



(Version of 3 March 2004)

SUMMARY
THIRD REPORT ON ECONOMIC AND SOCIAL COHESION
BY THE EUROPEAN COMMISSION
FEBRUARY 2004

DRAFT
OPINION

27 FEBRUARY 2004

Contents

I. Foreword by AEBR

II. Third Cohesion Report

II.1 The policy context and cohesion objectives, The contribution of cohesion policy to growth

II.2 Situation and trends

II.3 Impact of Member State policies on cohesion

II.4 Impact of Community policies: competitiveness, employment and cohesion

II.5 The impact and added value of structural policies

II.6 Conclusions: a proposal for a reformed cohesion policy

III. AEBR opinion

III.1 The European Union must develop into a Community of political values

III.2 New governance requires better division of tasks between European, national, regional and local levels, which must also be reflected in the implementation of EU programmes

III.3 European policy on cohesion and regional policy in an enlarged EU

III.4 A framework competence of the EU

III.5 Cross-border cooperation

I. Foreword by AEBR

The Cohesion Report was presented in Brussels on 18 February by Commissioner Barnier. The same day, the Committee of the Regions (COR) held a hearing on that report for the leading European regional organisations.

AEBR submitted some major points about the Cohesion Report to the President of the COR, Mr Peter Straub, with a view to talks on 27 February with the EU ministers responsible for regional affairs.

On 23 February, together with CPRM, CEMR and Eurocities, AEBR organised a hearing for over 350 people on the Third Cohesion Report. The speakers included Commissioner Barnier and Director Leygues.

II. Third Cohesion Report

II.1 The policy context and cohesion objectives, The contribution of cohesion policy to growth

After several years of sluggish economic growth and rising unemployment, durable growth throughout the EU ought to be possible.

Yet major disparities still remain between various countries and regions with regard to output, productivity and employment. The causes of these disparities are structural deficits in key factors of competitiveness.

EU policies aim to overcome structural shortcomings and eliminate comparative advantages, but they also set out to provide people with access to general and education and training.

The EU's cohesion policy would like to involve all regions and citizens of the Union in the efforts being made to achieve growth by strengthening regional competitiveness and giving everyone a chance to fulfil their capabilities. The potential outcome would be greater growth potential for the EU's economy and a balanced spread of economic activity within the Union.

II.2 Situation and trends

Disparities in income and employment across the European Union have narrowed over the past decade (particularly in the cohesion countries), but major challenges remain.

The disparities remaining in today's EU (income, employment, labour productivity, especially in Greece and Portugal, but also in Spain) will widen much further when the new Member States join the EU. The achievement of the rates of growth which the new member States require if they are to develop will depend on growth being sustained in the present Member States (interactions between the EU as it stands today and the accession countries).

In addition to disparities at national level there are also considerable disparities at regional level. Regions characterised by structural weaknesses and limited competitiveness are to be found not only in the present cohesion countries, but also in a series of other regions that are struggling to attain lasting economic growth. Development problems are particularly acute in less developed regions (lack of infrastructure, labour skills and social capital), especially in present or future Objective 1 areas (mostly in cohesion countries and new Member States). The extent of convergence varies markedly from region to region, often largely reflecting their relative importance in the Member State where they are situated.

Enlargement will add just under 5% to the European Union's GDP, but nearly 20% to its population. As a result, average per capita GDP in the EU of 25 Member States will be around 12.5% less than the average in the EU of 15. Consequently, for 18 regions, per capita GDP will no longer be below 75% of the EU15 average (a statistical effect, for the structural problems will remain unaltered).

In addition there are regions with declining competitiveness, falling relative levels of income and unemployment and depopulation (e.g. old industrial regions, regions with unalterable constraints of a geographical or other nature which are hindering their development). In these cases the challenge for cohesion policy is to provide effective support for economic restructuring and for the development of innovative capacity before these weaknesses grow into even greater problems.

Other key areas of cohesion policy concern:

- social cohesion and the risk of poverty;
- the ageing of the population and increasing dependency rates;

- reducing disparities in regional competitive factors by creating suitable physical infrastructure (transport, telecommunications and energy networks) and suitable human capital (e.g. a labour force with appropriate levels of skill and training), as well as by reducing regional disparities in the ability to innovate.

II.3 Impact of Member State policies on cohesion

Public expenditure in Member States averages around 47% of GDP, whereas the EU budget allocated to cohesion policy amounts to a bit less than 0.4% of EU GDP. Nevertheless, EU cohesion policy performs a valuable role in tackling the underlying causes of disparities across the Union in income and employment.

Member State policies on public spending are mainly directed at safeguarding basic services and considerably reducing structural disparities in income. Meanwhile, government revenue is proportional to income.

Foreign direct investment, which is a major factor in regional development, tends to go disproportionately to the stronger rather than the weaker parts of the Union (due to infrastructure deficiencies, the lack of a skilled labour force, and so on), including in the accession countries.

II.4 Impact of Community policies: competitiveness, employment and cohesion

Unlike structural policy, other EU policies are not aimed principally at narrowing regional disparities. Nevertheless, they have implications for cohesion and in many cases take specific account of disparities, e.g.:

- Community enterprise, industrial and innovation policy strengthen the competitiveness of EU producers (by promoting competition, ensuring access to markets and establishing an environment that is conducive to R&D).
- The "Education and Training 2010" programme serves to expand general training.
- The European Employment Strategy (EES) supports the Member States' efforts to reform their labour markets, achieve full employment, increase quality and productivity at work and reduce social disparities.
- The Sixth Environmental Action Programme sets out the environmental actions necessary to sustain the long-term pursuit of the EU's economic and social objectives.

- Services of general economic interest define the public services provided in connection with the liberalised internal market (here there is a risk of regions and social groups being excluded from access to essential services).
- Trans-European Networks are increasing the accessibility of the more remote regions and are facilitating the expansion of trade (and they include links between new and existing Member States as well as trans-European energy networks).
- The Reform of the Common Agricultural Policy (CAP) is decoupling direct payments from production, reducing payments to large holdings, lowering prices and placing greater emphasis on both rural development and the environment. The Common Fisheries Policy (CFP) is aimed primarily at conserving fish stocks and restructuring the industry to ensure its sustainability (among the accession countries only Poland and the three Baltic States are slightly affected).
- State aid and cohesion policy: After 2006, efforts will continue to modernise, simplify and clarify state aid rules, taking account of changes in cohesion policy, with the aim of having less - but better targeted - assistance.

In the regions, Community policies are largely identified with Community funding. Projects financed by the Structural Funds tend to be both the most visible projects and the projects regarded as having the greatest impact (especially Objective 1 regions and the INTERREG Initiative). However, there is criticism of the high cost of managing Structural Fund programmes and of the increasing complexity of procedures.

II.5 The impact and added value of structural policies

The concentration of Structural Funds and the Cohesion Fund on assisting the least prosperous parts of the Union is equivalent to the amount transferred to Objective 1 regions of between 0.9% and 7% of the respective national GDPs. In most cases, national cofinancing between 1994 and 1999 was higher in real terms than during the previous programming period.

EU funds are deployed above all to reduce disparities in infrastructure and human capital endowment between Objective 1 regions and other parts of the EU.

Measures primarily concern improvements to transport systems (including trans-European links and secondary networks within regions) as well as the improvement of prospects on the labour market. 14% of Structural Funds spending has gone on innovations aimed at improving the environment. Employment and productivity in Objective 1 regions has exceeded that in the rest of the EU.

Convergence has been most pronounced in the least prosperous regions of this group. Growth (supply and demand) has been boosted by structural investments (especially in Spain, Greece, Portugal and the new German Länder).

In the new Member States a large proportion of any increase in spending goes on imports, and around 60% of these come from the existing Member States. Structural expenditure in the accession countries is likely to involve similarly large leakage effects to the benefit of growth in the rest of the Union.

Intervention in Objective 2 regions primarily concerns structural change (reconversion of old industrial sites, business support services, human resource development and support for R&D). Some 700,000 jobs have been created (500,000 in net terms), while around 300,000 SMEs received assistance and 115 million square metres of industrial waste land have been cleaned up and reconverted. Unemployment declined by slightly more in these areas than in the rest of the EU, though GDP per head rose by a little less.

Support for agriculture and rural development (which were recently integrated into a single overall strategy) resulted in the successful restructuring of small farms in Objective 1 regions, the diversification of agricultural production and growth in some sectors (e.g. agri-tourism, environmental services), the renovation of villages and the development of public services.

Support for the fishing sector was concentrated in a limited number of regions in peripheral parts of the EU (entailing a significant contribution to the development of other economic activities).

The European Social Fund provides finance for employment, education and training (€60 billion overall, making it the main Community financial instrument underpinning the European Employment Strategy (EES)).

Cooperation and networking are promoted within the framework of Community Initiatives, the aim being to foster innovation, partnership and the development of collaborative ventures between countries and regions. The Community Initiatives address needs that are often not met by the mainstream programmes implemented under the Structural Fund Objectives:

- INTERREG A not only received the most funding out of all Community Initiatives, but also attained the best results. In the future INTERREG will need to take account of the

new context in which border areas represent a larger part of the EU in terms of both population and land area.

- The URBAN Initiative has provided funding for 118 cities (with the focus on small urban neighbourhoods and active local involvement in projects).
- The EMPLOYMENT and ADAPT Initiatives have promoted labour market integration and job creation at local level.
- EQUAL has focussed on innovative approaches to combating inequalities and discrimination on the labour market.
- LEADER has mainly promoted tourism, though it has also assisted SMEs and the development of local products.

Pilot innovative actions encourage regions to develop programmes for increasing regional competitiveness and promoting sustainable development.

The greater effectiveness of Structural Fund management is attributed to the consequences of Community policy. Programme planning, partnership, concentration and additionality are the main principles here. The systems involved are to be simplified and their management is to be decentralised (with the Commission continuing to bear final responsibility).

Enlargement will bring fresh challenges for the Structural Funds. In the accession countries ISPA, SAPARD and PHARE will run until 2006. At the same time they will be eligible for support from the Structural Funds. The 2004-2006 period can be regarded as a transitional phase, allowing the new Member States to prepare the ground for the next, much more important programming period. Funds are to be focussed on a limited number of priority areas so as to make them as effective as possible and at the same time reduce problems at the implementation stage to a minimum. A special effort will be made to ensure maximum coherence between the Structural Funds and national policies. Meanwhile, the accession countries are to acquaint themselves with the strategic and programmatic approach and concentrate on a limited number of priorities.

II.6 Conclusions: a proposal for a reformed cohesion policy

The Commission proposals are geared towards the financial forecast.

Part I sets out the new priorities for cohesion policy. **Part II** describes the main elements of a new delivery system. **Part III** deals with the financial implications.

Cohesion policy, together with the single market and monetary union, is one of the pillars of European construction. It is the only EU policy that explicitly addresses economic and social inequalities. Via the budget of the European Union financial resources are transferred between Member States for the purpose of supporting investment in human and physical capital and thereby contributing towards economic growth and sustainable development. Consequently, it is not a passive policy (e.g. one that redistributes income), but rather a dynamic policy that seeks to create resources and exhaust unused potential.

II.6.1 Four challenges for the future are identified:

- The need for more cohesion in an enlarged Union;
- the need for the Union's priorities to be reinforced;
- the need for higher quality to promote a more balanced and sustainable development;
- the need for a new partnership for cohesion.

II.6.2: Part I: A new architecture for EU cohesion policy after 2006 (priorities)

More targeted interventions

The focus should be on a number of Community priorities (leverage, significant added value).

The Commission proposes a limited number of key themes:

- Innovation and the knowledge economy;
- environment and risk prevention;
- accessibility;
- services of general economic interest.

These priority themes are valid for the Union in general, but will be complemented and expanded to take account of the specific needs of the less developed regions and Member States (e.g. in relation to the provision of infrastructure and institutional capacity building).

Three Community priorities

The future generation of programmes will cover three priorities:

- Convergence;
- regional competitiveness and employment;
- European territorial cooperation.

Convergence: Supporting growth and job creation in the least developed Member States and regions:

This objective concerns first and foremost those regions whose per capita GDP is less than 75% of the Community average. Strategies should be geared towards the development of long-term competitiveness and employment.

This priority will also cover those regions whose per capita GDP no longer lies below 75% of the Community average owing to the statistical effect of enlargement (for their objective circumstances have not changed). These regions will receive more support than decided in Berlin in 1999 for the so-called 'phasing out' regions, so that they can conclude their convergence process. Support will end in 2013 (including for 'phasing out'). Programmes will be supported out of the ERDF, ESF and Cohesion Fund.

The **ERDF** will provide support for:

- Modernising and diversifying economic structure;
- extending and upgrading basic infrastructure;
- protecting the environment;
- reinforcing the institutional capacity of national and regional administration.

The **ESF** will provide support for:

- improving the quality of labour administration;
- education and training systems;
- social and care services;
- increasing investment in human capital;
- adapting public administration.

The **Cohesion Fund** will make a contribution to sustainable development, especially the following key priorities:

- Trans-European Transport Networks (TEN-T) (in particular projects of European interest);
- environment infrastructures.

Regional competitiveness and employment: Anticipating and promoting change

Important challenges outside the least developed regions concern all EU Member States (rapid economic and social change, restructuring, trade globalisation, the shift towards a knowledge-based economy and society, the ageing population, growing immigration, labour shortages in key sectors, and so on). Community financial support can act as a catalyst, helping to mobilise national and regional policies and resources.

Furthermore, cohesion policy should remain visible throughout the EU and entail a two-fold approach:

❖ Anticipating and promoting regional change

The regional programmes will help to address the problems faced by urban and rural areas relating to economic restructuring and other handicaps in accordance with the three priorities of convergence, namely regional competitiveness, employment and territorial cohesion.

Two sets of regions are affected:

- Regions that are covered neither by the convergence programmes nor by 'phasing in' support;
- regions hitherto eligible for Objective 1 regions, which do not fulfil the criteria for convergence programmes even in the absence of the statistical effect of enlargement. As 'phasing-in' regions for a limited period they will receive a higher level of support which will gradually be reduced.

The ERDF is the sole source of funding for these new programmes.

❖ Measures designed to help people anticipate and respond to change

Three priorities will be supported:

- Adaptability of workers and enterprises;
- incentives to attract more people to employment and prevent their early exit from the labour market;
- increasing people's employment potential.

The single funding source for the new programmes will be the ESF.

European territorial cooperation: Promoting the harmonious and balanced development of the Union

❖ *INTERREG*

Building on the experience of the INTERREG Initiative and its clear added value, the Commission proposes creating a new objective dedicated to further the harmonious and balanced integration of the Union and promote cooperation at cross-border, transnational and interregional level.

All actions will be financed by the ERDF and the focus will be on integrated programmes managed by a single authority.

Cross-border cooperation will *in principle concern all regions defined at NUTS III along the external and internal borders*, i.e. terrestrial as well as maritime borders (the latter to a limited extent).

The Commission intends to propose the creation of a *new legal instrument* for decentralised cooperation by regional and local authorities.

At the Union's *external borders* there will be a New Neighbourhood Instrument (NNI) that will operate on both sides of the border (maybe even including maritime borders). This will build on past experience at today's internal borders.

The regions covered by transnational cooperation will also be assessed (coherent areas, common interests and opportunities).

Regions are to include interregional cooperation in their own regional programmes, devoting a certain amount of resources to exchanges, cooperation and networking with other regions.

An integrated response to specific territorial characteristics

Cohesion policy must adapt effectively to the specific needs and characteristics of territories. Particular geographical or natural handicaps intensify development problems, especially in the outermost regions of the Union, many islands, mountain areas and in sparsely populated parts of the Union or where problems faced by cities as centres of economic development are concerned.

❖ *URBAN +*

The Commission intends to focus more on urban issues. To this end, by the beginning of the next programming period, each Member State is to draw up a list of urban areas to benefit from specific actions.

Cooperation between cities is to be included under the heading of European territorial cooperation.

❖ *Outermost regions*

Within the convergence objective a specific programme will be set up to compensate for the particular constraints of the outermost regions of the EU.

A 'Grand Voisinage' action is also to be included in the European territorial cooperation programme.

❖ *Addressing persistent problems of development in regions with geographical handicaps*

Problems of accessibility and remoteness from large markets are particularly acute on many islands, in some mountain areas and in sparsely populated regions (especially in the far north of

the Union). These territories will benefit from funding designed to promote regional competitiveness and employment.

The Member States are to ensure that the specificities of these regions are taken into account when it comes to targeting resources within regional programmes. Territories with permanent geographical handicaps can benefit from an increase in the maximum Community contribution.

A better organisation of the instruments operating in rural areas and in favour of the restructuring of the fisheries sector

Rural development will be grouped under a single instrument under the Common Agricultural Policy, designed to:

- Increase the competitiveness of the agricultural sector;
- enhance the environment and countryside;
- enhance the quality of life in rural areas; and
- promote economic diversification.

LEADER+ will be integrated into mainstream programming.

Similarly, action in favour of restructuring the fisheries sector will be grouped under a single instrument.

Meanwhile, cohesion policy will continue to support the diversification of the rural economy and areas dependent on fisheries.

Coordination and complementarity with other Community policies

Cohesion policy provides an essential complement to other Community-wide expenditure in the fields of innovation, networks, education and culture.

Cohesion policy should help to ensure that the provisions for the internal market and especially for public procurement are applied.

One core problem is the coherence of cohesion and competition policy (upper limit for the respective admissible support in Objective areas and other regions). The Commission intends to simplify the rules regarding state aid ("significant impact test").

II.6.3: Part II: A reformed delivery system

Implementation

The way that policies are implemented has a decisive impact on their effectiveness. The Commission holds the view that the delivery mechanism for cohesion policy has demonstrated its effectiveness capacity and maintains high standards in the management and control of public expenditure. It also wishes to see this state of affairs continue.

The key principles of programme planning, partnership, co-financing and evaluation are to be maintained.

However, a number of reforms are possible, e.g.:

- adopting a more strategic approach to programming;
- introducing further decentralisation of responsibilities to regional and/or local level;
- reinforcing the performance and quality of programmes through a stronger, more transparent partnership and more rigorous monitoring mechanisms;
- simplifying the management system by introducing more transparency, differentiation and proportionality.

More strategic orientation on the priorities of the Union

On the basis of a Commission proposal and an opinion of the European Parliament, the European Council is to adopt an overall strategic document defining clear priorities for Member States and regions (coherence with other EU objectives).

Simplification based on more subsidiarity

The programming system is to be simplified:

- *At the political level:* on the basis of the strategic document adopted by the Council, each Member State would prepare a policy document on its development strategy, which would constitute the framework for preparing the thematic and regional programmes (not a management instrument like the existing Community Support Framework concept).
- *At operational level:* on the basis of the policy document, the Commission will adopt national and regional programmes for each Member States. Additional details, reflected in the 'programme complement' and management by measure will no longer apply.

The number of funds will be reduced from the current 6 to just 3.

Unlike with current multi-Fund programmes, future interventions will aim to operate with only one fund per programme, whereby each fund can also finance measures that are really covered by other funds within the framework of the overall concept.

The Cohesion Fund and ERDF will follow a single programming system (exceptions being transport and environment infrastructures).

Large projects will be adopted by the Commission separately.

Financial management, co-financing

The system of payments (advances and reimbursement) and the essential principle of automatic de-commitment ('N+2 rule') are to be maintained.

Eligibility of expenditure will largely be determined by national rules (exceptions being VAT, technical assistance and passive interests).

Financial control

The principle of proportionality is to apply to the operation of control systems. The level of intervention by the Commission will depend on the adequacy of national or regional control systems.

A further simplification of financial management and control will depend largely on stricter sanctions.

Other conclusions concern:

- **Additionality;**
- **partnership and coordination;**
- **more concentration (with the emphasis on the Gothenburg priorities).** In the context of the partnership, regions are in the first instance to concentrate their financial resources on regional themes;
- **a stronger accent on performance and quality** (including the establishment of a Community performance reserve to reward Member States and regions which make the most significant progress towards the agreed objectives).

Part III. Financial resources

The three priorities of the reformed cohesion policy are to benefit from €336.3 billion over the period 2007 to 2013. These resources will be divided up as follows:

- *Convergence priority (78%)*: The upper limit for financial transfers will be maintained at the current level of 4% of national GDP. Regions concerned by the so-called statistical effect will receive a specific, decreasing allocation.
- *Regional competitiveness and employment priority (around 18%)*: Outside the 'phasing-in' regions the distribution of funds will be 50-50. 'Phasing-in' regions will be funded from a single source (ERDF).
- *European territorial cooperation priority (4%)*.

Where the distribution of financial resources is concerned, the Commission proposes:

- applying the method based on objective criteria used at the time of the Berlin Council for the *convergence* priority;
- allocating resources for the *regional competitiveness and employment* objective on the basis of community economic, social and territorial criteria;
- distributing resources under the *European territorial cooperation* objective on the basis of the size of the population and relative socio-economic conditions in the respective regions.

III. AEBR opinion

The Association of European Border Regions (AEBR) welcomes the draft Third Report on Economic and Social Cohesion and notes that extensive portions thereof are largely in keeping with the EU objectives associated with a new, forward-looking, well-targeted cohesion policy with clear statements.

AEBR thanks the European Commission for taking on board numerous ideas, proposals and practical suggestions emanating from AEBR, which was given an opportunity to discuss them with the Commission at numerous meetings and hearings (including in joint discussions together with the other regional organisations).

AEBR welcomes the intention to create a new 'trans-European territorial cooperation' objective, in which cross-border cooperation will take pride of place.

In its first provisional opinion AEBR takes up 5 key issues in the Cohesion Report. With a view to the forthcoming deliberations at European level (in the European Parliament, the Committee of the Regions and Member States), essential elements of the Cohesion Report will again be backed up using arguments as seen through the eyes of AEBR.

III.1 The European Union must develop into a Community of political values.

This vision is based on the new European Statute with a deepening and an integration of the European Union. It does not only focus on economic development, but also aims to bring the Union closer to the people, to involve the citizen in democratic actions, to improve the distribution of tasks between the European, national and regional/local level and to transfer to the European Union important tasks (foreign policy and defence).

As part of this vision regional and cohesion policy is not only an instrument for economic development, but also an offer to pursue European affairs in a targeted way throughout the whole EU and for the entire population with due regard for the principles of subsidiarity and partnership.

In the current discussion about the future budgetary volume and future priorities of the EU which need to be financed, one runs the risk of defining Europe only by its growth and its economy. There is no doubt about economic growth being an essential requirement to contribute to more employment and to make sure that there is something to distribute of the European budget within the meaning of European priorities.

Growth by itself, however, cannot automatically guarantee the consideration of other important European priorities which appeared in the discussion at the European Convent as well as between the EU Commission and the European regional organisations.

- A balanced, harmonious and sustainable development of the European territory, especially at regional level, also with the help of EU policies and financial means.
- A polycentric development of the EU territory with balanced development opportunities between agglomerations / metropolitan areas and rural areas. The political and economic costs of a “bleeding” of rural areas are enormously high and cannot be compensated by an accelerated growth in metropolitan areas.
- A certain extent of agricultural policy which will also in the future still be necessary
- Cross-border and inter-regional cooperation as corner-pillar of the Cohesion Report.

III.2 A New Governance requires a better division of tasks between the European, national, regional and local level which must also be reflected in the implementation of EU programmes.

The new European Constitution has defined an improved distribution of tasks (competences of the EU, shared competences, national competences) based on the proposals of the European Convent. Although this constitution has not been adopted so far, it appears as urgently

necessary that these achievements should already now be taken into account by the European Commission in guidelines, communications, green or white papers.

This concerns in particular the cohesion and regional policy, services of general interest, cultural policy, transport policy, the Community Initiatives, etc.

The regional/local level turned out to be the most appropriate one to implement numerous EU programmes and projects with good results particularly in the European cohesion and regional policy as well as the Community Initiatives.

Subsidiarity and partnership remain indispensable elements of the New Governance. They do not only concern the relation between national state / EU, but especially also the relation between national states and their regional/local level.

III.3 European policy on cohesion and regional policy in an enlarged EU

The challenge for the years after 2007 consists in developing for an enlarged EU, new and flexible policies for structural funds, cohesion and community initiatives which meet the manifold interests of the entire European Union despite technical and financial priorities. An enlarged EU needs territorial cohesion and a consistent implementation of the bottom-up principle with due regard for subsidiarity and partnership.

An in itself coherent and long-term policy from 2007 onwards must include all essential areas of EU policies and guarantee a better coordination between them than in the past: territorial planning, cohesion, regional, agricultural and social policies, etc. In view of the consequences of the European integration and globalisation, this policy must promote in a strengthened way a polycentric development of the community territory.

The cohesion policy (Art. 158 EU Treaty) serves the interest of the whole Community, not only the financial support of the poorest regions. Therefore a cohesion policy for the entire EU is necessary and not only a shifting or concentration of financial means.

A concentration of the cohesion and regional policy only on the priority growth represents big dangers:

- The political consensus on the necessity of a European cohesion policy is made uncertain, if one speaks only about convergence between states and not between regions with low income.
- To measure economic development and growth only at national level and not also at regional level does not do justice to Europe's diversity. It is an unproved assumption

to believe that growth at national level would induce automatically sooner or later also growth in marginalised regions.

- Future-oriented approaches to the future orientation of European regional and cohesion policy which had been elaborated with the EU Commission in numerous meetings are not mentioned.
- The role of agriculture for the environment, the generation of income and rural areas is neglected without indicating necessary alternatives.
- The danger of a re-nationalisation of certain political areas grows in order to create the necessary compensation for marginalised regions.
- An enormous socio-political conflict potential arises as to the acceptance of such an EU.

As to the **thematic dimension**, a concentration on region-specific programmes focusing on certain key issues would be efficient.

In view of the implementation of a future European regional and cohesion policy, three elements are important:

- A direct involvement of the regional authorities in the definition, the objectives, the management of EU funds and the monitoring of the results, as well as through tripartite contracts agreed between the EU, national and regional or local level. This is necessary because of the current shortcomings of the way in which the partnership principle is currently implemented,
- The position of the regional/local authorities – and that of their representative organisations – in this type of contract needs to be clarified further, and a guarantee obtained that the regions will be recognised as a contracting partner on an equal footing. This is important, given their growing role in the implementation of EU policies and the competence that they have in the area of regional development.
- A clear simplification of administrative procedures and the commitment to increase the efficiency of organisational processes.

The regional and/or local level should be more closely involved in future, especially if programmes are to shift more towards the regional level. One European priority is to ensure that its cohesion policy lays down strategic guidelines and secures the strategic coherence of programmes.

Any other important matters should be dealt with by the regional level, together with the national and local levels and the social partners.

III.4 A framework competence of the EU

The European Constitution has largely clarified the distribution of tasks between the European and national level. Not only in the past, but still today the European Commission takes up tasks arguing that in view of the very different situation in the individual Member States it would be indispensable to create framework conditions on a European level which facilitate a certain harmonization. As long as this remains in fact a framework, there is nothing to object. Experience shows however that with the framework conditions are often linked small funds or regulations for coordination measures. Moreover, the amount of financial means is not decisive, but the texts which are written in connexion with the use of these means and the objectives to pursue. They control content and procedure and define political areas in such a detail that the competences of the national/regional level are persistently affected (e.g. the discussion about issues related to territorial planning, trans-European networks, culture, education, etc.).

III.5 Cross-border cooperation

Besides the clear added value of cross-border cooperation (its contribution to European integration, overcoming remaining disadvantages at borders), only now at today's internal borders and only later on at the EU's external borders are the conditions (infrastructure, genuine cross-border structures, a legal instrument for decentralised cooperation) to be created that will enable the full exploitation on a cross-border basis of potential for economic growth and opportunities in areas including the environment, innovation, tourism, cooperation between social institutions.

Border areas, which will account for 42% of the surface area and 35% of the population of the enlarged Union, are therefore of crucial importance with respect to boosting the Union's future growth potential.

What is more, so far the key European tasks of cooperation and integration have been fulfilled using comparatively modest INTERREG resources applied to the entire EU (EU funds for the national labour market programme (Objective 1 for Spain only) amount to roughly €5 billion), reaching citizens to be reached in a unique way.

On the basis of 20 years of experience in cross-border cooperation and practically all INTERREG A and PHARE-CBC programmes since 1990, we recommend:

- Necessity of a legal instrument on decentralised cross-border cooperation,

- Necessity of maintaining „cooperation incl. cross-border cooperation across the whole EU“ as a priority in the 3rd cohesion report,
- Necessity of qualitatively improving INTERREG A as from 2006 by means of an EU definition in a future independent INTERREG communication with regard to the following essential points:
 - ❖ What is a cross-border programme?
 - ❖ What is a cross-border decentralised structure (i.e. not a ministry or other national institution)?
 - ❖ What is a joint account (to which all EU-funds as well as national and regional co-financing amounts are transferred and which cannot nationally be divided afterwards)?
 - ❖ What is a genuine joint cross-border project (involvement of partners from both sides of the border with regard to content, organisation, staff and financing)?
- Moreover, the necessity of ensuring:
 - ❖ An independent INTERREG communication, which overcomes the disadvantages of the present connection to the Structural Funds Regulation,
 - ❖ INTERREG programmes as European task, not as part of national mainstream-programmes (danger to the objectives of INTERREG),
 - ❖ Allocation of EU funds per border, if possible per programme,
 - ❖ An obliging agreement of the INTERREG partners - to be submitted with the programme - on responsibilities, liability, decisions etc. as well as prior definition of eligible actions and costs in the programmes.

F:\DATA\334 AGE\REFERATE und STELLUNGNAHMEN\2004\Dritter Kohäsionsbericht\Stellungnahme\Dritter Kohäsionsbericht 030304 GB ling.doc