



**2017/0336(COD)**

6.6.2018

## **DRAFT OPINION**

of the Committee on Industry, Research and Energy

for the Committee on Regional Development

on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 as regards support to structural reforms in Member States  
(COM(2017)0826 – C8-0432/2017 – 2017/0336(COD))

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## SHORT JUSTIFICATION

In an attempt to refute the criticism that EU Cohesion Funds strategic justification of - and accountability for- spending have been inadequate, an increased performance orientation was introduced in the 2014-2020 programming period. A performance framework was defined for each operational programme, detailing the investments' expected results and how progress towards these goals would be measured.

By 2019, a performance review will take place and the programmes and priorities that will have achieved the milestones and targets set, will gain access to the associated performance reserve (6 % of the resources allocated through the European Regional Development Fund, the European Social Fund and the Cohesion Fund), while the ones that have seriously failed to achieve milestones may face penalties.

The Rapporteur is unpleasantly surprised by the Commission's proposal, which in short, invites Member States to voluntarily concede, wholly or partly, the management of the performance reserve funds to the Commission's eagerness to implement horizontal structural reforms linked to the European Semester.

First, she is of the opinion that Cohesion Policy and the European Semester do not share or serve the same goals. Ex-ante and macro-economic conditionalities represent a major risk to the achievement of sustainable, fair and balanced growth. The European Parliament has repeatedly underlined, that "an interaction with the European Semester should not impede the achievement of the Cohesion policy's proper objectives as stipulated in the Treaties"<sup>1</sup>. Diverting another 21 billion euro to cater for objectives strictly linked to the European economic governance process constitutes a clear deviation from the Cohesion Policy's main purpose, to "reduce disparities in the level of development between regions"<sup>2</sup>.

To redirect such a significant amount of funds will disturb the implementation and affect negatively the potential of the policy impact. Key and complementary Cohesion Policy principles such as, solidarity in practice, fair and just redistribution of wealth, and the very same performance incentive-reward logic, will be severely undermined.

From a procedural point of view, the Rapporteur expresses grave reservations. The proposal comes too late and is extremely unclear. The relevant changes will have a retroactive effect, could provoke budgetary disruptions on the agreed national annual tranches and may disturb already planned spending on specific projects.

The Rapporteur denounces that other EU funding instruments support structural reforms focusing on the European Semester in the current programming period. A reallocation of cohesion funds to the benefit of i.e. the Structural Reform Support Programme (SRSP) has already taken place, while the Commission is now proposing a substantial increase of the SRSP financial envelope. Moreover, the balance could worsen in the future programming period 2021-2027. The Commission, while proposing a new Reform Support Programme of €25 billion budget, financed under the Flexibility instrument and separate to the EU Structural

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<sup>1</sup> Opinion of the Committee on Regional Development (20.2.2018), for the Committee on Economic and Monetary Affairs, on the European Semester for economic policy coordination: Annual Growth Survey 2018, (2017/2226(INI)), point 4.

<sup>2</sup> Consolidated version of the Treaty on the Functioning of the European Union - Part Three: Union Policies and Internal Actions - Title XVIII: Economic, Social and Territorial Cohesion - Article 174 (ex Article 158 TEC), Official Journal 115, 09/05/2008 P. 0127 - 0127.

and Investment Funds, plans in parallel, a 7% cut on the overall Cohesion portfolio<sup>1</sup>.

While shared management creates the impression of co-ownership, the decision of a Member State to use partially or in full the performance reserve to support structural reforms will signify a shift to direct management. Consequently, any proposal to undertake reform commitments will fall under the exclusive assessment, approval and management of the Commission.

By way of conclusion, the Rapporteur regrets that the proposal comes in full contradiction with recent Commission statements in the EP plenary (March 2018)<sup>2</sup>. Since the Commission declared no intention to change the dates regarding the performance assessment and the allocation of the performance reserve, amending at this stage the orientation and management of the performance reserve would present a clear case of double standards.

Taking into consideration all the above, the Rapporteur considers that ITRE Committee should call on REGI Committee, as the committee responsible and on ECON and BUDG Committees, as associated committees, to reject the Commission proposal.

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The Committee on Industry, Research and Energy calls on the Committee on Regional Development, as the committee responsible, to propose rejection of the Commission proposal.

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<sup>1</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions "A Modern Budget for a Union that Protects, Empowers and Defends The Multiannual Financial Framework for 2021-2027", COM(2018) 321 final, 2.5.2018, page 10.

<sup>2</sup> EP Plenary, Strasbourg, Thursday, 15 March 2018, Thursday, major interpellation, Question for oral answer on behalf of REGI Committee on Performance reserve of the ESIF.