

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0272/2004

7 April 2004

REPORT

on the Third report on economic and social cohesion
(COM(2004) 107 – C5-0092/2004 – 2004/2005(INI))

Committee on Regional Policy, Transport and Tourism

Rapporteur: Konstantinos Hatzidakis

CONTENTS

	Page
PROCEDURAL PAGE	4
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	6
EXPLANATORY STATEMENT	20
OPINION OF THE COMMITTEE ON BUDGETS	25
OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY	30
OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS	33
OPINION OF THE COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT	38
OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND EQUAL OPPORTUNITIES.....	42

PROCEDURAL PAGE

By letter of 18 February 2004 the Commission forwarded to Parliament its communication on the Third report on economic and social cohesion (COM(2004) 107), which was referred for information to the Committee on Regional Policy, Transport and Tourism, the Committee on Economic and Monetary Affairs, the Committee on Industry, External Trade, Research and Energy, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Consumer Policy, the Committee on Agriculture and Rural Development, the Committee on Fisheries, and the Committee on Women's Rights and Equal Opportunities.

At the sitting of 29 January 2004 the President of Parliament had announced that the Committee on Regional Policy, Transport and Tourism had been authorised to draw up an own-initiative report on the subject under Rules 47(2) and 163, and the Committee on Economic and Monetary Affairs, the Committee on Industry, External Trade, Research and Energy, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Consumer Policy, the Committee on Agriculture and Rural Development, the Committee on Fisheries and the Committee on Women's Rights and Equal Opportunities had been asked for their opinions (C5-0092/2004).

At the sitting of 11 March 2004 the President of Parliament announced that he had also asked the Committee on Budgets for its opinion.

The Committee on Regional Policy, Transport and Tourism had appointed Konstantinos Hatzidakis rapporteur at its meeting of 21 January 2004.

The committee considered the draft report at its meeting of 17 February 2004, 17 March 2004, 6 and 7 April 2004.

At the last meeting it adopted the draft resolution by 42 votes to 0, with 4 abstentions.

The following were present for the vote: Paolo Costa (chairman), Rijk van Dam, Helmuth Markov (vice-chairmen), Konstantinos Hatzidakis (rapporteur), Rolf Berend, Philip Charles Bradbourn, Felipe Camisón Asensio, Luigi Cocilovo, Richard Corbett (for Danielle Darras pursuant to Rule 153(2)), Jean-Maurice Dehousse (for Gilles Savary), Garrelt Duin, Alain Esclopé, Giovanni Claudio Fava, Juan Manuel Ferrández Lezaun (for Nelly Maes), Jacqueline Foster, Jean-Claude Fruteau (for Jan Dhaene), Mathieu J.H. Grosch, Catherine Guy-Quint (for Ewa Hedkvist Petersen), Juan de Dios Izquierdo Collado, Georg Jarzembowski, Elisabeth Jeggle (for Christine de Veyrac), Dieter-Lebrecht Koch, Constanze Angela Krehl (for John Hume), Sérgio Marques, Emmanouil Mastorakis, Arlene McCarthy (for Bernard Poignant), Manuel Medina Ortega (for Joaquim Vairinhos pursuant to Rule 153(2)), Erik Meijer, Rosa Miguélez Ramos, Enrique Monsonís Domingo, James Nicholson, Camilo Nogueira Román, Peter Pex, Wilhelm Ernst Piecyk, Samuli Pohjamo, Alonso José Puerta, Reinhard Rack, Elisabeth Schroedter (for Josu Ortuondo Larrea), Brian Simpson, Renate Sommer, Dirk Sterckx, Ulrich Stockmann, Herman Vermeer, José Vila Abelló (for Francesco Musotto pursuant to Rule 153(2)), Mark Francis Watts and Brigitte Wenzel-Perillo (for Giorgio Lisi).

The opinions of the Committee on Budgets, the Committee on Industry, External Trade, Research and Energy, the Committee on Employment and Social Affairs, the Committee on

Agriculture and Rural Development and the Committee on Women's Rights and Equal Opportunities are attached. The Committee on Economic and Monetary Affairs, the Committee on the Environment, Public Health and Consumer Policy and the Committee on Fisheries decided on 10 March 2004, 16 February 2004 and 20 January 2004, respectively, not to deliver an opinion.

The report was tabled on 7 April 2004.

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the Commission's Third report on economic and social cohesion (COM(2004) 107 – C5-0092/2004 – 2004/2005(INI))

The European Parliament,

- having regard to the Third report on economic and social cohesion (COM(2004) 107 – C5-0092/2004)¹,
 - having regard to Article 299(2) of the Treaty of Amsterdam,
 - having regard to its resolutions on gender equality in the European Union and, in particular, its resolution on the objectives of equality of opportunities between women and men in the use of the Structural Funds²
 - having regard to the December 2002 Copenhagen Summit on enlargement,
 - having regard to the Luxembourg decisions of June 2003 on the reform of the Common Agricultural Policy (CAP),
 - having regard to the November 2003 Salzburg conference on the prospects for rural areas in an enlarged Europe,
 - having regard to the Commission communication on the financial perspective 2007-2013³,
 - having regard to Rules 47(2) and 163 of the Rules of Procedure,
 - having regard to the report of the Committee on Regional Policy, Transport and Tourism and the opinions of the Committee on Budgets, the Committee on Industry, External Trade, Research and Energy, the Committee on Employment and Social Affairs, the Committee on Agriculture and Rural Development and the Committee on Women's Rights and Equal Opportunities (A5-0272/2004),
- A. whereas the need for a comprehensive European cohesion policy is demonstrated by the continued existence of wide disparities in development of the various regions, a situation which will be exacerbated by the forthcoming enlargement of the Union,
- B. whereas the strengthening of economic and social cohesion, the reduction of territorial disparities and the promotion of harmonious, polycentric balanced and sustainable development constitute Treaty obligations that have consistently received the support of the European Parliament,
- C. whereas the draft Constitution of the Union reinforces the cohesion objective by the

¹ Not yet published in OJ.

² OJ C 61E, 10.3.2004, p.317

³ COM(2004) 101

insertion of its territorial dimension,

- D. whereas the structural investment brought about in the areas covered by cohesion policy by intra-European trade, primarily in capital goods, entails economic benefits for the other parts of the Union,
- E. whereas, following the next enlargement, the number of people to which cohesion aid applies will rise from 68 million to 116 million, corresponding to a percentage increase from 18% to 25%; whereas, as a result, 0.45% of Community GDP should represent the minimum amount of financial resources to be allocated to regional and cohesion policy,
- F. whereas more consultation with civil society, enabling balanced and equal partnerships, will help to ensure that the needs of people, the environment and the economic interests of the regions are given a voice in the whole process of programming, implementation and monitoring of the Structural and Cohesion Funds,
- G. whereas, overall, the European economic and social cohesion policy has so far produced positive results, enabling countries whose development had been lagging behind to make significant progress, particularly in terms of economic growth, in most cases at a level higher in percentage terms than that of the richest European Union countries,
- H. whereas competition policy and regional development policy must be made consistent, implying that State aid may not constitute an incentive for the relocation of economic activities,
- I. whereas the enlarged European Union will only be able to meet the challenges of the Lisbon, Göteborg and Tampere agendas if it recognises that towns and cities constitute a precious source of a wide range of benefits for the public, which have not yet been fully exploited, and that they are a major driving force behind all economic growth, environmental sustainability, regional cohesion, democratic participation, social inclusion, multiethnic integration and security,
- J. whereas the regions ought to be more closely linked to a more effective and transparent system for monitoring the allocation, distribution and use of the Structural Funds,
- K. whereas despite the wish to promote gender equality progress in this area is far from satisfactory,
- L. whereas Europe's unique potential for stable growth and sustained development can only be fully exploited through a genuinely common European strategy based on Community funding, which is aimed at areas and sectors with particular difficulties,
- M. whereas the European Social Fund has been playing the main role in achieving the equal opportunities objective when compared with the rest of the Structural Funds,
- N. whereas the size and social importance of rural areas in the European Union will increase considerably after enlargement, adding to their importance in terms of social and regional cohesion,

- O. whereas the rural world is facing new challenges and its role in social and regional cohesion may be compromised following the CAP reform,
- P. whereas maintaining agricultural production, in particular in disadvantaged regions or regions subject to natural constraints, in outlying regions and mountain areas, is the motor of economic activity and must in future continue to be a central objective of all European Union policies, particularly cohesion policy,

General Comments

1. Shares the Commission's judgement that Community interventions not only provide significant added value in terms of economic and social cohesion but also represent genuine value for money for the Union and the Member States and enhance the sense of belonging to the European Union;
2. Welcomes the account taken of the territorial dimension in the reformed cohesion policy, which is fully in tune with the philosophy behind the draft European Constitution, in which economic, social and territorial cohesion are given the same importance;
3. Recognises that the European Sustainable Development Strategy agreed in Gothenburg in 2001 is integral to achieving the strategic goal of the Lisbon Strategy, and therefore this should be more visible for the European Citizens in the future Structural Funds and Cohesion Fund interventions;
4. Applauds the acknowledgement by the Commission that European regional policy concerns all the regions and Member States of the Union and expresses, therefore, its satisfaction that no renationalisation of cohesion policy has been proposed;
5. Welcomes the support of the Commission for the need of compliance with EU environmental legislation of all structural interventions across the EU and the fulfilment of the objectives of the Environmental Action Programme;
6. Points out, on the basis of the experiences of recent years, that economic and social cohesion policy can make an important contribution to the development of a region if the resources transferred result in high-quality projects capable of having a significant effect on the territory;
7. Welcomes the acknowledgement by the Commission of the need to fulfil the objectives of the Environmental Action Programme and to comply with EU environmental legislation in all structural interventions across the EU;
8. Recognises the limits imposed by financial discipline upon the budget allocation to regional and cohesion policy and considers, therefore, that the sum of 0.41% of Union GNI (or 0.46% before transfers to the single rural and fishery instruments) could represent an acceptable compromise;

9. Believes, at the same time it needs to be guaranteed that the appropriations transferred for rural development will continue to be put to use in the regions affected;
10. Notes that incorporation of the enlargement countries entails an exponential increase in investment needs and in inequalities within the Union; notes that the Commission has proposed that the budget allocations should remain unchanged under the new financial perspective and for economic and social cohesion; considers that proposal to constitute the minimum level, below which there would be no guarantee of attaining the cohesion required by the Treaties; will reserve its position, however, until it has acquainted itself with the definitive Council proposal on the new financial perspective;
11. Urges that the Structural Funds and the Cohesion Fund should retain their structure based on expenditure targets; considers that the N+2 rule for the automatic de-commitment of appropriations that have not been implemented should be retained, since it has proved its effectiveness in improving the implementation of funds over the current programming period;
12. Agrees with the overall apportionment of funds to the three objectives;
13. Welcomes the fact that the absorption limit of 4% of national GDP for allocation of funds to the Member States has been retained, and that amounts covered by rural development and fisheries instruments are also to be taken into account in this connection;
14. Is convinced that cohesion policy is an essential tool to enable the European Union to achieve the Lisbon objectives; therefore endorses the principles of support for innovation and enterprise in order to stimulate regional competitiveness; considers that the implementation of the 10 recommendations made by the European Charter for Small Enterprises ought to be one of the cornerstones of this political ambition;

I. A NEW ARCHITECTURE FOR EU COHESION POLICY AFTER 2006

Objective: Convergence

15. Endorses the preservation of the threshold of 75% of per capita Community GDP as the main grounds for inclusion in this objective; welcomes the recognition of the so-called statistical effect and the proposed temporary support for those regions which would otherwise lose out as a result of the lowering of Community GDP following enlargement;
16. Insists that the support envisaged for regions subject to the statistical effect be satisfactorily confirmed in the future legislative proposals of the Commission and be endowed with adequate financial provision;
17. Welcomes the integration of the ESF into the new Convergence objective, and hopes that this will lead to more investment in human capital in the least developed areas;
18. Points out that the Protocol on cohesion annexed to the Treaty on European Union (TEU) stipulates that the Cohesion Fund is to be implemented to aid those Member States whose

GNP is below 90% of the Community average; believes that this will be of particular benefit to the new Member States;

19. Calls for support to be given from the Cohesion Fund and the ERDF to the priority topics, particularly as regards local infrastructure, the development of infrastructure for information and communication technologies, transport and social infrastructure. In these priority areas, the social inclusion of disadvantaged groups should be promoted and barriers to access for people with disabilities should be removed;
20. Urges the European Commission to draw up particularly rigorous legislative proposals in order to make sure that the transport infrastructure which is financed under the Cohesion Fund after 2006 contributes fully to the development of the most environmentally-friendly modes of transport (rail, inland and maritime waterways, multimodal transport programmes), in accordance with the White Paper on European transport policy for 2010;

Objective: Regional Competitiveness and Employment

21. Welcomes the introduction of a genuinely new Objective 2 which cover all the regions outside the Convergence Objective; welcomes at the same time the Commission's approach towards regional zoning so that interventions can be carried out flexibly within the regional territory, concentrating on areas with greatest need;
22. Believes, moreover, that the twin approach to the anticipation and promotion of economic change, based on regions and on people, can be both coherent and innovative, provided that the use of ERDF and ESF funds can be guaranteed to take place in a coordinated manner; calls in this connection on the Commission to ensure that the structure of the EQUAL initiative will also be fully incorporated into this priority when combating social exclusion;
23. Believes that the aim of EU interventions should be to increase convergence and reduce regional disparities and social exclusion; asks the Commission to develop criteria for ensuring that EU resources are targeted with this objective in mind on areas of greatest need;
24. Considers that a fair compromise has been achieved with the proposal that current Objective 1 regions which, through economic development, do not meet the eligibility requirements for the future Convergence Objective, will nevertheless benefit from a temporary phasing-in support under this Objective;
25. Supports the proposed allocation of financial resources on the basis of Community recognised economic, social and territorial criteria; notes in this context that regional wealth must be the decisive criterion for budget allocation;
26. Stresses that firms which have recently received EU subsidies should on no account be accorded new aid purely on the basis of the relocation of their activities;

27. Commends the concentration of Community intervention on a limited number of themes reflecting the strategies for competitiveness and sustainable development laid down by the Lisbon and Gothenburg European Councils; believes, however, that it is necessary to gain a deeper insight into the trend regarding and the substance of the future legislative proposals;
28. Draws attention to the vital role of small and micro businesses, including those in traditional sectors, in the economic development of urban and rural areas; stresses that these enterprises provide regional economic stability and are key in combating depopulation;
29. Welcomes the theme of the environment and risk prevention, and the taking into account of the implementation of the Water Framework Directive, the development of environmentally sustainable transport measures and the financial support for Natura 2000;
30. Approves the link between the European Employment Strategy and the interventions under the European Social Fund; Expresses however its strong concern at the weakness of the regional dimension with regard to interventions under the European Social Fund; requests that the Commission rectify this shortcoming in its impending legislative proposals;
31. Points out that, without calling into question the highly positive results of regional policy, it is now accepted that this policy has not been able to solve the serious problem of employment in the cohesion regions; asks, therefore, for specific proposals and appropriate funding for employment;
32. Maintains that low per capita income is linked to unemployment in the regions covered by the objective and that the Structural Funds need to be implemented with a view to creating jobs, setting up new enterprises, and increasing productivity;
33. Calls on the Commission to manage and monitor the use of the Structural Funds more effectively, partly in order to prevent a negative impact on employment, working conditions and land management in the event of the ineffective use of these funds; therefore asks for a more focused strategy with regard to industrial restructuring and its social impact;
34. Calls on the Commission and the Member States to employ in a targeted way active labour market policy and adult education measures through the targeted use of resources under the Structural Funds and Community Initiatives under the heading 'Development of human resources';
35. Underlines that these inequalities can be combated by greater participation by women in all levels of education and training, lifelong access to learning, and training in new technologies; resources disbursed for training policies, including those linked to economic changes in geographical areas or resolution of urban issues, or developments in the countryside, must benefit women in a significant manner;

36. Is concerned that ESF funding under the Competitiveness objective is limited to specific measures in relation to employment strategy and appears not to take into account substantially the wider approach on social inclusion;
37. Notes that the effects of economic and social restructuring in the new Member States are often detrimental to women (rising unemployment, reduced childcare infrastructure) and calls on the States concerned to channel the structural funds into improving the situation of women as of 2004-2006 and beyond; considers that a greater drive towards achieving equal opportunities should be introduced into policies such as infrastructure, transport, the environment, regional development, fisheries etc., and calls on the Commission to draw up specific guidelines on equal opportunities as soon as possible for all those areas of policy;
38. Notes that there has as yet been no summary report on incorporating gender equality into measures co-financed by the Structural Funds and calls, therefore, on the Commission to examine, in the context of the mid-term review of the Structural Funds, whether the provisions of the Regulation on promoting equality are complied with and, on the basis of that review, to plan the rest of the programming period;
39. Recalls once more the importance of developing statistics broken down by gender in order to enhance the effectiveness of programming by allowing measures to be based on relevant qualitative and quantitative indicators, so as to enable actions to be properly evaluated and to facilitate sharing of experience and information on successful measures relating to improving the situation of women;

Objective: European Territorial Cooperation

40. Congratulates the Commission on the proposal to create a separate objective for territorial cooperation, building upon the success of the INTERREG initiative;
41. Proposes that this new organisational structure should be based on the signature of a tripartite contract between the European Union, the Member State and the regions;
42. Underlines the importance of continuing the three strands of transnational, cross-border and interregional cooperation with the clear objective of promoting the harmonious, balanced and environmentally sustainable development of the territory of the Union; merely shifting inter-regional cooperation into mainstream programmes is not adequate to achieve that end;
43. Stresses that, in future, greater aid and encouragement should be given to cooperation between regions in old and new Member States;
44. Agrees strongly with the link to be established between the integrated programmes and the Lisbon and Gothenburg agendas;
45. Welcomes the recognition of maritime frontiers, often called for by the European Parliament and others, in the context of cross-border cooperation; asks for this

recognition to apply to all European Union maritime frontiers; welcomes the proposal for a dialogue between the Commission, Member States and Regions for a review of the trans-national cooperation zones under Interreg IIIB;

46. Approves of the creation of a single legal instrument to allow Member States, regions and local authorities to more effectively manage cross-border programmes; calls for the instrument to be administered, in so far as their powers permit, by the relevant authorities below state level;
47. Values the coherence between the New Neighbourhood Instrument and the Cooperation Objective and hopes that this can already be tested during the 2004-2006 period;

An Integrated Response to Specific Territorial Characteristics

48. Stresses the importance of an integrated response that encourages a harmonious rather than a conflictual relationship between urban and rural strategies;
49. Calls on the Commission to take into consideration the infrastructure distribution patterns in the enlarged Union and to create opportunities for effectively exploiting the urban dimension as a mainstream component of the Structural Funds;
50. Underlines the necessity for a strong urban dimension, present in all three proposed objectives, aimed especially at promoting urban regeneration and combating urban deprivation, developing the role of the urban areas as economic drivers for the region, and the urban-rural relationship;
51. Also asks the Commission to prepare a framework of rules which enhances the potential for grassroots initiatives to flourish in cities and other territorial units;
52. Appreciates the intelligent approach of URBAN+ which allows for specifically urban problems to be tackled without, however, disassociating them from their regional and national context; calls for the legislative proposals to make it possible to include within the general programming a form of administration which retains the European approach which has been URBAN's special asset;
53. Reconfirms its commitment to the necessity of taking into account the specific problems of the outermost regions as required under Article 299(2) of the Treaty; congratulates the Commission on its initiative in this regard;
54. Calls for the possibility to be considered of introducing a specific reference in the Treaty to the EU's thinly populated areas in accordance with Protocol 6 to the Act of Accession of Finland, Sweden and Austria;
55. Reaffirms the importance of continued support for traditional industrial areas as they pursue efforts to regenerate their economies and their communities;
56. Calls for the specific programme to offset the structural handicaps affecting the outermost regions to be consolidated in the future Commission legislative proposals and provided

with the financial allocation required to ensure that these regions, including those which have ceased to be covered by the Convergence Objective, can continue to meet the investment needs entailed in their outermost location, especially where infrastructure is concerned;

57. Believes that the Commission is correct in its positive approach to those areas suffering from structural handicaps such as depopulation, population ageing or difficult accessibility; considers that the needs of the regions affected by these structural handicaps should be dealt with through ad hoc regional cooperation or action initiatives;
58. Considers also that islands such as Malta and Cyprus are treated in a similar way to other eligible islands in the region that are at a similar level of development, so as to ensure a level playing field;
59. Draws attention in particular, as regards regions and areas suffering from permanent handicaps, to specific accessibility and communications policies, relating for example to postal services, education and health, and to water, a resource essential for life;
60. Commends the initiative for an increase in ERDF co-financing rates to take into account certain territorial characteristics and proposes that this also apply to a regionalised ESF;

Instruments for Rural Areas and the Fisheries Sector

61. Considers that efforts to enhance the quality of life in rural areas and promote diversification of economic activities must include measures specifically targeted at alleviating the adverse social and economic effects of the downsizing in the agricultural sector and at fostering quality-oriented and environmentally sustainable production;
62. Considers it necessary to retain specific innovative measures in rural areas too; calls therefore for the launch of LEADER+ programmes to be continued; urges the Commission to preserve in particular the multi-stakeholder and participative approach;
63. Calls on the Commission to retain in the agricultural development programme the bottom-up method typical of the LEADER programme in which local action groups are able to determine among themselves the substance of their activities;
64. Notes the placing of the whole of rural development within the second pillar of the CAP and welcomes the Commission's intention to create a unified fund for rural development measures, with a view to promoting sustainable development;
65. Reiterates its insistence on the distinct nature of the problems affecting the fisheries sector as opposed to those more generally associated with rural development; believes, moreover, that it is necessary to more clearly distinguish between sectoral and territorial interventions; agrees strongly, therefore, with the Commission's proposal to clarify the role of the various instruments of support;
66. Maintains that it is vitally important to fishing countries for the fisheries sector to be

developed in such a way as to ensure that support instruments, which must be implemented in a manner consistent with the stock conservation policy, serve to promote the development and modernisation of activities and the living and working conditions of fishermen;

67. Welcomes the intention of the Commission to establish a single fund for rural development policy, to promote sustainable development, and urges that in future rural development programmes should remain essentially horizontal and thus cover all rural areas;
68. Calls for rural development measures to continue to be seen as an adjunct to the CAP and for corresponding funds to focus directly both on active agricultural production and on related and downstream areas;
69. Emphasises the importance of a strong rural development policy also in the new Member States, by stimulating the competitiveness of the farming sector and promoting action to support women, together with investment in a broader rural economy;
70. Considers that, following enlargement, the need for cohesion among regions will be increasingly noticeable and must not be masked by the need for cohesion among Member States;
71. Believes that, while simpler and more decentralised management is necessary, it is appropriate to maintain a variety of programmes tailored to specific actions in order to spend public funds effectively; requests, therefore, to continue the LEADER+ approach;
72. Points out that Priority 3 often covers predominantly agricultural regions in which a multifunctional farming industry is essential for a living countryside, a factor which should be reflected in the way the measures are implemented;
73. Calls on the Commission to pay particular attention to young farmers in connection with rural development measures, since young farmers make a significant contribution to the continued existence of farming and the development of rural areas;
74. Notes with regret that the Commission has not confirmed an increase in the second pillar in the future EU budget as part of the proposed financial framework - as announced in the reform of the common agricultural policy - but that instead it intends to freeze the planned rural development spending at the 2006 level, which would lead to a constant fall in rural development appropriations given that in the future there will be 25 or 27 Member States;

Coordination with other Policies

75. Views favourably the determination to achieve an improved coordination with other sectoral policies; recognises, in this context, that coherence and complementarity will be enhanced by the concentration of regional policy on limited themes and by the existence of a comprehensive cohesion strategy;

76. Declares its satisfaction at the maintenance of state aids under Article 87.3(a) of the Treaty in order to promote economic development in Convergence regions; demands forcefully that equal treatment is accorded to those regions subject to the statistical effect; notes that these aides should make a decisive contribution to the creation of sustainable jobs, and not merely to the relocation of jobs;
77. Believes that the new State Aid guidelines for the period post 2006 should permit Article 87(3)(a) status to be accorded to all regions eligible for convergence programmes, including those affected by the statistical effect of enlargement;
78. Urges the Commission to come forward with proposals for the future of state aids based on Article 87(3)(a) of the Treaty and to reflect on how territorial differentiation might be incorporated into the rules through the use of appropriate indicators; considers that it is absolutely essential to maintain territorial differentiation in competition policy in order to pursue a territorial cohesion objective;
79. Calls on the Commission to ensure that the relocation of businesses is not subsidised by European regional policy;
80. Considers that the economic and social situation of the outermost regions justifies the adoption of a different approach to levels of intensity of the state aid referred to in Article 87(3);
81. Believes that a new approach to economic and social development - geared to the notion of a knowledge-based economy - requires:
 - (a) Policies based on the regional comparative advantage, ensuring a business environment conducive to adaptability, innovation and reform that promotes fair competition, enhances infrastructure and ensures better company law and corporate governance;
 - (b) Policies that encourage innovation and entrepreneurship, based on fiscal legislation that favour the establishment and sustenance of SMEs by addressing the structural deficiencies arising from poor market accessibility and the burden of financing;
82. Proposes also, as part of the new approach to regional development, to link research financed by the EU under its 7th research framework programme to industrial application;
83. Stresses the fact that, in a new knowledge-based economy of the type envisaged by the Lisbon European Council, human capital (a labour force with appropriate levels of skills and training) is a prerequisite and all regions should develop the capacity to innovate, use both existing know-how and new technologies effectively and apply techniques and methods of production that would be sustainable in environmental terms;
84. Attaches importance to the liberalisation of the energy market within the Trans-European Energy Networks under the condition that these networks are completed and that the

periphery is linked to such networks;

85. Calls for a focus on job creation in remote regions; promotion of networks and clusters of particular activities - such as inventions and applications to cultural industry based on regional diversities and customs, and developing the potential of the tourist industry based on the principle of regional specialisation - may solve this problem;
86. Proposes to consider the increasing economic importance of new areas of industry, such as, for example, eco-industries or the cultural industries, as a viable means of creating employment especially in remote regions and requests the Commission to elaborate measures for promoting this kind of employment in those regions;

II. A REFORMED DELIVERY SYSTEM

87. Considers that the simplification of cohesion policy must have a high priority and congratulates the Commission therefore on its generally positive attitude towards a simplification of cohesion policy and on the advances it has proposed, particularly with regard to programming, partnership, co-financing, evaluation, and decentralisation of responsibilities to partnerships on the ground; considers that the Commission should maintain an independent monitoring and control power on the implementation of structural interventions and on their compliance with EU laws and targets; reserves the right, however, to express its definitive opinion only once it has had sight of the proposals for regulations on the Structural Funds and the Cohesion Fund;
88. Welcomes the strengthening of the partnership principle as a counterbalance for reduced Commission presence, urges the Commission to make broad partnerships with all stakeholders legally binding and at the same time ensure efficient partnership through funding the costs of their participation;
89. Welcomes the strengthening of the partnership principle as a counterbalance for reduced Commission presence; urges the Commission to make broad partnerships with all stakeholders legally binding and at the same time ensure efficient partnership through funding the costs of their participation
90. Concurs with the adoption of an overall European strategic document for cohesion policy and the preparation of strategic policy documents by the Member States; requests that the work of the European Spatial Development Perspective (ESDP) adopted in Potsdam in 1999 be continued in order to build a framework for the territorial development of the European territory;
91. Urges the Commission, in simplifying regional policy, to take account of the 'user viewpoint', i.e. to make it easier for businesses, universities and national organisations to participate in projects without their activities being unnecessarily hampered by bureaucracy, payment reporting requirements etc.;
92. Asserts that the European strategic document for cohesion must be the subject of a European law embodying the full legislative participation of the European Parliament as

envisaged under Article III-119 of the Draft Treaty establishing a Constitution for Europe;

93. Believes that such a strategic approach would enhance coherence and accountability for the policy as a whole; responds favourably, therefore, to the proposal for an annual review by the European Institutions to discuss progress attained; suggests that this review could take place during the spring European Council, following consultation of Parliament;
94. Welcomes the limiting of the number of funds to three and the introduction of the principle of one fund per programme; demands that this principle be fully respected and stresses that it is the sound management of the structural funds which must be the overriding concern rather than the internal administrative structure of the European Commission;
95. Underlines, in the light of the slow take-up of ESF funding in the current programming period, and the proposed decentralisation, the need to strengthen administrative capacity, with special focus on the new Member States;
96. Approves of the integration of the valuable experience and best practice of Community initiatives such as EQUAL into mainstream programming in particular, the principle of trans-national cooperation should be emphasised;
97. Declares itself in favour of the proposals to enhance partnership and cooperation between the local, regional, national and EU spheres of government and to encourage Member States to utilise the possibility of concluding tripartite agreements where appropriate; asks the Commission to develop harmonised and binding rules and criteria for partnership association and development in the framework of the 2007-2013 Structural Funds regulations, and at the same time ensure efficient partnership through funding the costs of their participation;
98. Points to the need for special attention to ensure that the state and regional authorities concerned comply with the additionality principle, whereby Community resources are to be added to and not to replace state resources, and for the Commission to be provided with the necessary means of supervision; believes that the Commission must ascertain that the principle is being observed both as regards the 'Convergence' Objective and as regards the 'Regional Competitiveness and Employment' and the 'European Territorial Cooperation' objectives;
99. Supports the idea for the creation of a Community reserve for rewarding progress; welcomes, moreover, the setting-up of national reserves for responding to unexpected sectoral or local shocks on condition that these funds have real substance and are not simply symbolic gestures;
100. Asks the Commission to draw up for the next programming period procedures for verifying additionality that are more workable, that are integrated into the programming, monitoring and evaluation frameworks and that are suitable for use with the budgetary and statistical information available; furthermore, asks the Commission to develop

specific measures such as sanctions in order to ensure compliance with this principle;

101. Calls for Parliament to rank equally with the Council for the purpose of adopting the Commission's cohesion programme;
102. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENT

Introduction

Within the present European Union, the Community's policies to promote economic and social cohesion have helped, over recent years, to promote convergence between our various regions, although during this period of reduced economic growth, disparities within individual Member States have remained and even increased. Unemployment has begun to increase again in many parts of Europe.

However, following enlargement, divergence in regional income will grow significantly. In its report the Commission indicates that average GDP per head in the EU of 25 Member States will be around 12.5% less than in the EU of 15.

To meet this challenge, the application of the Lisbon and Göteborg strategies for competitiveness and sustainable development must continue to be our priority if we are to achieve our goal of long-term and balanced development across the Community.

The positive attitude to cohesion adopted by the Commission in this Third Report is thus particularly welcome.

General Comments

The objective of economic and social cohesion is already recognised in the Treaties. However, in the new Constitution, this objective is complemented by the addition of the notion of *territorial* cohesion, in order to strengthen and underline Europe's commitment to the principle of equitable treatment of all citizens wherever they live in the Union. Our aim must be to ensure the highest levels of development and competitiveness for the whole territory of the Union taking account of geographic situation and population density and not just concentrate on focal points of economic success or failure.

The Commission's acknowledgement, therefore, that European regional policy concerns all the regions and Member States of the Union is especially important as is the fact that the idea of any renationalisation of cohesion policy is now firmly off the agenda.

At the same time, it has to be recognised that after three programming periods, EU regional policy has to be adapted to the new context which the Community faces at the beginning of the 21st century. In particular, this means facing up to the challenges of the current unprecedented enlargement of the Union and avoiding the pitiless of too wide a dispersal of a limited budget on too numerous objectives. This means taking hard decisions, but the Commission proposal of three objectives appears reasonable in present circumstances.

In respect of the financing of the policy, the European Parliament has consistently pressed for an allocation to the structural funds of at least 0.45% of the Union's GDP.¹ Parliament

¹ Musotto Report on the Second report on economic and social cohesion, A5-0007/2002, T5-0060/2002 of 07/02/2002;

Schroedter Report on the First progress report on economic and social cohesion, A5-0354/2002, T5-0535/2002 of 07/11/2002;

considered that this amount represented the minimum necessary to achieve the ambitious and worthwhile objectives of the EU's cohesion policy. As recently as October 2003, the Commission itself described this figure as the "benchmark" for the cohesion policy.¹ Your rapporteur fully supports this position. Nevertheless, it must be accepted that in the real world it is not possible to fully satisfy everyone. In a climate of financial discipline and in the face of a certain reticence in some quarters vis à vis the policy itself, the current proposal by the Commission of 0.41% of Union GNI (or 0.46% before transfers to the single rural and fishery instruments) must, albeit reluctantly, be considered an acceptable compromise

Objective: Convergence

It is entirely appropriate that the greatest proportion of resources should go to the poorest regions of the Community and, indeed, that emphasis should be placed on helping the new Member States. The Commission proposal to allocate around 78% of the financial resources allocated to cohesion policy to the least developed Member States and regions is thus welcome. The proposition that some two thirds of this will be spent in the new Member States and one third in the old seems reasonable. Although there has been some considerable debate surrounding the criteria used to define the regions concerned and questions raised about the potential for anomalies, the preservation of per capita GDP as the main indicator would appear to be the least bad option.

Nevertheless, while this objective would primarily concern those regions whose per capita GDP is less than 75% of the Community average, there has been considerable preoccupation, aired in the European Parliament and elsewhere, about the fate of existing Objective 1 regions which will lose their eligibility for this objective as a result of the lowering of the average per capita GDP in the enlarged Union.

Bearing in mind that these are regions which are still seriously lagging behind the rest of the Union and which will only become "richer" in relative terms as a result of a statistical recalculation, the Commission proposal for temporary support for them, until 2013, should be warmly welcomed.

In its report the Commission limits itself to stating that this support would be higher than that decided in Berlin in 1999 for the so-called phasing-out regions of the current generation. However, it proposes no percentage for this new 'Objective 1 A', which is a pity. Your rapporteur has therefore called for satisfactory translation of the Commission's good intentions into legislative proposals for measures 'endowed with adequate financial provision.'

The maintenance of the Cohesion Fund for Member States whose GNP is below 90% of the Community average is also particularly welcome, given that its future appeared to hang in the balance for some time. This fund remains important for current beneficiaries and taking into account, its proposed increased flexibility, it promises to be a vital development tool for the

Mastorakis Report on the Second progress report on economic and social cohesion, A5-0267/2003 of 10 July 2003.

¹ The Future of Cohesion Policy, A General Presentation, <http://europa.eu.int/inforegio>, October 2003.

new Member States.

Objective: Regional Competitiveness and Employment

In proposing a completely revised second objective applicable, without sub-regional zoning, to the whole of Community territory outside of the Convergence Objective, the Commission has not only answered the repeated calls of the European Parliament, but has also ensured the rationality of EU cohesion policy as a whole. The financial package of 18% of cohesion resources earmarked for this Objective must be seen as the absolute minimum necessary in order to carry out its stated aims.

The wide-ranging consultation exercise carried out by the Commission over the last three years has demonstrated that a majority of those concerned are in favour of taking account of accessibility (sustainable transport), research, development and innovation, education and training, and the information society in a new Objective 2 aimed at promoting regional competitiveness. This in turn led to calls from Parliament and others for certain measures and funding to be transferred, for the sake of coherence, from Objective 3 to Objective 2.

Your rapporteur considers therefore that the Commission must be congratulated for the way in which it has reconciled and combined the two objectives into one. Moreover, a successful balance appears to have been struck between the need for a themed approach open to all, while at the same time concentrating resources so that action is weighted by the application of transparent economic, social and territorial criteria concerning the definition of priorities and the allocation of funding. The special provisions allowing for additional 'phasing-in' support for regions which have 'naturally' emerged from Objective 1, but have not yet fully attained their development potential, is also welcome.

Nevertheless, the rapporteur believes that there needs to be a greater regional dimension to measures under the ESF and looks forward to the clarification of this when the legislative proposals are tabled.

Objective: European Territorial Cooperation

Improved territorial cooperation has long been one of the key demands of the European Parliament. This goal is included in the draft Constitution as one of the areas falling under the shared competence of the Union and the Member States, clearly acknowledging the role of regional and local players in the decision making process. Moreover, in the Protocol to the Treaty, explicit reference is made to the need, for consultation to take account of the regional and local dimension of any envisaged action. Thus, the aim of cohesion policy should be to foster cooperation and partnership between the various levels of intervention - EU, national, regional and sub-regional. Equally, European territorial integration must also be reinforced by transfrontier cooperation between adjoining regions, trans-national cooperation between groups of regions and inter-regional cooperation between non-adjoining regions.

The creation of a separate objective for territorial cooperation that builds upon the considerable success of the INTERREG Community initiative and the injection of some 40% more funding should therefore receive Parliament's full support. The establishment of a single legal instrument and the New Neighbourhood Instrument for cross-border cooperation should

simplify management and encourage greater coherence.

Regions with Specific Territorial Characteristics

The rapporteur welcomes the emphasis placed by the Commission on achieving an integrated approach to the specific needs and characteristics of different territories. Too often the strategies applied to urban and rural areas have been perceived to be in competition with one another, when in fact the strengthening of links can carry with it important benefits for both.

With regard to cities, the need for a strong urban dimension is clear. The Commission' notion of "mainstreaming" urban actions, while maintaining the advantages contained in the current URBAN initiative is intelligent. Thus, an integrated approach would be preserved with a focus on partnership. Funds for urban actions and urban areas would be "ringfenced" and cities made responsible for the management of their part of the programmes.

The Commission has correctly devoted special attention to the problems of accessibility and remoteness encountered by many islands, mountainous regions and areas with a low population density. The Commission has proposed that on the basis of "territorial" criteria, such regions should benefit from an increased Community contribution. This undertaking is welcome in itself, but it remains to be seen how it is translated into practice.

The outermost regions of the Union are already specifically covered under the Treaty. However, the new 'Grand Voisinage' initiative appears to be a useful means of reducing the unnatural barriers between many of these regions and their geographic neighbours.

Simplification

Perhaps one of the most consistent criticisms of the EU's structural policy over the years has been about the complexity of the system, particularly at the point of consumption. The Commission must therefore be congratulated on its willingness to listen and learn from the experience of the various players.

The current proposals to limit the number of objectives and funds, to introduce the principle of one fund per programme and to clarify and better coordinate the different instruments of support, are all areas where the European Parliament and others had called for such change. The Commission has also made major efforts to improve programming, partnership, co-financing and evaluation.

The Commission proposes a simplification of the instruments in support of rural development and the fisheries sector. This would mean that the whole of rural development would come under the second pillar of the CAP. In this context, it should be remembered that efforts to enhance the quality of life in rural areas and promote diversification of economic activities must also include measures specifically targeted at alleviating the adverse social and economic effects of the reduction in employment opportunities in the agricultural sector. The same argument could be in advanced with regard to the decline of the fisheries sector in certain parts of the Community.

Better coordination with other sectoral policies is also envisaged. However, in relation to

competition policy, the future of regional state aids under Article 87.3 (c) of the Treaty, for eligible regions within the Regional Competitiveness and Employment Objective, is unclear. Given that the various regions have wide variations in terms of development, a call has thus been made for a clarification that indicates how territorial differentiation might be incorporated into the rules through the use of appropriate indicators.

The adoption of an overall strategic approach should have Parliament's full support. However, the Commission's contention that the proposed European strategic document for cohesion should simply receive a Parliamentary opinion is inadequate. In order to ensure genuine transparency and democratic accountability, this must be the subject of a European law embodying the full legislative participation of the European Parliament as envisaged under Article III-119 of the Draft Treaty establishing a Constitution for Europe.

Finally, your rapporteur particularly welcomes the initiative to set up national reserves for responding to unexpected sectoral or local shocks which occur as a result of industrial restructuring or trade agreements. However, if meaningful retraining and diversification is to emerge from these funds, it is vital that they have real substance and are not simply symbolic gestures.

Conclusions

Your rapporteur warmly welcomes this current report, which clearly illustrates both the need for a Europe-wide cohesion policy and, at the same time, demonstrates that the political will exists in order to carry it out.

The Commission's proposals simplify the policy and render it more coherent, while allowing for greater regional participation and partnership, encompassed in an overall strategic approach. Correctly, this calls for the concentration of resources in the poorest regions of the Union. However, special provision is made in the policy to include cities and to assist regions which have either naturally emerged from Objective 1 or done so as a result of statistical recalculation. Specific account also, is taken of regions with a permanent handicap such as islands, mountainous and sparsely populated areas and the outermost regions.

Nevertheless, it is in offering the possibility of structural intervention throughout the whole territory of the Union that the Commission advanced the political horizons of the debate. While ensuring that limited resources are not too widely dispersed through concentration of funding, themed intervention and the application of territorial criteria, it has concurrently proposed the opening up Europe's regional policy to all of Europe's citizens. At a time when much of what comes out of the European Union is viewed negatively, the significance of highly visible positive action across the Community cannot be overestimated.

17 March 2004

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Regional Policy, Transport and Tourism

on the third report on economic and social cohesion
(COM(2004) 107 – C5-0092/2004 - 2004/2005(INI))

Draftsman: Giovanni Pittella

PROCEDURE

The Committee on Budgets appointed Giovanni Pittella draftsman at its meeting of 9 March 2004.

It considered the draft opinion at its meeting of 17 March 2004.

At that meeting it adopted the following suggestions unanimously.

The following were present for the vote: Terence Wynn (chairman), Reimer Böge (vice-chairman), Giovanni Pittella (draftsman), Den Dover, Salvador Garriga Polledo, Catherine Guy-Quint, María Esther Herranz García, Wilfried Kuckelkorn, Per Stenmarck, Ralf Walter and Bartho Pronk (for Ioannis Averoff).

SUGGESTIONS

The Committee on Budgets calls on the Committee on Regional Policy, Transport and Tourism, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

Replace paragraph 4 of the motion for a resolution by the following text:

Will take a decision on the budget for cohesion policy proposed by the Commission in the light of the legislative proposals concerning the Structural Funds and the Cohesion Fund and in the context of the debate on the financial perspective beyond 2006; takes the view, nevertheless, that in the next programming period the resources earmarked for cohesion policy should not be lower than in the current period;

JUSTIFICATION

The third triennial report on cohesion, drawn up pursuant to Article 159 of the EC Treaty, is particularly important in that it incorporates general guidelines for the next programming period (2007-2013) for the Union's structural policies. In that respect it complements the proposal on the new financial perspective which the Commission has just submitted¹.

Timetable

It must be borne in mind that the Commission has announced its intention of submitting legislative proposals concerning the Structural Funds and the Cohesion Fund in July 2004. It hopes that the adoption procedure can be concluded before the end of 2005, so that 2006 can be devoted to tasks involving planning, partnerships, programming and negotiations and the new measures can become operational in 2007. The Commission's intention is all the more praiseworthy given that no previous programming period has started on time, leading to systematic delays in the implementation of the budget and of the Structural Funds themselves on the ground.

General considerations

The report offers a detailed analysis of the situation with regard to regional disparities in the Union, the progress achieved in recent years and, in particular, the contribution made to that progress by structural policies. However, the unprecedented increase in regional disparities in the enlarged Union would have warranted a more detailed analysis on the basis of needs.

The report deals solely with the economic aspects of cohesion policy. However, cohesion is above all a political principle which stems from the need to guarantee the support of all European regions and citizens for the common integration project despite economic disparities which will range, in the enlarged Union of 25, from a per capita GDP of 240% of the Community average in certain regions to barely 32% of that average in others.

Parliament must reserve its opinion on the budget for cohesion policy. That opinion can be

¹ COM(2004) 101.

delivered only in the light of the overall debate on the financial perspective and the legislative proposals concerning the Structural Funds and the Cohesion Fund. Nevertheless, it regards it as essential that, in the next programming period, the resources earmarked for cohesion policy should not be lower than in the current period.

Proposals for the period 2006-2013

A number of points in the proposals for the new generation of structural measures merit close consideration:

The Commission states that the number of funds will be reduced to three, but in fact the reduction is purely formal and is solely due to the exclusion from the scope of structural measures of aspects relating to agriculture and fisheries, which will be funded by means of other instruments under the heading in the financial perspective dealing with the conservation of natural resources.

The Commission could have envisaged a more radical simplification by making use of the possibility offered by Article 161 of the EC Treaty of grouping the Funds (ERDF and ESF) in order to establish single-fund programmes which would be easier to manage. In addition, this would make it possible to integrate measures involving investment, infrastructure and human resources and, as a result, to merge the Commission departments responsible for implementing structural measures.

The principle of concentrating the Funds raises concerns with regard to the objective entitled 'Regional competitiveness and employment'. There is a risk of the dispersal of funding. Parliament should pay particularly close attention to the legislative proposals which have a bearing on this issue.

The Commission intends to incorporate the Cohesion Fund into programming in respect of the objective entitled 'Convergence'. In view of the particular nature of this Fund, to which the principles of programming, partnership and additionality do not apply, it will be possible to pass judgment on the workability of the proposal only once the practical coordination arrangements are known.

One of the key factors contributing to the effectiveness of Community structural policies as an instrument for economic development is their ability to mobilise public and private resources. Against this background, the Commission's idea of increasing the involvement of the Cohesion Fund in measures designed to achieve the 'convergence' objective in the new Member States gives some grounds for concern, since it must be borne in mind that the Cohesion Fund serves objectives different from those of the Structural Funds. Its main purpose is to help the less-developed Member States (and not regions) to achieve the convergence criteria and thus qualify for Monetary Union. It is designed to enable them to continue funding on their territory two Community policies - environment and trans-European transport networks - without this imposing on their public finances burdens which would not be consistent with the austerity required by membership of the single currency. For that reason, the principle of additionality does not apply to this Fund and, as a result, it is less able to mobilise public and private resources than the ERDF and the ESF.

It is certainly true that the Cohesion Fund, which finances only major projects in two specific areas, is much easier to manage than the Structural Funds. However, that advantage must not blind us to the fact that it is an instrument designed to achieve the objective of the Union's cohesion policy, i.e. balanced and sustainable development. The Commission should make clear what budget has been allocated to this Fund.

The Commission proposal spells the end for the Community initiative programmes. The areas covered by Urban, Equal and Leader will be integrated into the general programming, in the case of the first two initiative programmes, and into agricultural policy, in the case of the third, whilst the area covered by Interreg will become an objective in itself.

In that connection, it should be borne in mind that the added value provided by the Community initiative programmes stemmed not from their scope, but from their management arrangements. They were supposed to give national programming a 'European' approach. They were also a source of innovation. The involvement of regional and local staff, who are generally very favourably disposed towards the initiative programmes, was a further specific feature, involving close contact with the Commission.

The question which now arises is that of whether the new Structural Fund regulations will safeguard this added value in the context of national programming.

Turning to the issue of the complementarity of cohesion policy with other Union policies, the report pays particularly close attention to competition policy: when the objective is that of maintaining a growth differential in favour of less-developed regions, State aid measures can prove counterproductive.

The legislator needs to be able to ensure consistency between cohesion policy and competition policy. With that aim in view, the timetable for the reform of the Funds should coincide with that for the revision of the regulations governing State aid measures.

Subject to the provisions of the new regulations, the proposed management simplification is welcome and reflects concerns already expressed by Parliament during the current programming period. A number of points should be highlighted:

- The Commission is proposing to amend the arrangements governing the performance reserve. It would no longer be broken down in advance by Member State, but would rather be used to reward the Member States which perform best. Instead, the reserve should be allocated to the Member States and managed by them. An increase in its budget might be desirable.
- The proposal retains the 'expenditure target' system for the structural policies, at the same time confirming the N+2 rule providing for the automatic decommitment of non-disbursed appropriations, a rule which has demonstrated its effectiveness in improving the implementation of the Funds during the current programming period. Consideration might be given to fixing the deadline for effecting expenditure at 31 December and for submitting certification at 30 June.
- As regards programming, the Commission places the emphasis on defining an overall strategy. It is proposing that a strategy document setting out the main programming priorities should be adopted by the Council after consulting Parliament. The question arises as to the reason for this disparity in treatment. If the Commission is seeking to

strengthen the legitimacy of the guidelines and priorities it has chosen for structural policy, Parliament must be able to give its opinion on the strategy document in the same way as the Council.

- The practical programming arrangements cannot be assessed until the legislative proposals have been put forward. The same applies to certain aspects of management and supervision, in particular compliance with the principle of additionality. However, it should be pointed out that the proposal to abolish the Community support frameworks has left many people perplexed, given that the strategy document for each Member States proposed by the Commission does not provide a legal basis for programming and is not binding on Member States as regards the volume of resources to be earmarked for under-developed areas. In some Member States, moreover, this document is fundamental to the coordination required for the effective implementation of the Structural Funds (N+2 rule, allocation of the performance reserve, reprogramming, compliance with the principal of additionality, etc.). Against that background, it will be necessary to strengthen the contractual scope of the strategy document adopted by the Commission at the start of the programming period, a need which is even clearer in the new Member States.

18 March 2004

**OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE,
RESEARCH AND ENERGY**

for the Committee on Regional Policy, Transport and Tourism

on the Third report on economic and social cohesion
(COM(2004) 107 - C5-0092/2004 - 2004/2005(INI))

Draftsperson: Myrsini Zorba

PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Myrsini Zorba draftsperson at its meeting of 23 February 2004.

It considered the draft opinion at its meeting(s) of 25 February, 17 and 18 March 2004. .

At the last meeting it adopted the following suggestions by 25 votes to 0 with 1 abstention.

The following were present for the vote: Luis Berenguer Fuster (chairman), Myrsini Zorba (draftsperson), Gordon J. Adam (for Eryl Margaret McNally), María del Pilar Ayuso González (for Rolf Linkohr), Per-Arne Arvidsson (for Angelika Niebler), Sir Robert Atkins, María del Pilar Ayuso González (for Jaime Valdivielso de Cué), Guido Bodrato, Gérard Caudron, Giles Bryan Chichester, Marie-Hélène Descamps (for Elizabeth Montfort), Concepció Ferrer, Norbert Glante, Alfred Gomolka (for Werner Langen), Michel Hansenne, Roger Helmer (for Bashir Khanbhai), Marjo Matikainen-Kallström, Giuseppe Nisticò (for Umberto Scapagnini), Samuli Pohjamo (for Nicholas Clegg), John Purvis, Bernhard Rapkay, Imelda Mary Read, Christian Foldberg Rovsing, Paul Rübig, Alejo Vidal-Quadras Roca, Olga Zrihen Zaari, and Miguel Angel Martínez Martínez (for Ana Miranda de Lage, pursuant to Rule 153(2))

SUGGESTIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Regional Policy, Transport and Tourism, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

As regards the contribution of Industrial Policy, Research and Energy to Cohesion

1. Considers it imperative that an EU policy geared to economic and social cohesion should address the *syndrome of peripherality* stemming from two categories of characteristics: *structural deficiencies in key factors of competitiveness*, due to low per capita income, lack of innovative capacity, low level of environmental capital and high cost of services, and regional disparities; .
2. Is of the view that if the above mentioned is accentuated, the European model of society would be put at risk and an unbalanced spread of economic activity across the EU would increase the risk of bottlenecks to economic growth, which would potentially inhibit any attempt to increasing economic activity and creation of jobs;
3. Believes that a new approach to economic and social development - geared to the notion of a knowledge-based economy - requires :
 - (a) Policies based on the regional comparative advantage, ensuring a business environment conducive to adaptability, innovation and reform that promotes fair competition, enhances infrastructure and ensures better company law and corporate governance;
 - (b) Policies that encourage innovation and entrepreneurship, based on fiscal legislation that favour the establishment and sustenance of SMEs by addressing the structural deficiencies arising from poor market accessibility and the burden of financing;
4. Proposes also, as part of the new approach to regional development, to link research financed by the EU under its 7th research framework programme to industrial application;
5. Stresses the fact that, in a new knowledge-based economy of the type envisaged by the Lisbon European Council, human capital (a labour force with appropriate levels of skills and training) is a prerequisite and all regions should develop the capacity to innovate, use both existing know-how and new technologies effectively and apply techniques and methods of production that would be sustainable in environmental terms;
6. Attaches importance to the liberalisation of the energy market within the Trans-European Energy Networks under the condition that these networks are completed and that the periphery is linked to such networks;
7. Calls for a focus on job creation in remote regions; promotion of networks and clusters of particular activities - such as inventions and applications to cultural industry based on regional diversities and customs, and developing the potential of the tourist industry based on the principle of regional specialisation - may solve this problem ;
8. Proposes to consider the increasing economic importance of new areas of industry, such as,

for example, eco-industries or the cultural industries, as a viable means of creating employment especially in remote regions and requests the Commission to elaborate measures for promoting this kind of employment in those regions;

18 March 2004

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Regional Policy, Transport and Tourism

on the third report on economic and social cohesion
(COM (2004) 107 – C5-0092/2004 – 2004/2005(INI))

Draftsperson: Elspeth Attwooll

PROCEDURE

The Committee on Employment and Social Affairs appointed Elspeth Attwooll draftsperson at its meeting of 11 February 2004.

It considered the draft opinion at its meeting of 18 March 2004.

At the meeting it adopted the following suggestions by 25 votes to 2, with no abstentions.

The following were present for the vote: Theodorus J.J. Bouwman (chairperson), Winfried Menrad (2nd vice-chairperson), Marie-Thérèse Hermange (3rd vice-chairperson), Elspeth Attwooll (draftsperson), Regina Bastos, Hans Udo Bullmann (for Jan Andersson), Ieke van den Burg, Harald Ettl, Anne-Karin Glase, Lisbeth Grönfeldt Bergman (for Philip Bushill-Matthews), Roger Helmer, Stephen Hughes, Rodi Kratsa-Tsagaropoulou, Jean Lambert, Elizabeth Lynne, Thomas Mann, Mario Mantovani, Manuel Pérez Álvarez, Bartho Pronk, Lennart Sacrédeus, Luciana Sbarbati (for Anne André-Léonard), Herman Schmid, Elisabeth Schroedter (for Jillian Evans), Helle Thorning-Schmidt, Bruno Trentin (for Enrico Boselli), Anne E.M. Van Lancker and Barbara Weiler.

SUGGESTIONS

The Committee on Employment and Social Affairs calls on the Committee on Regional Policy, Transport and Tourism, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the new simplified and more transparent framework comprising 3 objectives (priorities) and 3 instruments;
2. Welcomes the fact that the special situation of the current Objective 1 areas is taken into account within the new EU system of support, as border regions may face additional problems as a consequence of enlargement and the gap in levels of support;
3. Welcomes the integration of the ESF into the new Convergence objective, and hopes that this will lead to more investment in human capital in the least developed areas;
4. Welcomes the demonstration of solidarity both to the accession countries and also to the statistically affected regions under this objective and supports the recognition of the so-called statistical effect as well as the proposed temporary support for those regions which would otherwise lose out as a result of the lowering of Community GDP following enlargement;
5. Calls on the Commission and the Member States to carry out further reform of European structural policy with a view to ensuring that the allocation of EU funds is targeted effectively; stresses that the possibilities for EU support in connection with enlargement must, by guaranteeing national co-financing and ensuring the appropriate administrative bases, be actively and - thanks to the proposed simplification - fully utilised at national, regional and local level;
6. Approves the absence of geographical restrictions in relation to funding under the Competition and Cooperation objectives, the proposed devolution of detailed programming, the intended changes in financial management and control, the emphasis on partnership and coordination in programming and implementation and the planned review of related rules on state aid;
7. Calls on the Commission and the Member States to employ in a targeted way active labour market policy and adult education measures through the targeted use of resources under the Structural Funds and Community Initiatives under the heading 'Development of human resources';
8. Is concerned that ESF funding under the Competitiveness objective is limited to specific measures in relation to employment strategy and appears not to take into account substantially the wider approach on social inclusion;
9. Is also concerned under this objective
 - (i) that national planning of programmes under ESF could prove counter productive to tailoring of measures to regional and local circumstances and the involvement of local stakeholders,
 - (ii) that it is not clear whether the review of rules on state aid will extend to projects

- established under these programmes,
- (iii) that the disappearance of EQUAL and the mainstreaming of gender in the use of all the funds in all objectives, though appropriate in principle, may lead to loss of impetus, particularly for the exchange of best practice and European networking,
 - (iv) that there seems to be no continuing provision for Article 6 measures to further develop the innovative and European character of the ESF;
10. Calls, therefore, on the Commission in bringing forward its proposals for legislation in relation to the Competitiveness objective
- (i) to allow wider measures for social inclusion provided they are supportive of the employment strategy,
 - (ii) to retain its responsibility for the decentralisation of the implementation of the ESF and particularly for ensuring that the planning and implementing of programmes wholly involves stakeholders at regional and local level,
 - (iii) to require the incorporation of gender mainstreaming into all programmes and projects for which ERDF or ESF funding is provided, meaning that gender equality is integrated at all stages in the programming, from the definition of objectives, through monitoring and evaluation,
 - (iv) to maintain special provisions for innovative solutions;
11. Underlines, in the light of the slow take-up of ESF funding in the current programming period, and the proposed decentralisation, the need to strengthen administrative capacity, with special focus on the new Member States.

SUGGESTIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Regional Policy, Transport and Tourism, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

As regards the contribution of Industrial Policy, Research and Energy to Cohesion

1. Considers it imperative that an EU policy geared to economic and social cohesion should address the *syndrome of peripherality* stemming from two categories of characteristics: *structural deficiencies in key factors of competitiveness*, due to low per capita income, lack of innovative capacity, low level of environmental capital and high cost of services, and regional disparities; .
2. Is of the view that if the above mentioned is accentuated, the European model of society would be put at risk and an unbalanced spread of economic activity across the EU would increase the risk of bottlenecks to economic growth, which would potentially inhibit any attempt to increasing economic activity and creation of jobs;
3. Believes that a new approach to economic and social development - geared to the notion of a knowledge-based economy - requires :
 - (a) Policies based on the regional comparative advantage, ensuring a business environment conducive to adaptability, innovation and reform that promotes fair competition, enhances infrastructure and ensures better company law and corporate governance;
 - (b) Policies that encourage innovation and entrepreneurship, based on fiscal legislation that favour the establishment and sustenance of SMEs by addressing the structural deficiencies arising from poor market accessibility and the burden of financing;
4. Proposes also, as part of the new approach to regional development, to link research financed by the EU under its 7th research framework programme to industrial application;
5. Stresses the fact that, in a new knowledge-based economy of the type envisaged by the Lisbon European Council, human capital (a labour force with appropriate levels of skills and training) is a prerequisite and all regions should develop the capacity to innovate, use both existing know-how and new technologies effectively and apply techniques and methods of production that would be sustainable in environmental terms;
6. Attaches importance to the liberalisation of the energy market within the Trans-European Energy Networks under the condition that these networks are completed and that the periphery is linked to such networks;
7. Calls for a focus on job creation in remote regions; promotion of networks and clusters of particular activities - such as inventions and applications to cultural industry based on regional diversities and customs, and developing the potential of the tourist industry based on the principle of regional specialisation - may solve this problem ;
8. Proposes to consider the increasing economic importance of new areas of industry, such as,

for example, eco-industries or the cultural industries, as a viable means of creating employment especially in remote regions and requests the Commission to elaborate measures for promoting this kind of employment in those regions;

30 March 2004

OPINION OF THE COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT

for the Committee on Regional Policy, Transport and Tourism
on the third report on economic and social cohesion
(COM (2004) 107 – C5-0092/2004 - 2004/2005(INI))

Draftswoman: Agnes Schierhuber

PROCEDURE

The Committee on Agriculture and Rural Development appointed Agnes Schierhuber draftswoman at its meeting of 19 February 2004.

It considered the draft opinion at its meetings of 15 and 29 March 2004.

At the last meeting it adopted the following suggestions by 15 votes to 3.

The following were present for the vote: Joseph Daul (chairman), Friedrich-Wilhelm Graefe zu Baringdorf and Albert Jan Maat (vice-chairmen), Agnes Schierhuber (draftswoman), Alexandros Baltas (for António Campos), Christel Fiebiger, Georges Garot, Lutz Goepel, Willi Görlach, João Gouveia, María Esther Herranz García (for Encarnación Redondo Jiménez), Liam Hyland, Elisabeth Jeggle, Salvador Jové Peres, Heinz Kindermann, Wolfgang Kreissl-Dörfler (for Gordon J. Adam), Karl Erik Olsson and Dominique F.C. Souchet.

SUGGESTIONS

The Committee on Agriculture and Rural Development calls on the Committee on Regional Policy, Transport and Tourism, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- having regard to the December 2002 Copenhagen Summit on enlargement,
 - having regard to the Luxembourg decisions of June 2003 on the reform of the common agricultural policy (CAP),
 - having regard to the November 2003 Salzburg conference on the prospects for rural areas in an enlarged Europe,
 - having regard to the Commission communication on the financial perspective 2007-2013¹,
- A. whereas Europe's unique potential for stable growth and sustained development can only be fully exploited through a genuinely common European strategy based on Community funding, which is aimed at areas and sectors with particular difficulties,
- B. whereas the size and social importance of rural areas in the European Union will increase considerably after enlargement, adding to their importance in terms of social and regional cohesion,
- C. whereas the rural world is facing new challenges and its role in social and regional cohesion may be compromised following the CAP reform,
- D. whereas maintaining agricultural production, in particular in disadvantaged regions or regions subject to natural constraints, in outlying regions and mountain areas, is the motor of economic activity and must in future continue to be a central objective of all European Union policies, particularly cohesion policy,
1. Shares the Commission's view that the European model for achieving economic and social cohesion through concerted, Community-wide structural policy actions should be maintained; believes, therefore, that a renationalisation of the cohesion policy would have devastating consequences for the economic convergence of areas which are lagging behind and must be avoided;
 2. Supports the adaptation of the common cohesion strategy to the reality of an enlarged European Union where the gap between strongly developed regions and areas lagging behind is wider than ever before; notes that the intended phasing out, until 2013, of enhanced support measures for areas of the EU 15 which will cease to be eligible under Objective 1 after enlargement on the basis of the statistical effect makes long-term support similar to Objective 1 necessary; considers that cohesion measures must be adopted to neutralise the negative impact on disadvantaged areas of the EU;

¹ COM(2004) 101 final.

3. Welcomes the intention of the Commission to establish a single fund for rural development policy, to promote sustainable development, and urges that in future rural development programmes should remain essentially horizontal and thus cover all rural areas;
4. Calls for rural development measures to continue to be seen as an adjunct to the CAP and for corresponding funds to focus directly both on active agricultural production and on related and downstream areas;
5. Emphasises the importance of a strong rural development policy also in the new Member States, by stimulating the competitiveness of the farming sector and promoting action to support women, together with investment in a broader rural economy;
6. Considers that, following enlargement, the need for cohesion among regions will be increasingly noticeable and must not be masked by the need for cohesion among Member States;
7. Notes with regret that the Commission gives rather limited attention to structural aid for the least developed rural areas in its report; believes that a more ambitious approach is needed in this field;
8. Believes that, while simpler and more decentralised management is necessary, it is appropriate to maintain a variety of programmes tailored to specific actions in order to spend public funds effectively; requests, therefore, to continue the LEADER+ approach;
9. Points out that Priority 3 often covers predominantly agricultural regions in which a multifunctional farming industry is essential for a living countryside, a factor which should be reflected in the way the measures are implemented;
10. Calls on the Commission to pay particular attention to young farmers in connection with rural development measures, since young farmers make a significant contribution to the continued existence of farming and the development of rural areas;
11. Notes that, given the interaction between the new priorities and rural development measures, in future the rural development programme must take a multisectoral approach with increased funding so as to provide an effective accompaniment to the CAP reform and as a means of strengthening rural areas;
12. Notes with regret that the Commission has not confirmed an increase in the second pillar in the future EU budget as part of the proposed financial framework - as announced in the reform of the common agricultural policy - but that instead it intends to freeze the planned rural development spending at the 2006 level, which would lead to a constant fall in rural development appropriations given that in the future there will be 25 or 27 Member States;
13. Calls on the Commission, therefore, to correct the financial perspective accordingly, so as to avoid placing rural regions at a disadvantage by comparison with urban areas and to prevent further economic decline and the depopulation of disadvantaged regions.

SHORT JUSTIFICATION

Since its creation, European cohesion policy has played a key role for economic and social convergence for regions and areas with different kinds of structural problems. It should be noted that considerable resources from the Union's budget are allocated to actions within this area, whereas public spending from national budgets in the Member States only accounts for a very modest level of action. A coherent and effective policy can only be achieved through a 'European model'.

While adding 20% to the total population of the EU, enlargement will only entail an increase of 5% in total GDP. The clear economic challenge posed by the historic process of enlargement is therefore linked to the sudden loss of 12½% in average GDP *per capita* in the EU25, compared to the EU15. The draftsman fully agrees that a comprehensive revision of the European Union's cohesion policy is vital in order to ensure successful integration of the 10 new Member States from 1 May 2004 and, at a later stage, Bulgaria and Romania.

The draftsman is concerned about the rather moderate interest dedicated to the rural communities in areas with substantial geographical and structural difficulties. There is no doubt that the proposed 3 new objectives in the 2007-2013 programming period will contribute substantially to further development and full convergence for some rural regions. But even the most efficient and focused support programmes for attracting investment will not be sufficient to overcome the problems in a number of the weakest regions in both existing and new Member States, where there is little or no alternative to agriculture in order to maintain jobs and income for households.

The draftsman welcomes the outcome of the Salzburg Conference on rural development and the project to create a single fund for rural development. The competitiveness of a multifunctional agriculture is an essential element to keep the countryside lively in all regions of the enlarged Union and should therefore remain the main goal of rural development policy.

The draftsman welcomes the phasing out, by 2013, of special support to those regions under the current Objective 1, which will cease to be eligible after enlargement, according to the '75% of GDP' criterion. These regions need a time for adaptation to further catch up with the EU average levels.

The draftsman hopes that a more ambitious plan for the most vulnerable rural areas in Europe will be considered when adopting both the cohesion policy review and the EU financial framework 2007-2013.

31 March 2004

OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND EQUAL OPPORTUNITIES

for the Committee on Regional Policy, Transport and Tourism

on the third report on economic and social cohesion
(COM(2004) 107 – C5-0092/2004 – 2004/2005(INI))

Draftswoman: Marie-Hélène Gillig

PROCEDURE

The Committee on Women's Rights and Equal Opportunities appointed Marie-Hélène Gillig draftswoman at its meeting of 19 February 2004.

It considered the draft opinion at its meetings of 15 and 30 March 2004.

At the latter meeting it adopted the following suggestions unanimously.

The following were present for the vote: Anna Karamanou (chairwoman), Marianne Eriksson (vice-chairwoman), Jillian Evans (vice-chairwoman), Marie-Hélène Gillig (draftswoman), Uma Aaltonen, María Antonia Avilés Perea, María Luisa Bergaz Conesa (for Armonia Bordes), Geneviève Fraisse, Fiorella Ghilardotti, Hans Karlsson, Christa Klaß, Rodi Kratsa-Tsagaropoulou, Astrid Lulling, Ria G.H.C. Oomen-Ruijten (for Maria Martens), Christa Prets, Olle Schmidt (for Johanna L.A. Boogerd-Quaak), Joke Swiebel, Helena Torres Marques, Elena Valenciano Martínez-Orozco and Anne E.M. Van Lancker (for Olga Zrihen Zaari).

SUGGESTIONS

The Committee on Women's Rights and Equal Opportunities calls on the Committee on Regional Policy, Transport and Tourism, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- having regard to its resolutions on gender equality in the European Union and, in particular, its resolution on the objectives of equality of opportunities between women and men in the use of the Structural Funds,
- A. whereas despite the wish to promote gender equality progress in this area is far from satisfactory,
 - B. whereas the European Social Fund has been playing the main role in achieving the equal opportunities objective when compared with the rest of the Structural Funds,
 1. Recalls that the continuing inequalities between men and women, particularly in the areas of employment, training, entrepreneurship and decision making, are factors which detract from the Union's economic, social and territorial cohesion and that a policy of reducing inequalities must include the gender dimension in all its aspects, particularly by maintaining specific funding; is concerned, therefore, at the disappearance of the EQUAL initiative, which gave the policy a visible profile and ensured, when necessary, that specific measures for women would be implemented;
 2. Underlines that these inequalities can be combated by greater participation by women in all levels of education and training, lifelong access to learning, and training in new technologies; resources disbursed for training policies, including those linked to economic changes in geographical areas or resolution of urban issues, or developments in the countryside, must benefit women in a significant manner;
 3. Underlines that the Member States must implement assistance policies for women to help them with combining work and family life, help with returning to work after a long absence, and development of child and dependent-adult care infrastructures, with a view to achieving the European employment strategy objectives and those agreed in Barcelona; these specific projects, supported by the Structural Funds, will make it easier for women to find employment in their own geographical area;
 4. Notes that the effects of economic and social restructuring in the new Member States are often detrimental to women (rising unemployment, reduced childcare infrastructure) and calls on the States concerned to channel the structural funds into improving the situation of women as of 2004-2006 and beyond; considers that a greater drive towards achieving equal opportunities should be introduced into policies such as infrastructure, transport, the environment, regional development, fisheries etc., and calls on the Commission to draw up specific guidelines on equal opportunities as soon as possible for all those areas of policy;
 5. Notes that there has as yet been no summary report on incorporating gender equality into measures co-financed by the Structural Funds and calls, therefore, on the Commission to examine, in the context of the mid-term review of the Structural Funds, whether the

provisions of the Regulation on promoting equality are complied with and, on the basis of that review, to plan the rest of the programming period;

6. Calls on the Member States to ensure systematic application of gender equality at all stages of programming the Funds:
 - by acquiring genuine expertise, particularly local expertise, on the situation of women, so that the entire range of situations can be taken into account;
 - by ensuring that representatives of bodies and research institutes working towards gender equality are represented on the Structural Fund monitoring committees;
 - by ensuring that all measures implemented include the necessary conditions to allow women to participate more fully in employment, training and decision-making processes – in other words, in economic and social development;
 - by building in preferential measures when selecting projects, such as awarding additional points to projects that reinforce this concept;
7. Regrets the fact that funding from the Community's EQUAL initiative, an important instrument for the promotion of equality, is provided for activities which have no impact on the implementation of policy in support of gender equality (e.g. strengthening the EU Solidarity Fund, restructuring of Member States' fleets) and calls for an explanation of this situation;
8. Recalls once more the importance of developing statistics broken down by gender in order to enhance the effectiveness of programming by allowing measures to be based on relevant qualitative and quantitative indicators, so as to enable actions to be properly evaluated and to facilitate sharing of experience and information on successful measures relating to improving the situation of women.