategic Framework; g) EGTC.

The Committee’s rapporteurs maintain close contacts with the European Parliament and Council negotiating teams so as to ensure that the European local and regional authorities’ interests are genuinely taken into account in the final version of the legislative package. The COTER commission is planning to draft a resolution focusing on the points the Committee has recommended which risk being dismissed in the discussions between the European Union’s legislators.

A table below (page 22) summarises the positions of CoR, the European Parliament and the Council of the EU on some key points. The table is followed by detailed contributions by all the CoRs’ rapporteurs on the cohesion policy.

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Ramón Luis Valcárcel, President of the Committee of the Regions, meets with Herman Van Rompuy, President of the Council of the European Union, at the Council’s Brussels headquarters on 11 September 2012. The two leaders concurred that the cohesion policy will play an instrumental role in overcoming the crisis, especially at the local level, and that it can count on adequate resources and effective rules within the next MFF. “It is more and more evident that Europe needs to intervene simultaneously to consolidate its financial accounts and to re-launch the economy and promote inclusive growth” said President Valcárcel.
Comments from the Cyprus Presidency of the Council of the EU

Holding the Presidency of the Council of the EU, during the second half of 2012, makes this one of the most important and challenging periods in the history of Cyprus. With the aim of working ‘Towards a Better Europe’, the Cyprus Presidency has set four overall priorities, under which key legislative dossiers and other initiatives will be promoted: (1) a more efficient and sustainable Europe, (2) a better performing and growing European economy, (3) a more relevant EU to its citizens, with solidarity and social cohesion, and (4) closer to its neighbours. All efforts are directed towards bequeathing a better Europe to the next generation.

The Multiannual Financial Framework is the key tool for structuring the EU’s future, and concluding the MFF negotiations for the period 2014-20 is a top priority. In parallel, the aim is to speed up the negotiation process of the sectoral legislations falling under the MFF with Cohesion Policy as the main priority.

The Cyprus Presidency is committed to making the best possible progress in the negotiations of the Cohesion Policy legislation which will govern the programmes of the period 2014-2020. Since July, the Presidency has already embarked on an intensive programme in the Council aiming to conclude all pending issues by the end of 2012. In particular the issues in the agenda include the Common Strategic Framework, financial management, and management and control systems, territorial development, information and communication, and some other technical elements such as the closing provisions of the Regulation.

Cohesion policy will be on the agenda of the General Affairs Council in October and December with a view to reaching agreement, excluding financial issues that are subject to the MFF. Moreover, the informal meeting of Ministers of Cohesion Policy in Cyprus in November aims to allow a first discussion on the delivery of the new reformed policy.

Close cooperation with the European Parliament is of particular importance and the intention is to keep in contact throughout the entire negotiation process. As of September the autumn, informal trialogues have been initiated and there is strong will from all sides to make as much progress as possible.

The aim of the Presidency is to achieve a common understanding among the three Institutions, on programming and management related issues as soon as possible, in order to facilitate the preparations of Member States and regions for the new period.

Last but not least, the Presidency intends to carry forward the work done by previous Presidencies on the promotion and implementation of the Territorial Agenda 2020.

Find out more: www.cy2012.eu
The Committee of the Regions has its say in ongoing interinstitutional negotiations on the legislative package for the cohesion policy 2014-2020:

<table>
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<th>Topics</th>
<th>Committee of the Regions</th>
<th>European Parliament</th>
<th>Council</th>
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| Architecture and types of regions     | • in favour of the establishment of transition regions and safety net of 2/3 for regions no longer eligible for full convergence support | • in favour of both transition regions and safety net, and proposes another safety net of 4/5 of their 2007-2013 allocations, for outermost regions and single region Island States that will not belong to the less developed regions after 2013 | • very controversial issue (few Member States support the new category of regions, which concerns a minority of MS***)  
• support the idea of a safety net for convergence regions |
|                                      | • regions suffering demographic challenges should be supported                           |                                                                                     |                                                                        |
| Thematic Concentration on EU 2020    | • primary objective of cohesion policy and Structural Funds is to reduce disparities and meet the Treaty objectives (economic, social and territorial cohesion) | • balance priorities between the EU 2020 Strategy and Treaty objectives              | • concentration on EU 2020 should also make sufficient use of specific territorial potential taking into account national and regional needs |
|                                      | • greater flexibility in the concentration of investments for each Fund (by reducing percentages of concentration and increasing the number of investment priorities) in order to leave LRAs more margin of manoeuvre | • more flexibility in the concentration by reducing percentages and increasing the number of thematic objectives and/or investment priorities (depending on the Fund) | • more flexibility is given to managing authorities by increasing the number of thematic objectives and investment priorities  
• extension to basic infrastructures in the areas of environment, transport and ICT in more developed regions |
|                                      | • extension to basic infrastructures in the areas of environment, transport and ICT in more developed regions | • extension to basic infrastructures in the areas of environment, transport and ICT in more developed regions |                                                                        |
| Multilevel governance and partnership | • LRAs on the same footing as the national level for the elaboration of partnership contracts (PC) and operational programmes (OPs)  
• in favour of the European Code of Conduct on partnership (ECCP) | • MS should set up “partnership agreements” with LRAs in order to conclude partnership contracts and operational programmes with other stakeholders  
• in favour of the ECCP | • “partnership contracts” become “partnership agreements” (PA)  
• against the ECPP |
| Share of ESF                          | • more flexibility in the allocation between ERDF and ESF by lowering the minimum level of ESF for each type of region (40% in more developed regions instead of 52% - 35% for transition regions instead of 40% and 20% for less developed regions instead of 25%) | • the thresholds for each category of region should be indicative  
• safety net for ESF (at least the 2007-2013 allocation)  
• the allocation between ERDF and ESF should be calculated at national level to give more flexibility to regions | • more flexibility by lowering the percentages: between 45 and 50% for more developed regions – [35-40]% for transition – [20-25]% for less developed  
• the allocation is calculated at national level to give more flexibility to regions |
| Conditionalities                      | • against macro-economic conditionality  
• ex ante conditionality should be restricted to areas that are directly related to the implementation of cohesion policy | • against macro-economic conditionality  
• ex ante conditionality should be applied only when it has a direct link to and an impact on the effective implementation of cohesion policy | • very controversial issue, not yet agreed by all MS, but it could be supported at least partially  
• Member States (MS) should assess in the PA or OPs if ex ante conditionality set out in the Regulations are applicable to their objectives |
| Performance                           | • against a performance reserve  
• in favour of a flexibility reserve made up of automatic decommitments to finance experimental initiatives  
• against any type of financial sanctions due to under-achievement of results | • against a performance reserve  
• in favour of financial sanctions but only if a MS does not respond satisfactorily within 3 months to EC recommendations | • in favour of a performance reserve  
• postpone the performance analysis to 2019 (instead of 2017) and financial sanctions would apply only if the MS does not implement EC recommendations |
| Connecting Europe Facility (CEF)      | • in favour of the idea but against the transfer of Cohesion Fund (CF) allocation to CEF without respecting national quotas and applying CF rules | • in favour of the transfer but with strict application of the CF rules | • very controversial issue among MS |

* LRAs = local and regional authorities  
** MS = member states
Regional and local authorities are currently under enormous pressure, due to the drastic budget cuts resulting from the austerity policy that is being applied across the European Union as a response to the economic and financial crisis.

This situation has in turn seriously dented the European public’s confidence in Europe’s Institutions.

This is why the EU needs not only to address issues related to economic governance but must also restore the European public’s confidence in the EU.

Restoring confidence requires “good governance” which is understood to be the need to closely involve local and regional authorities in drawing up and implementing EU strategies, the most important of which is cohesion policy. I am firmly convinced that we cannot emerge successfully from the crisis without an appropriate budget for cohesion policy, which fosters territorial convergence and competitiveness.

Cohesion policy is not only a key instrument for surviving austerity, but is also the policy which, by its very nature, responds to a bottom-up approach on the basis of a territorial assessment that makes it possible to identify the strengths and weaknesses of the territories to be supported by the Structural Funds. Cohesion policy is, therefore, the European policy that most directly involves the regions and local authorities in its implementation and, consistent with the provisions in national law, even in its management and financing.

The current phase of establishing the rules that govern the Structural Funds for the next programming period 2014-2020 is, therefore, crucial to ensuring the implementation of multilevel governance in cohesion policy.

My priority as rapporteur for the Committee of the Regions’ opinion on the European Commission Proposal for a General Regulation on the Funds covered by the Common Strategic Framework, which was adopted on 3 May 2012, was to focus on the importance attached to the role of regions and local authorities in the Commission Proposal and on the achievements of cohesion policy.

First of all, the Committee of the Regions emphasised that the current situation of serious economic, financial and social crisis is resulting in a constant level of underemployment across the EU, with a strong, albeit uneven, impact on all regions. Regions are now more convinced than ever that without a strong cohesion policy our capacity to innovate and to promote economic growth and social inclusion will be put seriously at risk.

Against this backdrop, the Structural Funds are a crucial source of fund-
ing for combating the crisis and supporting the development of Europe’s regions.

The CoR also reiterated its support for the principle of European co-financing, which ensures that local and regional stakeholders are aware of their responsibilities.

Regarding the structure of cohesion policy, we welcomed the Commission’s identification of two major goals (“investment in growth and jobs” and “territorial cooperation”), keeping the ESF within the sphere of cohesion policy as a key instrument for jobs, for improving people’s skills and for social inclusion; and the creation of a new “transition regions” category, providing the safety net for regions no longer eligible for full convergence support.

We called, however, for greater flexibility in the distribution of the Structural Funds, adjusting them more realistically to regions’ needs, through the direct involvement of local and regional authorities; this flexibility should apply to the distribution between the ERDF and the ESF and the thematic concentration of the Funds on certain Europe 2020 goals. In this regard, we called for the minimum thresholds laid down in the specific regulations to be significantly lowered or made more flexible.

We supported the strategic approach of the Common Strategic Framework (CSF), incorporating all funds intended for regional purposes, which will mean better coordination with the EAFRD and the EMFF. We also expressed the desire for greater account to be taken of the principle of territorial cohesion, through urban and local development measures, ITIs and Joint Action Plans and called for closer attention to be paid to regions undergoing industrial conversion or with demographic handicaps.

Regarding the strategic approach, the CoR supported the improved incorporation of the funds, and welcomed the inclusion of the EARDF and the EMFF in the CSF.

The CoR declared itself in favour of appending the Common Strategic Framework to the General Regulation and considered that the CSF should facilitate a bottom-up approach and integration of funding. However, the CSF should be approved by the Parliament and the Council.

The CoR called, in accordance with the principle of multilevel governance, for regional and competent local authorities, as the bodies responsible for funding and implementing cohesion policy, and in line with their respective institutional systems, to be fully involved in preparing, negotiating, implementing and amending Partnership Contracts.

We recommended that regional and local authorities, in accordance with their respective institutional systems, should be closely involved in managing the European funds and are strongly in favour of multi-fund programmes.

The CoR once again firmly rejected the proposals aiming to establish a link between cohesion policy and compliance with the stability pact (macroeconomic conditionality); Regional authorities should not be penalised as a result of certain Member States’ failure to comply with their obligations, particularly as regards the national deficit.

Conversely, the CoR backed the principle of ex-ante conditionality, in order to ensure that the fundamental prerequisites are in place for making effective investments, based on the evaluation of previous experience. As it is important to avoid burdening cohesion policy with responsibilities that are beyond its remit and increasing red tape, ex-ante conditionality should be restricted to areas that are directly related to the implementation of cohesion policy and should not lead to the suspension of payments or to financial corrections, with the exception of conditionalities with which the Member State has undertaken to comply.

We were concerned about the creation of a performance reserve, since this mechanism could encourage policy-makers to set very modest, easily-achieved goals with a view to tapping the additional resources, which could encourage the development of unambitious projects and discourage innovation;

We strongly agreed with reinforcing the principle of cohesion by focusing on integrated urban development and, more specifically, we welcomed the Commission’s proposals on local development and integrated territo-
Cohesion policy is the only EU-wide development policy and as such should continue to be available to all of Europe’s regions. It is also the main EU tool for achieving economic recovery, and this policy deserves the best possible delivery system and the absolutely essential resources. This means solid programming, consistent reporting, a reliable and responsible control system and systematic evaluation. At the same time, the CPR provisions have to be in line with the reformed Financial Regulation and, of course, with the EP mandate for the future MFF.

Moreover, we insisted on genuine simplification of the provisions for implementing the funds, which will help managing, control and audit authorities and facilitate access to financing for beneficiaries. We expressed the hope that a more results-oriented approach will lead to a greater emphasis on delivery, quality and efficiency in the use of funds, rather than focusing on rules and total expenditure.

Finally, we considered that further clarification is needed in relation to the use of financial instruments with regard to their accounting in the use of EU funds, their supervision and their ownership. The use of financial engineering instruments to enhance the funds’ impact should be supported, provided that it is additional to and not at the expense of the grant element of Cohesion policy and that support is limited to conventional forms of financial instruments (equity participations, loans, guarantees), and does not go to opaque financial instruments such as derivatives or structured financial instruments.

The vote in the Committee for Regional Development gives us a strong mandate to negotiate with the Commission and the Council. Importantly, it includes the extension of the safety net, and discussions repeatedly revealed the broad rejection of macroeconomic conditionalities. Cohesion policy is the most important European investment programme for enabling and supporting sustainable growth in Europe. During negotiations, we will therefore urge Member State governments and the Commission to provide the funds needed to boost economic growth. A strong cohesion policy facilitates investment in research and labour and further helps us reduce disparities between regions and municipalities. A strong EU cohesion policy consequently also helps us to build a more social Europe.
The Common Strategic Framework: A positive step towards effective coordination and synergies between Funds

There is a clear need to establish coordination and synergy between the activities of the five CSF funds and to streamline the process of planning partnership contracts and operational programmes. The Common Strategic Framework (CSF) 2014 to 2020 is a positive step forward in this regard.

I wholeheartedly welcome the intentions behind this document, which aims to help regions and Member States set clear investment priorities for the next financial planning period from 2014 until 2020. If properly developed, the CSF will enable a far better combining of various funds to maximise the impact of EU investments. Furthermore, national and regional authorities will be able to use the framework as the basis for drafting their ‘Partnership Contracts’ with the Commission. However, despite this praise, and as expressed in the CoR opinion on the CSF, which is due to be adopted in November 2012, the current draft needs to be clearer if it is to live up to its true potential.

During my time as rapporteur for this challenging opinion, I have aimed to put the role and experiences of local and regional authorities at the forefront. We are all aware of the urgent need to involve national, regional and local partners in the planning and implementation of the CSF funds. Their involvement in the design of the CSF must therefore be a pre-condition for the achievement of political objectives and the application of the desired bottom-up territorial approach. In this regard, the CoR calls for the principles of multi-level governance and partnership to be explicitly mentioned in the CSF.

If we are to ensure an integrated use of the Funds to deliver common objectives, the CSF needs to effectively translate the objectives and targets of the EU’s strategy for smart, sustainable and inclusive growth into key actions for the five funds: the European Regional Development Funds (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). The CoR therefore points out that these must be interpreted as priority interventions in terms of achieving the greatest possible added value from the implementation of EU Treaty objectives such as social, economic and territorial cohesion as well as those of the Europe 2020 strategy.

Here, I would stress the need for improved coordination among the CSF funds and draw particular attention to the need for more coherence between the main actions proposed for the European Regional Development Fund, the Cohesion Fund and the investment priorities listed for the same thematic objectives. The CSF should also be revised to make it clear that the territorial development approaches are horizontal measures that can deliver the whole spectrum of Thematic Objectives and funds.

The proposal and recognition for coordination with other EU policies and instruments outside the scope of the CSF such as Horizon 2020, LIFE, Erasmus for all, CF, the European Neighbourhood Instrument (ENI), or the Instrument for Pre-Accession Assistance (IPA) etc should be welcomed. However, there needs to be a more precise definition of the coordination mechanisms and the drawing-up of guidelines for EU policy areas and instruments connected with the CSF, especially at EU level. In addition to this, the CSF needs to establish links between priorities and funds without restricting the investment priorities set out in the sectoral regulations. My preference here would be for an open/non-exclusive list of the most effective actions to achieve the investment priorities.

Let us not forget that Europe is in crisis and this is particularly being felt at the local and regional level. Against this backdrop, which has led to difficult budgetary situations and limited financial resources throughout the Member States and regions of Europe, we are calling for complementarity of the CSF to ensure the necessary synergy.

In terms of the legal status of the Framework, the members of the CoR have firmly called for a regulation to define the role of the CSF and the extent to which it shall be binding. As such, we fully support the recommendation of the European Parliament and Council to adopt the CSF as an annex to the Common Provisions Regulation rather than as a delegated act. Therefore, we are pleased to see the revised proposal of the European Commission which includes the CSF as an annex to the CPR. This shows that the Commission has understood the CoR’s request to be formally involved in the legislative work, in line with article 177 of the Treaty. The Committee of the Regions will nonetheless monitor the progression of the legislative process and assess the CSF once it has been published in the form of a legal act in order to ensure that these principles are adhered to. When considering
When considering possible revision of the CSF, on the basis of the annual cycle of recommendations for individual countries (European Semester), I am also convinced that we need to ensure true partnership and collaboration with local and regional authorities, taking account of national competences.

Taking account of the current situation throughout Europe’s regions and cities must be an essential element of any framework for EU funds. With this in mind, we call for the development of instruments for establishing links between macro-regional strategies, regional development strategies and operational programmes implemented at regional level. All of these programmes contribute to Europe’s growth agenda and as such should receive the necessary support.

Moreover, as a result of the lack of clarity concerning its legal status, the principles of subsidiarity and proportionality do not apply to the CSF. The Committee of the Regions will nonetheless monitor the progression of the legislative process and assess the CSF once it has been published in the form of a legal act in order to ensure that these principles are adhered to.

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Comments from European Parliament

**Lambert Van Nistelrooij** (EPP/NL), co-rapporteur on the General Regulation on the Funds covered by the Common Strategic Framework

The European Parliament has proposed to include the Common Strategic Framework as a part of the basic act in an annex to the Common Provisions Regulation under the ordinary legislative procedure. The purpose of this framework is to serve as a means of coordinating, integrating and balancing the objectives of different policies in specific national, regional and local contexts. This requires full participation of the local and regional authorities. In order to create a stairway to excellence we need a better coordination between policies, such as the Innovation and Cohesion Policies, especially in the regions of the new member states.
The European Regional Development Fund (ERDF) is the biggest single component of cohesion policy, which aims to redress the main regional imbalances by supporting the development and structural adjustment of regional economies – including the conversion of declining industrial regions and regions lagging behind. It is also the Fund designed to give particular attention to specific territorial disparities, which are on the increase in Europe today.

In this context, I believe that the Commission proposal provides a good basis for further negotiations on the ERDF. However, the Committee of the Region's opinion, which was adopted in May 2012, highlights further measures to support development in regions that are lagging behind and those with natural or demographic handicaps. Key to improving the regulation is flexibility and the involvement of local and regional authorities in the decisions that will primarily affect them. For example, we would like to see that ERDF resources can be effectively used without giving preference to certain types of area or discriminating against them and that all types of urban, rural and functional areas are taken into account.

To ensure that EU investments are concentrated on its key priorities, minimum allocations are set for a number of priority areas. Less developed regions will have a broader range of investment priorities to choose from, reflecting their wider development needs. But they will still have to devote a large percentage to the preset thematic concentration. This concerns me and I have therefore pointed out that excessive limitations have an impact on strategic choices and as rapporteur for the ERDF proposal I have repeatedly called for greater flexibility to further strengthen regional competitiveness.

Within this context, I call on the European Commission once again to make the content and scope of individual investment priorities less rigid in consultation with the Member States and regions on a case by case basis. I am also convinced that greater account should be taken of the principles of subsidiarity and proportionality in the ongoing negotiations so that ERDF support does not become centralised, overregulated and highly bureaucratic.

Turning to the subject of the 43 common indicators proposed under Article 6 to measure the results of ERDF support, we feel that whilst there is still need for some improvement, the concept should be welcomed. However, they should be reassessed for value, clarity and above all workability. Each operational programme should be able to choose only those indicators that are appropriate to its priorities and conversely, managing authorities and beneficiaries cannot be held accountable for underachievement against outcomes for which they do not have direct responsibility.

There is also significant scope for better links between the Horizon 2020 programme and the structural funds through interfaces and connecting points in both programmes. Moreover, in view of limited public budgets, private sector initiatives could assume greater importance for the future and as such ERDF support should be available to public and private research and innovation bodies to promote research.

SMEs are the lifeblood of the economy. For many regions and cities, they are significant contributors to GDP, employment and economic growth. They also tend to grow much faster than other corporate segments. Within this context, I see an opportunity for action in connection with the thematic objective of “enhancing the competitiveness of SMEs”. This is an important objective for growth and jobs in Europe and the ERDF is well-placed to support it.
On the other hand, investment aid for large enterprises must also remain a possibility since these businesses play an important structural policy role, for example as partners in the development of industrial clusters and not least as contracting entities for SMEs.

The proposal to place sustainable urban development in the list of priorities is welcomed by the CoR. We therefore insist that any list of cities in which measures are to be implemented should be an indicative one, worked out in a partnership with local and regional authorities and on the basis of a call for applications. It would also be wise to leave decisions about the proportion of ERDF funds for supporting sustainable urban development, and local development in general, to operational programme planning. This would require the establishment of partnerships with neighbouring peri-urban, rural and functional areas and, where applicable, with supra-municipal integrated strategic programming areas.

Concerning the proposal to create an urban development platform, we have asked the European Commission to justify the added value of this proposal, which in our view would duplicate the work of the URBACT programme, which is made up of 300 cities, 29 countries and 5,000 active participants. The CoR is willing to work with the Commission and support European exchange and learning programmes which aim to promote sustainable urban development and enable cities to work together to find solutions to major urban challenges.

Speaking on behalf of the members of the Committee of the Regions, I look forward to working together with all concerned European institutions and relevant actors, to ensure stronger political dialogue on urban development plans and cooperation between urban and rural territories in Europe.

**Comments from European Parliament**

*Jan Olbrycht (EPP/PL), rapporteur on the European Regional Development Fund*

The amendments to the European Regional Development Fund regulation, adopted by the REGI committee in July, aim to ensure more flexibility for Member States, regions and final beneficiaries. The scope of actions to be supported by the ERDF was enlarged by adding the eligibility of productive investments for bigger enterprises and also cultural, sport and tourism infrastructure. It now envisages allowing investments in infrastructure providing basic services to citizens in the areas of environment, transport and ICT in more developed regions. Special provisions for transition regions and capital regions were also introduced with regards to the thematic concentration. Moreover, an additional fourth “free” thematic objective included in the thematic concentration should ensure more flexibility to adapt to special regional situations and needs. The opinion amended the list of investment priorities to broaden the types of investments to be supported by the ERDF and special provisions for culture related investments, energy efficiency, links with Horizon 2020, revitalisation of cities and urban mobility were introduced in this respect. Last but not least, the whole concept of the urban dimension was revised according to my proposal focusing the 5% of the ERDF resources on functional urban areas rather than just cities, and adapting it more to the needs and specificities of local governments across Europe.
The European Social Fund (ESF): A tool to create a better and fairer Europe

Konstantinos Simitsis (PES/ES), Mayor of the City of Kavala, CoR rapporteur for the opinion on the Proposal for a Regulation on the European Social Fund, CoR 6/2012

Since its inception, the European Social Fund (ESF) has been a particularly useful and effective instrument for achieving economic and social cohesion. In today’s adverse economic climate, with unemployment, poverty and social exclusion hanging over more and more people in Europe, it is obvious that its role should expand, as it is a unique tool for supporting the adjustment of workers and businesses to the fluctuating conditions of the economic cycle and markets and for protecting the incomes of those hit by the recession. The opinion of the Committee of the Regions (CoR) on the ESF in the context of the legislative process for the new cohesion policy (2014-2020) was framed with reference, on the one hand, to safeguarding the achievements of the ESF and, on the other, to reinforcing its capacity to respond effectively to the needs arising from today’s economic situation.

The Commission proposal contains many positive elements, which were endorsed by the CoR. However, there are a number of points on which reservations were expressed or which the CoR opposed.

The aspects of the proposal for a Regulation welcomed by the Committee are:

• that it would maintain the character of the ESF as a structural fund under the new multiannual financial framework for 2014-2020.
• that the Commission has adopted a comprehensive and coherent approach in framing the scope of application of ESF assistance, with the fund required to support four thematic objectives, which in turn break down into a series of 18 detailed investment priorities.

The thematic objectives of the ESF under the Commission proposal are:

• promoting employment and supporting labour mobility;
• investing in education, skills and lifelong learning;
• promoting social inclusion and combating poverty;
• enhancing institutional capacity and an efficient public administration.

In this context, it is considered especially positive that promoting social inclusion and combating poverty are being upgraded from an investment priority to a discrete thematic objective. Together with the plan to earmark at least 20% of available ESF funding for measures relating to poverty and social inclusion, this will allow the ESF to meet the greater social needs created by the extremely difficult economic climate;

• the creation of a new, “transition”, category of region whose GDP per head is between 75% and 90% of the Union average, and maintaining the right for all EU regions to benefit from ESF funding, including those whose development is not lagging in terms of statistical averages but which nevertheless often face problems of social cohesion owing to pockets of poverty and underdevelopment in their territory;

The Commission decisions about which the CoR expressed reservations or which it opposed were as follows:

• notwithstanding the proposal to make more funding available for the ESF, with the budget increasing to EUR 84 billion, or 25% of the total cohesion policy budget for the period 2014-2020, the CoR expressed doubts in its opinion as to whether this timid increase will be enough to support the ambitious goals set for the Fund, while also wondering whether, during a period of acute economic crisis in Europe with dramatic social repercussions, the goals of funding for social cohesion in general and the ESF in particular should not be more ambitious;

• the “full alignment” of the ESF with the objectives of the Europe 2020 strategy also raised concerns, because this could constrain the fund’s mission in relation to cohesion policy and divert it from its role as the basic lever of cohesion
policy to that of a tool serving the Europe 2020 strategy alone;
• pervasive mistrust was also noted within the Commission towards local and regional authorities, which are and must continue to be key players in planning and implementing the operational programmes;
• the Committee categorically deplored the idea of adopting a macro-economic conditionality clause, since this would effectively penalise regional authorities and ultimately the Fund’s beneficiaries – i.e. people, including disadvantaged groups such as the long-term unemployed, people with disabilities, migrants, minorities, marginalised communities and people facing social exclusion, as well as businesses – for delays on the part of central governments in promoting reforms to which they have committed themselves under the National Reform Programmes;
• also, in so far as many aspects of the Commission proposal minimise the scope for adapting and moulding ESF measures to the needs and specific characteristics of each region and reduce the negotiating power of the regions vis-à-vis central government, the CoR expressed concern that the principles of subsidiarity and proportionality would not be upheld;
• finally, although the Committee in principle commended the endeavour to improve thematic focus in order to make ESF measures more effective, it opposed the Commission’s chosen method of pursuing that goal because it could prove inadequate and too rigid with regard to the specific needs and priorities of each region. Instead, the CoR advocated a process in which funding is concentrated, since it feels that this would both serve and thus satisfy the needs and priorities of each region.

The key points made in the Committee’s opinion were endorsed and formed the body of the parallel report which the European Parliament’s Employment and Social Affairs Committee adopted by an overwhelming majority two months later, on 5 July 2012.

Experience has shown that the principle of solidarity rests on political foundations that are both structural and cyclical in nature, while the policies which articulate that principle are still based on the outcome of intergovernmental negotiations. For this reason, political dialogue on the substance, implementation procedures and anticipated outcomes of certain policy areas, like the ESF, help to develop the principle of solidarity in itself. Consequently, when making its final decision the Council should recognise that the message of the CoR and the European Parliament is that of Europe’s citizens, who are calling for a better and fairer future.

**Comments from European Parliament**

**Elisabeth Morin-Chartier** (EPP/FR), permanent rapporteur on the European Social Fund (ESF). Her report on the draft ESF regulation for 2014-2020 was adopted by a very large majority in the Committee on Employment and Social Affairs last July.

The ESF is the main European tool for social integration through professional integration; it is an essential lever in times of crisis, helping job-seekers and employees. The ESF’s share for the 2014-2020 period should amount to EUR 84 billion, i.e. 25% of the cohesion policy budget. We reject the idea of linking the ESF allocation to compliance with the budgetary stability pact. We cannot inflict double punishment on countries which are in difficulty. Having the duty of helping the weakest, we have insisted that 20% of the ESF be earmarked for combating poverty.

The Parliament was encouraged by this vote, and on this basis the team of women from all the political groups, which I shall be leading, will conduct negotiations with the Council and the Commission. Our objectives of promoting policies aimed at restoring jobs and simplifying the ESF have been achieved. From now on, we need projects in all the regions!
The Committee of the Regions has its say in ongoing interinstitutional negotiations

The EU budget proposal for the next programming period 2014-2020 is an in-depth challenge for the European institutions handling the complex and rather difficult task of responding to the most severe crisis in recent decades and bringing Europe back onto a path of sustainable growth. A budget for Europe is needed to boost public investment in areas that generate growth and European added value as foreseen by the Europe 2020 strategy.

The new rules for spending the EU cohesion budget laid down in the Structural Funds common provisions and fund-specific regulations will impact on the way national and regional programmes will be negotiated and agreed jointly by the European Commission, the Member States, regional and local authorities as well as the financing of every Structural Fund operation carried out by the beneficiaries.

The Committee of the Regions, representing local and regional governments across Europe, played and will continue to play its role in the EU debate, making valuable recommendations on how to improve the effectiveness of EU cohesion policy and consolidate partnership and multi-level governance. The CoR opinion on the Cohesion Fund regulation addresses some of the major preoccupations of local and regional authorities about the scope of investment and the way in which infrastructure development, in particular in the environmental and transport sectors, will be carried out.

The Committee of the Regions considers that Cohesion Fund-driven investment in infrastructure conducted over the years has been proven to deliver a very high level of European added value. This fund targets the least developed Member States with a gross national income of less than 90% of the EU average, helping them to catch up and enjoy the benefits of the EU’s single market. For most of the beneficiary countries the EU budget represented the only source of investment in infrastructure projects due to the crisis situation that they had to face, therefore the share of the Cohesion Fund in the national allocations must remain at least at the same level as for the current programming period.

The Committee’s opinion points out that there are major East/West disparities in the EU as regards the quality and accessibility of transport networks: less developed regions have much greater needs in terms of transport infrastructure investment. The Cohesion Fund is an effective tool for investing in upgrading TEN-T, national and intra-regional transport networks, which are strategically important for the EU’s economic, social and territorial development.

The scope of the Cohesion Fund will also include major projects to boost mobility in urban areas and promote green transport solutions along with other investment in developing smart, sustainable transport systems at local and regional level.

The Committee strongly supports the need to invest in infrastructure to complete the European integrated energy network; the long-term cost of failing to invest would be far too high, undermining the EU’s competitiveness. It also stresses that investment in water, sewage and waste infrastructure, the adaptation to climate change, the prevention of natural disasters, the preservation of biodiversity, the protection of soil and ecosystems and the improvement of the environment is largely performed by Europe’s regions, cities and towns or in partnership with them. Therefore, more effort must be made to consolidate partnership. The Committee considers that the Cohesion Fund should also fund integrated projects regarding the energy performance of buildings and housing, as these types of investment represent a considerable share of urban regeneration operations, with high value for the EU in terms of achieving the 20/20/20 climate and energy targets.

The Committee has also expressed its firm opposition to any form of macro-economic conditionality, in particular

Romeo Stavarache (ALDE/RO), Mayor of Bacău municipality, CoR rapporteur for the opinion on the Proposal for a Regulation on the Cohesion Fund, CoR 7/2012
any conditionality that would apply to the Member States benefitting from the Cohesion Fund. Europe’s local and regional authorities consider that such a discriminatory measure would not comply with the measures supporting sustainable growth that are promoted by the Europe 2020 strategy.

A particular challenge from the Committee’s point of view will be the Connecting Europe Facility. Regional and local authorities have welcomed this new instrument even though some concerns were raised about its management. This modern instrument should make it more attractive for private investors because of its larger critical mass of investment and will also reduce long term investment risks, in particular for cross-border railway infrastructure.

**Comments from European Parliament**

*Victor Boştinaru (S&D/RO), rapporteur on the Cohesion Fund.*

The REGI Committee showed with July’s vote that it attaches great importance to the role the Cohesion Fund can continue to play in 2014-2020. The intention is to have sustainability as leading principle for all areas of intervention while ensuring progress, development and new jobs for the Member States concerned. REGI voted for an important extension of the scope of support to include energy efficiency in housing, another key point being the promotion of high efficiency district heating and cogeneration. The Connecting Europe Facility is in principle welcome, but its way of functioning and the issue of the proposed EUR 10 billion to be transferred from the Cohesion Fund need further debate.
European territorial cooperation is a very specific tool of cohesion policy, which not only supports the achievement of the policy’s goals, but helps to create a common European space, promotes the removal of barriers and prejudices between states and peoples and contributes to the creation of common approaches, the exchange of tried and tested processes and so to the unity of Europe and the creation of a common space.

In my own view, European unity, greater integration and common processes are essential conditions for resolving today’s problems. None of us, not even the EU’s economic powerhouses, can succeed in today’s globalised world as individual, separate states.

That is why I warmly welcome the fact that the European Commission has taken a separate approach to European territorial cooperation, and has increased its financial resources.

Precisely because of the specific features of ETC, I believe that thematic concentration should not automatically apply to it, since I fear that if ETC were to be narrowly focused solely on the core priorities of the Europe 2020 strategy, it would be incapable of fulfilling its distinct and unique role. In the CoR opinion, we therefore recommend increasing the number of thematic objectives from 4 to 5 and extending the list of investment priorities.

We call for the thematic objectives to be extended to other topics, such as tourism, environmentally-friendly maritime transport, culture and demographic change. In my view, European territorial cooperation should not be geared primarily to achieving the 2020 strategy as such, but above all to creating and improving the conditions for its implementation.

With this in mind, I believe that in the forthcoming programming period, the coordination of funds is of great importance. However, as we note in our opinion, coordination between funds and instruments needs to be achieved both at EU level and at the level of implementation in the individual Member States. It is essential to put in place identical and coordinated procedures, the same management, monitoring of controls, cost eligibility, methods of reporting indicators, and so on. We therefore call on the European Commission to produce a methodology for coordinating funds and programmes.

We also endorse the provision of greater opportunities for carrying out multilateral projects in areas in which multilateral cooperation programmes will not be established. I believe it is necessary to clearly establish the conditions for trilateral cooperation on tri-state borders and to support broader involvement of the surrounding regions in those areas.

From a technical point of view, we believe that as far as the reduction of administration and of the complexity of implementation is concerned, this new regulation is too demanding, complicated and detailed, particularly for small cross-border cooperation programmes. That could threaten the implementation of small, but often highly effective, projects. We therefore ask the European Commission to consider whether such small programmes must necessarily be subject to all the provisions of the regulation. If maximum effectiveness is to be achieved, the same demands cannot be made of both small and large programmes and projects.

We also consider that it does not make sense for the proposed level of co-financing for ETC, set in the general regulation, to be lower than the level of co-financing for less developed regions under the Growth and Jobs objective, and we call for the maximum co-financing level to be set at 85% for both objectives. We also see no foundation for the co-financing rate that is to be applied to the extra allocation for interregional cooperation in the outermost regions to stand at 50%, and we call for it to be increased to 85%. To maintain the quality of coop-
eration, we consider that the general regulation should retain the present conditions on the co-financing rate in the case of operational programmes at least one of whose members is from a Member State with an average GDP below 85% of the EU average.

In the CoR opinion, we highlight the role of the EGTC as a vital tool for strengthening territorial cooperation, and we call on the Member States to remove all administrative obstacles that discourage the setting up of EGTCs, that is to say, that treat EGTCs unfairly as compared to other legal instruments, particularly as regards taxation and staff recruitment. However, we also draw the European Commission’s attention to the need to propose general mechanisms to clarify the provisions of the proposed regulation requiring a Member State in which an EGTC is registered or in which the lead beneficiary is located to repay amounts wrongly paid to beneficiaries in other countries. Putting such obligations on states may make them much less willing to delegate their programme management powers to an EGTC, since they would be liable for something over which they have no real influence.

I see one of the basic obstacles to genuine EU integration as being the fact that the vast majority of strategies (such as in transport, energy, the labour market, environmental protection and science and research) are dealt with on a national basis, without cross-border links. My opinion therefore puts forward a proposal to launch a new initiative for the coming programming period that would support cross-border coordination of thematic and development strategies and the establishment of integrated approaches. That would make it possible to identify cross-border insufficiencies and development potential and possibilities for integrated solutions. It would make sense to involve both public and private entities, as well as financial resources from various sources, in addressing these clearly identified problem areas and in exploiting the development potential discovered. That instrument would benefit greatly from the use of the true potential of EGTCs and of other European regions.

### Comments from European Parliament

**Rikka Manner** (ALDE/Fi), rapporteur on the European Territorial Cooperation

European territorial cooperation programmes are a test bed for European integration. Cooperation is needed so that people in different regions can work together, learn from each other and help transform their regions to respond more effectively to the current challenges for society. Solving problems that transcend borders requires a common European approach. For this reason, guaranteeing sufficient funding for this type of project is very important. It helps us to encourage countries and regions to cooperate and find solutions together.
The Committee of the Regions has its say in ongoing interinstitutional negotiations

The partnership principle has for a long time been one of the key principles for managing the European Funds and it is therefore an essential prerequisite for enhancing the efficiency of cohesion policy, enabling the strategic guidelines set by the EU to be adapted to local and regional challenges. It is also a key factor in the delivery of the Europe 2020 Strategy and proper implementation of the funds covered by the EU’s Common Strategic Framework. The next programming period presents an opportunity to strengthen multi-level governance in cohesion policy. The success of the programmes will depend on the strength of the partnerships. Partners should be actively and closely involved throughout the whole programme cycle: preparation, implementation, monitoring and evaluation.

I can only welcome the publication of the draft Code of Conduct to be applied across the various EU funds dealing with Territorial Cohesion. I am pleased that there is an opportunity to contribute to its finalisation now. In practice only a system of multi-level governance involving all levels can effectively combine these two dimensions.

Local and regional authorities should be treated as key partners by the managing authority and Member State and at the same time they must not be reduced to “normal” partners, for several reasons: their democratic legitimacy, their management (or close involvement in management) of the Structural Funds and other EU policies and their co-financing of EU policies.

Furthermore, they represent the “general interest” of the citizens, and not the partial interest of sectoral NGOs. In view of the above, I feel it is necessary to establish appropriate partnerships that should be coordinated by local and regional authorities. Other partners, such as economic, social and relevant society bodies, should be included in the process with clear and transparent criteria for their selection adapted to the relevant programme.

As the representatives of local and regional authorities we suggest to the European Commission that consideration be given to the special procedure for prior agreement on the method for individual Member States to meet partnership requirements, in line with their specific conditions.

It is worth considering that various kinds of territorial body could be involved in the partnership process. This concerns in particular bodies that are not territorial units of a given Member State, namely those in functional areas, territorial inter-municipal cooperation groups, cooperation networks of towns and cross border cooperation groups, EGTCs.

There are however some dilemmas such as: the differentiation of rights of different groups of partners at different stages of the programming process; how far the Member States can accept European Commission control over the application of the partnership principle. Another dilemma is how to strike a balance between public entities that are politically and financially responsible for the programmes and other partners, while securing a key role for local and regional authorities in the implementation process. It could also examine the funding of partners who may have difficulties in financing their participation.

The impact of the code of conduct will depend on both the formal status of the final code and on the Commission’s ability to push for better partnerships where they are not adequately implemented. This is why I welcome the fact that the Commission intends to adopt the ECCP as a delegated act immediately after the entry into force of the common strategic framework in ensuring successful and efficient delivery of the EU cohesion policy.
the Common Provisions Regulation. I would not welcome the dilution of this position. Should a decision be taken to give the document a different legal status, the Committee would call for solutions ensuring a real, high-quality improvement in compliance with partnership principles in the 2014-2020 budget period.

Comments from European Economic and Social Committee

Laurentiu Plosceanu (RO/Group I Employers), President of the Romanian Construction Entrepreneurship Association (ARACO), rapporteur on the proposed European Code of Conduct on Partnership

Partnership with regional and local authorities as well as with organised civil society, that is to say social partners and other organisations from civil society, is one of the fundamental principles underlying the EU’s cohesion policy. A genuine partnership which truly involves regional and local authorities and socio-economic actors in the programming, implementation and evaluation stages of this policy will make it more responsive to the needs of regions, cities and their citizens, and ultimately make the policy more efficient.

The EESC and the CoR therefore urge the Council to support the European Commission proposal for a European code of good practice on partnership in order to develop and strengthen the partnership principle. By so doing, the Council will align itself with the positive and well-developed standpoint of the European Parliament on this matter.
Territorial cooperation is growing in importance within EU policies, as testified by its key role in the multiannual financial framework post-2014 proposed by the European Commission.

Meanwhile, the European Groupings for Territorial Cooperation (EGTCs) have completed the trial phase of the current programming period successfully and are ready for use for effective cross border cooperation.

By September 2012, 29 EGTCs had been created, involving more than 500 local and regional authorities in 14 Member States, with an impact on 22 million European citizens. Twenty more EGTCs should be launched in the next months and the certainty and stability of the legal framework is becoming an increasingly urgent issue.

This is why the Committee of the Regions (CoR) welcomed the clarification and simplification proposed by the European Commission in October 2011.

However, in February 2012, the CoR proposed further amendments aimed at facilitating the creation of new EGTCs, clarifying the legal requirements in the Member States and confirming the role of the CoR in the follow-up and promotion of EGTCs.

The first tangible outcome of the CoRs’ efforts to bring forward and improve the draft EGTC regulation was a landslide victory in the Parliament in July 2012: in adopting the draft report by Joachim Zeller (EPP/DE) on the Commission’s proposal for a new draft regulation on EGTCs, it was indeed the first time ever in the CoRs’ 20-year lifetime that a committee of the European Parliament had taken on every single legislative amendment put forward by the CoR in a legislative dossier.

These amendments included: the need to define in an objective and limiting way the hypotheses allowing Member States to reject the creation of an EGTC, including at the external borders of the EU; the deletion of the requirement in the draft regulation that the list of all applicable legislation be included in the founding convention of an EGTC; the inclusion of undertakings entrusted with the operation of services of general economic interest among potential EGTC partners; the provision that existing EGTCs would benefit from the more favorable provisions of the new regulation; a measure entrusting the CoR with the publication in the EU’s Official Journal of the establishment of any new EGTCs; and, finally, recognition of the role of the CoRs’ EGTC Platform.

While the vote in the European Parliament represents the first significant victory for the CoR on the EGTC dossier, four more battles remain to be fought.

In the short term, it will obviously be necessary to convince the Council of the appropriateness of the now joint CoR and EP legislative amendments. Both the CoR and the EP will continue to plead vigorously for a distinction to be made between the EGTC file and the rest of the legislative package on cohesion policy post 2013. Considering that the EGTC regulation as such is budget neutral and that EGTCs have functioned and can function without any EU co-financing, there is indeed no reason to make the regulation hostage to the outcome of the negotiations on the multiannual financial framework. On the other hand, the quicker the adoption of the EGTC regulation, the more impetus will be given to new EGTC projects in a secure legal framework.

In the longer term, and knowing that some national administrations still are marked by an atavistic reflex to reject local or regional authorities’ attempts to drive development strategies beyond administrative boundaries, a first challenge is to transmit the EGTC “virus” to the 13 “EGTC-free” Member States.
A second long-term challenge will be to promote the extension of the EGTC concept to other EU policies beyond the mere scope of cohesion policy in its narrowest sense.

However, with the help of the European Parliament and the enthusiasm of the constantly increasing number of EGTC “activists”, I feel that the future is bright!

Comments from European Parliament

*Joachim Zeller (EPP/DE), rapporteur on the revised EGTC Regulation*

In July, the report on the regulation for the European Groupings of Territorial Cooperation (EGTCs) was successfully adopted by the Committee on Regional Development in the European Parliament. This constitutes a clear mandate for us to begin work rapidly on negotiations with the Council in order to turn the new and revised provisions into legislation. We will thus provide legal certainty for existing EGTCs and create stronger incentives for future partners to intensify their cooperation across regions.

I especially welcome the significant reduction in the administrative burdens EGTCs have had to bear, notably regarding procedures for the approval, establishment and execution of their tasks. It just as worthwhile campaigning for a widened scope for EGTCs (e.g. for undertakings entrusted with the operation of services of general economic interest) and simplified procedures for establishing EGTCs with partners from third countries.

To make those improvements efficiently and rapidly available for our partners in the regions, I would plead strongly for an advanced procedure, taking into consideration the non-financial nature of the regulation and thus its autonomy from the MFF.
The Regions of the European Union