

***AEBR position paper on the European Commission's Second  
progress report on economic and social cohesion of  
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## **Contents**

- I. Introduction**
- II. Analysis of the situation and developments: the challenges of enlargement**
- III. Main topics in the debate on the future of cohesion and regional policy**
  - III.1 *The added value of cohesion and regional policy***
  - III.2 *Future policy priorities***
    - III.2.1 Interventions in regions whose development is lagging behind*
    - III.2.2 Simplified administrative procedures*
    - III.2.3 Shared responsibility for future programme planning, implementation and monitoring*
  - III.3 *Financial resources***
  - III.4 *The coherence of EU policies***
    - III.4.1 Better coordination of EU policies*
    - III.4.2 Creation of equal living conditions*
    - III.4.3 Coordination of the EU support programmes*
    - III.4.4 Framework competence*
- IV. A forward-looking regional and cohesion policy**
- V. Special requirements regarding the promotion of cross-border cooperation in the future**
  - V.1 *Basic conditions***
  - V.2 *INTERREG and national mainstream programmes***
  - V.3 *Community initiatives for the entire EU***
  - V.4 *Separation of Community Initiatives from Structural Funds***
- VI. Desirable and non-desirable scenarios after 2007**
- VII. Summary and conclusion**
  - VII.1 *A regional policy for the whole of the European territory***
  - VII.2 *The main principles***
  - VII.3 *The structure of the future regional policy***
  - VII.4 *Implementation***

## **I. Introduction**

During the past 10-15 years, regional policy and cohesion at European level have made a considerable contribution to alleviating regional disparities, assisting regions with specific problems to reach European standards and raising awareness about the benefits of joint European policies.

Furthermore, Community Initiatives have successfully demonstrated that certain issues require the overcoming of national borders and need to be tackled on a European level in a sustainable way.

However, experience over the past 10-15 years has also clearly revealed further potential for improvement and additional opportunities. In this context, for instance, it is necessary to boost partnerships and subsidiarity (Article 5 of the EC Treaty) and to clearly simplify administrative procedures. Even after EU enlargement, Community Initiatives must cover all parts of Europe as EU resources sustainably tie up national funds for tasks which are primarily of European, rather than national, interest.

The challenge for the period starting in 2007 lies in developing new policies for an enlarged European Union. Those policies must meet the various interests of the entire Community while at the same time complying with certain content-related and financial priorities. This AEBR position paper aims to contribute to the future EU regional and cohesion policy. It contains new political approaches, calling for an adaptation of the individual instruments to the political requirements, rather than vice versa.

The paper is aimed at the European Parliament, the European Commission, national parliaments and governments as well as border and cross-border regions and the various regional partners throughout Europe.

## **II. Analysis of the situation and developments: the challenges of enlargement**

The enlargement of the EU to include 25 Member States requires a clever, far-sighted policy if the Union is to meet the challenges of competitiveness and internal cohesion. Reasons why this is so include:

- a hitherto unprecedented deepening of economic disparities within the Union;
- a geographical shift in these disparities (in the future, 25% of the overall population (116 million inhabitants), instead of the current 18% (68 million inhabitants), will live in regions with a per capita GDP of less than 75% of the Community average);
- a worse job situation (falling employment and higher levels of long-term and youth unemployment in the candidate countries);
- 1/3 of the population of the new EU will live in cohesion countries (as against 1/6 in the present EU);
- more of the Union's territory will become border areas (an increase from 39% to around 46%), and their share of the population will rise from roughly 25% to approximately 32%.

## **III. Main topics in the debate on the future of cohesion and regional policy**

The second cohesion report, the document produced by the DG Regio Reflection Group concerning the future of cohesion policy and the debates within the five large European regional associations, can be said to focus on the following main issues:

- a. the added value of cohesion and regional policy;
- b. future policy priorities;
- c. financial resources;

- d. coherence between the various EU policies.

### **III.1 The added value of cohesion and regional policy**

Cohesion policy clearly generates European and political added value (strengthening integration and convergence between regions, helping to achieve Community objectives and foster sustainable development); socio-economic added value (strengthening endogenous region-specific potential, the labour market, the potential for innovation, etc.) and socio-cultural added value (strengthening subsidiarity and partnerships, building mutual understanding and trust; strengthening a region's soft location factors).

### **III.2 Future policy priorities**

#### *III.2.1 Intervention in regions whose development is lagging behind*

The disparities within an enlarged Union are deepening dramatically. There is an undisputed need to primarily concentrate resources on the least developed regions, especially in the new Member States.

There is a need to discuss the categories of regions in the future regional policy:

- Objective 1 regions of current Member States which have not completed convergence and will, purely on a statistical basis, lose that status in an enlarged EU. A fair arrangement needs to be found;
- regions which would no longer count as Objective 1 areas even without enlargement. **Proposal:** phasing out Community support;
- regions in a particular geographical location or with specific socio-economic disadvantages, such as outermost regions, certain island regions and regions with a low population density. Border regions should also be included here due to the particular problems involved.

The Commission's belief that the eligibility criteria employed to date (NUTS II level and per capita GDP) are simple and transparent and have never seriously been questioned is simply not right. All of the 'big five' European regional organisations and also the European Parliament have proposed taking account of other criteria and/or factors. A **statement on the per capita GDP** of a certain region is **not particularly helpful** if the **cost side in this region** is not taken into account.

Measures in favour of non-Objective 1 regions face problems with restructuring in all sectors of the economy, with urban and rural development and with natural and demographic factors which (might) lead to structural handicaps.

**Proposal:** intervention should concentrate on qualitative, region-specific measures.

The Lisbon Summit formulated a strategic aim for this decade: to create the most competitive and dynamic knowledge-based economic area in the world, capable of sustainable economic growth with more and better jobs and with greater social cohesion.

But not all regions are equally well equipped to achieve such aims. Until now, these EU priorities have been taken up within Objective 2 or 3, in the context of Community Initiatives, innovative measures and interventions outside Objective -1 regions (rural development and fisheries). These priorities are subject to criticism concerning added value, the associated administrative resources and the lack of subsidiarity.

Together with the other European regional organisations, AEER has highlighted the spatial dimension and territorial cohesion, citing industrial and rural areas in difficulties, areas depending on fishing or areas with natural handicaps. A new EU policy is needed here.

### *III.2.2 Simplified administrative procedures*

- The involvement of the regions in Structural Fund policy

Generally speaking, it is true to say that the regions were consulted when programme strategies were drawn up and plans were made. However, they could be more deeply involved in programme-related decisions and implementation. There is a clear North-South divide in Europe in this respect, as well as a difference sometimes depending on the respective Member States' own understanding of what subsidiarity means.

- Relations between the Commission, the Member States and the regions in structural policy after 2006

There are three key elements regarding the implementation of the future regional and cohesion policy:

- the direct involvement of the regional authorities in defining objectives, managing EU funds and monitoring results, including via tripartite contracts concluded between the EU, national and regional or local levels. This is necessary because of shortcomings in the way in which the partnership principle is currently being implemented;
  - the status of the regional and/or local authorities – and 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 contracting partners on an equal footing. This is important, given their growing role in the implementation of EU policies and their competence in the area of regional development.
  - the clear simplification of administrative procedures and the commitment to increase the efficiency of organisational processes.
- The subsidiarity principle

In a democratically structured Union and if Europe is to achieve the desired proximity to its citizens, it is absolutely essential that the regional and/or local level be more closely involved in future in the implementation of cohesion and structural policy and take responsibility accordingly. The subsidiarity principle may be an internal matter for the Member States, but is also a fundamental cornerstone of our future Europe. Consequently, the regional and/or local level should be incorporated in the constitutional part of a new European Constitution. Each Member State will remain responsible for setting up its own framework for implementing the details of the European Constitution.

It is not very clear why the future EU Member States are being asked to engage in a democratic form of regionalisation whilst some existing Member States do not yet practise regionalisation in any advanced form.

Special cross-border considerations:

Any country's sovereign rights end at its national border. Cross-border cooperation extends beyond this territorial sovereignty frontier. Under constitutional law, cross-border cooperation both within and outside the EU tends to be regarded as a foreign policy issue, though it is fast becoming a European domestic policy issue as European integration makes headway.

The rich diversity in Europe means that virtually every country in today's EU has different structures and competencies, which will continue to exist once a European Constitution has been ratified and competencies have been freshly delineated between the European, national, regional and local levels. The aforementioned levels will clash at the EU's internal and external borders and will therefore exert major influence over cross-border cooperation. They will also

become an obstacle if the action taken by each of the partners on either side of the border is constrained to measures falling under its own respective national competencies. Such a scenario would establish cross-border cooperation at the lowest possible level.

However, what is required is comprehensive cross-border cooperation in all areas of life, not just in EU programmes. All past experience would suggest that the regional and/or local level is the one best suited to cross-border cooperation. It is here that existing bilateral/trilateral international treaties and European-level agreements are already being implemented and fleshed out. Again, this will continue to be the case in the future.

### *III.2.3 Shared responsibility for future programme planning, implementation and monitoring*

The regional and/or local level should be more closely involved in future, especially if programmes are to shift more towards regional level. One definite 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.

Programmes can be regionalised without any major difficulties using two existing key control mechanisms:

- National co-financing, which secures sufficient influence for each programme and project;
- the need to take account of European spatial planning, national plans and programmes is already included in the guidelines for the Structural Funds.

The list of requirements to be met by the Member States with regard to monitoring is often excessively bureaucratic and covers a great many details that need not be so closely specified. The European Commission should set out a framework to be filled in depending on the respective national customs and legal provisions.

The audits carried out by the Commission and Court of Auditors are both useful and helpful. However, difficulties arise when the firms or consultancies commissioned to conduct them deal with topics whose contents they do not master. In such a scenario, an audit runs the risk of being carried out purely from an accounting point of view, rather than also taking account of content and/or qualitative aspects.

Special cross-border considerations:

In future it is important that Commission representatives adopt advocate the same stance on certain issues in the various monitoring committees. In the past divergent views on important issues have been presented as 'official' EU opinions in individual monitoring committees, though this has often failed to stand up to subsequent scrutiny.

Difficulties in interpreting the provisions can arise in particular if the European Commission differs in its interpretation of stipulations concerning financial management and the eligibility of costs.

The purely consultative role played in the monitoring committees by the European Commission is not a good thing, because it means the EU is not tied into decisions, though it can declare decisions taken by the monitoring committee to be non-binding on it or wield uncontrollable influence on the basis of its consultative role.

Evaluation is helpful and useful. However, the results of the audit should also better be taken on board in practice at EU level, e.g. bearing in mind the experience that the regional/local cross-border structures are best suited to implementing INTERREG-A-programmes. Experience

suggests that there will also be more smaller programmes (e.g. INTERREG A). Nonetheless, at European level the trend is towards a reduction in the number of programmes. In actual fact there is a logical contradiction between regional competency and a drop in the number of programmes.

### **III.3 Financial resources**

The following approaches warrant discussion based on the financial resources currently available and their Europe-wide distribution, with the necessary focus on Central and Eastern Europe:

- The key criteria employed to date for allocating funds as applied in NUTS II and the per capita GDP of the population could be supplemented by additional factors, in particular employment, the economy, accessibility, the ability to innovate and workforce skills.
- GDP tends to be unsuitable for use as the sole measuring stick for a European structural and cohesion policy, especially as long as the costs involved are disregarded.
- Introducing differentiated maximum levels of support across the entire, enlarged EU, e.g. higher and differentiated levels of support in Central and Eastern Europe (e.g. 50% - 85%) which would take account of the totally different regional situations in and between these countries.
- A possible reduction in maximum levels of support within the current EU (e.g. to 30% - 50%), possibly staggered over time.

Flexible, needs-oriented EU support of this kind takes account of both the different co-financing options in today's enlarged EU and the fact that the gradual decline in the level of support means that projects need a higher level of equity capital to increase their chances of survival.

In general, the following can be said about the management of finances:

- EU resources bind national/regional co-financing in the long term, thereby securing plans and financing for several years;
- annual instalments should be handled with greater flexibility;
- there must be a way of controlling flows of funds from individual levels (European, national, regional, local, private) in a more flexible manner, subject to their availability;
- the timely disbursement of EU funds still has to be greatly improved. In particular, the often substantially delayed payment of final instalments creates major problems in programmes as well as for individual project sponsors.

For INTERREG, the method for allocating funds should be improved:

- In INTERREG A per programme or per border, as was already the case in INTERREG I. For INTERREG B and C per programme or zone. By contrast, INTERREG II and III represented a step backwards. The national distribution of funds for INTERREG III was an error which led to considerable difficulties when it came to implementing the programmes.
- Common **criteria for a cross-border region** should be considered when allocating resources (common population, common area covered, joint economic and labour market statistics, and cross-border GDP).

In addition, **multipliers** can also be used such as:

- the geopolitical situation, e.g. external borders;
- the fact that areas fall under the cohesion funds or are EU Objective areas should be **considered on a cross-border basis**, rather than from a national perspective;

### **III.4 The coherence of EU policies**

#### *III.4.1 Better coordination of EU policies*

A better coordination between the EU's horizontal policies, such as spatial development or regional policy, and its sectoral policies, such as transport, environment, labour market, agriculture, and research and innovation policy, seems absolutely vital, as they are often closely linked to one another. For example, this is already practiced in good INTERREG A programmes.

**Proposal:** This coordination can be achieved either by creating a specific department which is directly assigned to the President of the European Commission or by delegating all related tasks to one specific Directorate-General. This could, for instance, be the DG Regio, which already deals with horizontal tasks, such as spatial development and regional policy.

#### *III.4.2 Creation of equal living conditions*

From a national, and sometimes also from a European point of view, most border and cross-border regions are peripheral. Many of them typically comprise sparsely populated rural areas. Due to the 'national semi-circles' on both sides of the border, the border regions not only lack an adequate transport infrastructure, but very often also a fundamental basis for other infrastructure facilities of the local/regional level. Against this backdrop, the creation of equal living conditions becomes a key issue. The public regional and/or local authorities and the facilities supported by them, in particular, serve the common good and ensure that services of general interest are available to the local population. This includes the creation and maintenance of facilities that would otherwise not exist in these border areas due to the lacking fundamental basis.

**Proposal:** In view of the future European Union, it is essential that not only competition rules, but also obligations to serve the common good and the provision of services of general interest are adequately regulated. Again, it is the regional and local levels which are particularly affected, since they are deeply connected with the area in question and committed to maintaining close contact with the region's citizens. It is the responsibility of the regional and local levels to tackle these tasks in a sustainable and socially acceptable manner.

#### *III.4.3 Coordination of the EU support programmes*

There are several support programmes within and outside the EU, which aim to promote cross-border, INTERREGional and transnational cooperation. However, there are fundamental differences between these programmes at the present EU internal and external borders, even though the European Parliament and the European Commission agree that the structure of the support programmes for the associated countries and other third countries should be similar to that of the internal EU programmes, such as the Structural Funds, INTERREG etc. However, this is demonstrably not the case.

**Proposal:** The Directorate-General responsible for internal EU programmes (DG REGIO), should have the power of veto. Support programmes of other Directorates-General should be modified if they hamper cooperation at present and future external borders and if they are not in line with the 'standard rules' applied to internal EU programmes.

#### *III.4.4 Framework competence*

For more than 30 years, AEBR has stood by and watched as the European Commission has taken on certain tasks without having the legal powers required to do so. The Commission justifies this approach by pointing to the rather different situations in the individual Member States, which make it necessary to strive for a certain harmonisation at European level and to create suitable framework conditions. As long as this approach does not go beyond establishing

this framework, there is no reason to object. However, experience has shown that these framework conditions frequently go hand in hand with meagre funds. Having said that, it is not so much the quantity of funds that matters, but the wording of the documents which govern the use of them. These documents regulate activities and procedures in certain political areas in such a detailed way that the competencies of the national, regional and local level are materially affected. Here we would refer you to the debate about the general competence of the EU in areas such as spatial development, trans-European networks, education, and so forth.

#### **IV. A forward-looking regional and cohesion policy**

The **challenge** from **2007** will lie in developing new and flexible policies regarding the Structural Funds, cohesion and Community Initiatives for an enlarged European Union which, despite the given practical and financial priorities, serve the **wide-ranging interests of the European Union** as a whole.

An enlarged European Union requires **territorial cohesion** and therefore implementation of the 'bottom-up' principle whilst preserving subsidiarity and partnership. A **coherent, sustainable political approach** from 2007 needs to incorporate **all major areas of EU policy** and integrate all relevant aspects of EU policy, such as spatial planning, regional, agricultural and social policy, and so forth. Given the impact of European unification and globalisation, this policy must increasingly encourage a **polycentric development of the Community**.

**Cohesion policy** does not simply entail providing financial assistance to the most disadvantaged regions, but should serve **the interests of the Community as a whole** (see Article 158 of the Treaty on European Union).

**Provisional AEBR summary:** What the EU needs is a European cohesion policy that is in the interests of the entire Union, not just a concentration or shift in the flow of funds. In addition, the focus should be on **topics of European importance, including Community Initiatives**.

***EU policy outside Objective 1 areas should focus on the following important topics:***

- rural areas;
- urban areas;
- the labour market;
- special regional problems (e.g. border region)

**Territorial dimension:** However, only taking account of those regions with 'natural handicaps' is not enough. There are also regions, such as border regions and cross-border regions, which have other, long-term handicaps, such as different powers and structures, fiscal and social laws applying on either side of the border, which will remain in place for decades and hinder cooperation. These are significant disadvantages (the semi-circle effect).

**Thematic dimension:** concentrating on region-specific programmes, focussing on particular topics, could be useful, including in INTERREG A programmes.

It is right to primarily **concentrate funds** on the poorest regions, but there is also a need to work flexibly with different levels of support that take account of different co-financing possibilities.

The **regional and/or local level** must be given considerably **greater independence and responsibility**. For example, no projects should be approved against the will of a region.

**The integration of regions through Europe-wide cooperation** should in principle be given political priority. However, cross-border cooperation should not only highlight the economic

aspect, but also focus on overcoming numerous other barriers. It may be argued that regional policy and cohesion policy concentrate on economic factors. However, the economy in border regions cannot develop as it might otherwise do if barriers related to other important factors were overcome. The problems of border regions are not given priority at national level. This is why supporting such cooperation is a European task and a political objective of the EU (see the Napolitano report).

A **single Community Initiative** on '**integration**' might make sense if the **different areas remained segregated** within it (INTERREG, LEADER, human resources, etc.). Mixing everything together makes no sense. This applies in particular to INTERREG, **where A must remain separate from B and C**, firstly because the content of the programmes and the criteria for A, B and C differ considerably, and secondly because the size of projects differs enormously. If INTERREG A, B and C were lumped together, there would be a risk of the influence of regional and local levels being reduced, especially in A. The tendency towards large flagship projects is increasing, and this is not in the interests of border regions as the good programmes indicate.

The EU needs to pay greater attention now than in the past to the results of evaluation. Previous evaluations have shown that small, region-specific programmes work best in INTERREG A. This would mean an increase in the number of programmes, not their concentration. If this poses technical difficulties for their processing by the Commission, then ways, means and instruments will have to be found which make such an arrangement acceptable to the Commission. However, there is no way around evaluation.

#### Special cross-border considerations

It seems there is a pressing need to create a legal framework which not only enables comprehensive cross-border cooperation at the regional and/or local levels in partnership with the respective national bodies and the EU, but also secures the long-term sustainability of such cooperation from a legal perspective. The establishment of **a special legal instrument for cross-border/trans-European cooperation** that governs the following important points has been suggested:

- the obligation on the part of the Member States and the EU to enable and promote cooperation at their internal and external borders at the regional and/or local levels;
- making suitable instruments available for comprehensive cooperation on regional and/or local level based on the Council of Europe's 1980 Madrid Framework Convention and taking account of Article 2 of the Treaty of Amsterdam (concerning the creation of an area without internal frontiers), either via a European Regulation or through bilateral and/or trilateral treaties;
- enabling cross-border cooperation between neighbouring regions along a border and their inhabitants at the future external borders of the EU in all areas of life, despite the controls and processes needed due to the Schengen Accord (e.g. through joint border checkpoints, special lanes or ID tags for people living in the border regions, group visas for schools and youth groups, multi-entry visas for people regularly crossing the border, issuing visas at border checkpoints e.g. day visas for tourists and the inhabitants of border regions and a special additional border crossing for so-called local border traffic).

## V. Special requirements regarding the promotion of cross-border cooperation in the future

### V.1 *Basic conditions*

Current methods for providing assistance to 'cross-border regions' should be continued in future under the relevant Community programmes, **covering all cross-border regions** in Europe, i.e.:

- cross-border regions at internal borders of the current EU Member States;

- cross-border regions at external borders of the current EU Member States and with the new Member States;
- cross-border regions at borders between the new Member States;
- cross-border regions at the EU's new external borders with future third countries.

It is crucial to implement the EU guidelines for the development of the Community as a whole at these borders: the completion of the single market and Economic and Monetary Union (EMU), implementation of the EU Treaty (1992, 1997), political union, the EU's eastward enlargement. In this context, the specific problems, **which either persist at national borders or crop up again and again**, need to be taken into account, alleviated or solved. These problems relate to clashes between different legal, social or cultural systems, minority problems on either side of the border, socio-cultural disparities or language problems (Article 151 of the EC Treaty). Legal problems or problems to do with specific issues arising from innovation and technical development within new national systems are particularly important in this context. Especially in the border regions, they not only weigh on the single market, but also on the complex economic links between producers and private households.

Cross-border cooperation should be promoted across the ever-expanding range of human coexistence. Even though many border problems have been solved in the border regions of the current European Union, a number of tasks remain to be tackled despite the implementation European single market (e.g. cooperation between SMEs, in research and technology, in health and between the rescue services). The border regions of the candidate countries (and regions at the present EU external borders) have to cope with much more serious cross-border problems (e.g. in the areas of infrastructure, institutions and culture).

The ERDP contains some important pointers and tips on cross-border cooperation, which should be put into practice to improve the coherence between spatial development and regional policy, as well as between the sectoral and territorial approaches in regional policy.

The positive elements of the Community Initiatives (and of INTERREG in particular) are to be used to strengthen the bottom-up approach in cross-border cooperation. This could help to reduce the EU's democratic deficit by ensuring its proximity to citizens and creating a sustainable regional and/or local basis for future cross-border programmes. This will require the further strengthening and intensification of institutional cross-border cooperation right across Europe, but it would enhance the integration of geographically and socio-economically linked areas on both sides of borders, which would in turn lay the foundations for a sustainable mutual understanding and cultural coexistence between people living at the interfaces of the European integration process.

Cross-border cooperation is meant to promote subsidiarity and partnership. In this context, subsidiarity means that competencies relating to the elaboration, implementation and management of European programmes are to be transferred to the regional level. Partnership means an internal partnership involving all social partners and actors on cross-border regional and local level (Euroregions or similar structures) as well as an external partnership involving the national and European level.

However, partnership should also include close bilateral cooperation between European border regions (e.g. North-South, East-West) as well as cooperation in the framework of thematic networks (mountain regions, maritime regions, rural areas).

An independent network of European border and cross-border regions, assisted by the European Union continues to be absolutely essential.

## ***V.2 INTERREG and national mainstream programmes***

The integration of **Community Initiatives** into the corresponding national mainstream programmes entails some major risks. In future, every Member State would be free to decide

whether or not to incorporate cross-border, transnational or INTERREGional issues into these mainstream programmes and to determine the importance of such issues. But even if one country opts to incorporate them and another does not, cross-border cooperation would become impossible or, at best, extremely difficult in future. 'Nationalising Community Initiatives' would result in the countries concerned losing interest in genuinely shared cross-border programmes and projects. If they are entitled to funds for national projects, they will also tend to allocate these funds to national projects, or at best to measures aimed at promoting their border areas at national level, rather than using them to implement genuine cross-border measures.

The **national distribution of INTERREG funds on the occasion of the European summit in Berlin/Potsdam** clearly reveals the true consequences of nationalisation. The allocation of national INTERREG quotas led to **imbalances on both sides of the border**. As a result, the disparity between the respective total amounts of national assistance is today hindering **cross-border cooperation**, despite the existence of a joint bank account and shared structures.

**PS: A joint solution for this problem has so far only been found at the Dutch-German border.**

### ***V.3 Community Initiatives for the entire EU***

Marked differences remain with regard to legal and administrative systems, structures, taxation and social legislation as well as industrial development schemes, the emergency services, social security systems, labour legislation aspects, professional qualifications, etc. These differences, which frequently trigger new border problems, not only affect the present and future external borders, but also EU-internal borders. Past experience has shown that the nation states have hardly, if at all, been in a position to come up with solutions. The border regions will thus not be able to overcome these problems without being granted assistance from the EU. Only with the implementation of INTERREG were funds specifically spent on border areas and thereby bound by national co-financing. When INTERREG is terminated, such national co-financing will also inevitably vanish.

The term '**Community Initiative**' means that the **European Community** deals with **issues** that are **of major importance for the future development of Europe as a whole**. These issues have so far not been resolved by the **nation states, nor will they be resolved by them in the future**. As a result, the **EU continues to bear the overall responsibility for border problems** (cross-border, transnational and INTERREGional cooperation). These border problems are **not merely economic**, but include **all kinds of difficulties at borders** that will **continue to exist** for decades to come or could **crop up again**.

However, where **European issues** are concerned, **Community Initiatives** have to be duly implemented **at European level**, in other words **in all border areas**. **This has to be done in different ways, in line with the regions' respective needs**.

### ***V.4 Separation of Community Initiatives from Structural Funds***

If successful new improved Community Initiatives are to be implemented from 2007 onwards, we must learn from past experiences and make certain changes.

If, despite the well-known problems, Community Initiatives continue to be incorporated in the European Structural Funds, they should at least be considered as an **independent political objective** (rather than as Objective regions) in that context. Moreover, they **must cover all border regions** within the present and future EU.

Since **the EU's Structural Funds** are implemented by the individual EU Member States, they are understandably **geared towards the national level**, whereas the Community Initiatives are intended to work **on a trans-European and cross-border level**. In order to **eliminate the well-**

known restrictions, barriers and difficulties related to the Structural Funds it would be better to:

## **SEPARATE THE COMMUNITY INITIATIVES FROM THE EU STRUCTURAL FUNDS AS OF 2007.**

The Community Initiatives should be transformed into a **political objective in their own right, with independent criteria applicable to all border regions across Europe**. They must also have their **own funding** (possibly linked to cohesion policy) and be implemented throughout Europe. In the long run, Community Initiatives will probably remain **the only funding instrument** enabling the **EU to reach people and regions throughout Europe and to make subsidiarity and partnership really mean something to its citizens**.

## **VI. Desirable and non-desirable scenarios after 2007**

Where the future cohesion policy is concerned, a few pointers can be given as to what is not desirable, what has proved worthwhile and what needs to be developed further.

The following are not desirable:

- **The renationalisation of regional policy**, which would then no longer be a European regional policy, but simply a transfer of money from European to national level. There would then be a big danger of the role of regional and local authorities being weakened within the respective programmes.
- the integration of EU Community Initiatives into national mainstream programmes
- the current **bureaucracy and difficult procedures** in cohesion and regional policies. Simplification and much greater flexibility are urgently required.
- A possible **request for project proposals at European and/or national level**. This would not meet the special project needs of regions and would lead to a race between them for EU funds as well as to more, central bureaucracy. It would also run counter to the need for programmes with more regional content.
- **Statistical benchmarks** in cohesion policy and regional policy, which apply to **national** regions. In **cross-border cooperation** this makes **no sense whatsoever**, especially where there is an Objective area on one side, but not on the other.

The following are desirable:

- The principle of **programming at regional level**, which will also best enable the endogenous development potential of a region to be awakened, prompting healthy, qualitative competition between the regions. Each region bears responsibility for the success of its own programme in partnership with the respective national governments and the region's social partners.
- EU funding for **multiannual programmes**: this ensures a consistent strategy of working towards a particular goal over several years, and also secures the resources needed in this connection. A further major advantage of EU funds is that they commit and safeguard national and regional co-financing to this programme over several years.
- **Partnership**: This ensures the involvement of all partners in the region and induces them to behave as partners at the local, national and European levels.
- A **grading Concentration**: the poorest regions should certainly continue to be the main recipients of funding. However, it is essential that European policies are available for other regions with programmes and resources to the necessary extent. A more flexible system of financing is needed than the 75% and 50% arrangement which applied in the past.
- Separation of INTERREG A, on the one hand, and B and C, on the other.
- A stronger focus on the quality of INTERREG A programmes as well as a common statistical basis and criteria.

## **VII. Summary and conclusion**

### ***VII.1 A regional policy for the whole of the European territory***

The AEBR welcomes the 2<sup>nd</sup> Cohesion Report of the European Commission and wishes in the respect of the enlargement to underscore the effort in favour of cohesion that will be necessary to accompany this historic political opening-up of Europe. This will require responding to and adjusting to the diverse economic, social and regional situations of these regions, while at the same time promoting the European social model and the implementation of the Lisbon agenda.

In the spirit of the Napolitano report<sup>1</sup> adopted by the European Parliament on 14 January 2003, they are convinced that local and regional authorities have an essential role to play in building this enlarged Europe as a space in which proximity to and dialogue with the citizens are an essential feature. Local and regional authorities represent the regions in all their diversity, are familiar with their needs, and are the best placed to assess the effect of EU intervention on the lives of their populations.

### ***VII.2 The main principles***

In this context, seven main principles should guide the forthcoming reform of regional and cohesion policy:

1. **Pursuit of a truly EU policy for regional development and cohesion, and refusal of any form of re-nationalisation.**
  2. **Recognition of the threshold of 0.45% of EU GDP as a minimum for the regional policy budget after 2006**, in the knowledge that an additional effort will be necessary to tackle the growing challenges linked to enlargement and to the varying impact of globalisation from one region to another.
  3. Maintenance of **a real EU approach and method** which will take fair account of the development situations in an enlarged Europe on the basis of simple, comparable and transparent criteria. These criteria should be established in active partnership with the regional and local authorities concerned.
  4. Enlargement will in addition call for **a greater implication of the local tiers of government**, in order to render the EU's action more legible to the citizens, to simplify it, and to ensure that EU intervention is more efficient;
  5. **Addition of a "territorial" dimension to the objective of economic and social cohesion** that already exists in the Treaty, so as to respond fully to the worrying increase in disparities in regional development.
  6. **Improved coordination between regional policy and the principal sectoral policies** implemented at EU and national level (objectives and management criteria) especially in the areas of transport, research/innovation, education/training, employment/social affairs, agriculture and rural development, and the environment. A closer interaction between competition policy and regional policy should also be considered, notably in the area of the necessary regional services of general economic interest (see also III.4.2 "Creation of equal living conditions"). From a spatial planning point of view, attention should also be given – as set out in the ESDP – to improving the urban/rural interaction in the elaboration of regional strategies. Guidelines such as these would reinforce the added value of EU intervention.
  7. **The principles of sustainable development and of a balanced regional competitiveness** should also be given an important place in this coordination effort.
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### **VII.3 The structure of the future regional policy**

The future regional policy should also be structured around three main guidelines:

1. **Maintenance of the approach to primarily concentrate funds on regions and countries lagging behind in development** by means of Objective 1 and the Cohesion Fund, the eligibility criteria of which would not be modified, and ensuring that those regions that will no longer be Objective 1 because of the mechanical or statistical effect are taken into account. This should imply the guarantee of appropriate financial assistance for a sufficiently long period to enable these regions to acquire the capacities and means for action that will render them less dependent on European aid. In addition, and in conformity with Article 299-2 of the Treaty, special attention should also continue to be given to the ultra-peripheral regions.
2. **Design of a new regional Objective 2 for regional competitiveness and territorial cohesion for those European regions (below the statistical level Nuts III) which are not eligible under Objective 1.** The purposes and characteristics of this new Objective 2 would be as follows:
  - to act, as a priority, on the major factors affecting regional competitiveness (accessibility, research and innovation, education-training-employment, and the information society, in particular) by implementing a real polycentric development strategy at European as well as individual Member State level. Such a policy should also take better account of the urban dimension of regional development and lead to a more balanced economic development.
  - To take into account the specific situation of particular types of areas (e.g. scarcely populated, maritime areas, mountain regions, rural regions, border regions) by attempting to promote the maintenance of the principal services of general economic interest and the promotion of their natural and cultural heritage.
  - To integrate into the new Objective 2 the current Objective 3 measures that have a particularly strong local and regional dimension, while continuing to implement in a similar way those measures that lend themselves less easily to implementation on a regional basis (such as equal opportunities policy).
  - To take care to ensure the application of transparent rules for the distribution of EU funding by region according to an objective assessment of their development situation base on a certain number of simple, comparable, and transparent indicators (for example, per capita GDP, rate of unemployment, population density, accessibility).
  - To augment the decision-making powers of the Member States and regions as regards the selection of the areas to be supported
3. **Pursuit of transeuropean cooperation as a Community Initiative** recognising that cross-border, transnational and interregional cooperation contributes in a concrete way to European integration. In this framework, cooperation should be improved and intensified as follows:
  - by an (independent) Communication from the Commission on the INTERREG Community Initiative which remains independent from the rules governing the Structural Funds,
  - by pursuing the implementation of INTERREG separately from that of the national mainstream programmes,
  - by allocating resources not exclusively on the basis of national quotas, but according to common border or by programme,

- by considerably reinforcing the responsibility of the regional and local authorities in the development, management and monitoring of cooperation programmes,
- by a separation between INTERREG A, B and C,
- by a stronger consideration of the quality of INTERREG-A-programmes as well as a common statistical basis and criteria,
- by designing a practical legal Community instrument, on the basis of the experience acquired, and by simplifying the implementation of trans-European cooperation both internally and across external borders.
- by improving cooperation across the new external borders of the EU through a real programming and implementation coordinated between INTERREG on the one hand and TACIS, CARDS and MEDA on the other hand (for example in the Black Sea, Balkans, Mediterranean and for the Northern Dimension).

#### **VII.4 Implementation**

With regard to the implementation of the future regional and cohesion policy, two elements are fundamental:

- the direct involvement of the regional authorities in defining objectives, managing EU funds, and monitoring the results, as well as through tripartite contracts agreed between the EU, national and regional or local level. This is necessary because of the shortcomings of the way in which the partnership principle is currently implemented,
- the position of the regional 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.

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