Opinion of the Economic and Social Committee on:

— the 'Proposal for a Council Regulation (EC) laying down general provisions on the Structural Funds',

— the 'Proposals for Council Regulations (EC) on the European Regional Development Fund, the European Social Fund and on structural measures in the fisheries sector', and

— the 'Proposals for Council Regulations (EC) amending Regulation (EC) No 1164/94 establishing a Cohesion Fund and amending its Annexe II' [1]

(98/C 407/14)

On 19 May and 6 June 1998, the Council, acting under Article 125, 130d, 130e and 198 of the Treaty establishing the European Community, decided to consult the Economic and Social Committee, on the above-mentioned proposals.

The Section for Regional Development and Town and Country Planning, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 31 August 1998. The rapporteur was Mr Christie.

At its 357th plenary session (meeting of 10 September 1998), the Economic and Social Committee adopted the following opinion by 93 votes in favour, two votes against and six abstentions.

1. Background

1.1. At its meeting on 18 March 1998, the European Commission adopted several Draft Regulations on the Structural Funds based on proposals previously circulated in the context of the Agenda 2000 package. Seven Draft Regulations were approved covering the four separate Structural Funds (i.e. the ERDF, the ESF, the EAGGF, and the Financial Instrument for Fisheries Guidance (FIFG)), the Cohesion Fund, an Instrument for Structural Policies Pre-Accession (ISPA), and a Regulation laying down general provisions on the Structural Funds.

1.2. The main text of this Opinion addresses the issues arising from the Draft General Regulation which identifies the main areas for consideration in respect of the reform of the Funds. The Opinion also addresses the Draft Regulations in respect of the ERDF, the ESF, the FIFG and the Cohesion Fund in separate sections. The EAGGF and the ISPA are dealt with in separate Opinions.

2. The Commission proposals

2.1. This section sets out some of the key elements of the Commission's proposals for revision to the operation of the Structural Funds over the period 2000-2006. It is a summary and forms the basis of the Economic and Social Committee's Opinion on these proposals.

2.2. The Commission is advancing proposals for the reform to the Structural Funds within the overall context of the reforms introduced in 1988, and against a background of regional economic convergence achieved since that time. The context for the Structural Funds in the future is one that includes the introduction of a new Title on Employment within the Treaty of Amsterdam highlighting the promotion of employment in the Union.

2.3. The Commission's proposals for the Structural Funds are to be conducted within a financial framework which allocates a global total of 218,7 billion Euros (1999 prices) for the existing 15 Member States, equivalent to 0,46 % of EU GDP.

2.4. Central to the Commission proposed revisions is the concentration of Structural Funds activities on three priority Objectives and three Community Initiatives. A consequence is a reduction in the percentage of the EU population covered by the two geographical Objectives of the Funds from 51 % at present to between 35 % and 40 % by 2006.

2.5. In the next period of the Funds there will be a concentration of assistance on those regions whose development is lagging behind at a level to that currently prevailing. The Draft Regulation calls for a strict application of the 75 % per capita GDP criterion (at NUTS II level) in the selection of regions qualifying for support under Objective 1. The revised Objective 1 will also include regions currently in receipt of support under Objective 6. The revised Objective 2 will cover areas undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fishing. The areas eligible for financing under Objective 3 shall be those not covered by Objectives 1 and 2.

[1] OJ C 159, 26.5.1998, p. 7.

2.6. The activities of the Structural Funds are intended to contribute to growth, competitiveness and employment across the EU. The impact on employment should affect three main areas of assistance — infrastructure, the development of human resources and support for the productive sector. This is consistent with the new Title on Employment included within the Amsterdam Treaty.

2.7. In presenting the Draft General Regulation, the Commission has sought to make reforms that improve the operation and management of the Structural Funds. The Commission retains a key strategic role with respect to programming, respect for Community priorities in implementation, and the verification of results through monitoring, evaluation and financial control. In a number of key aspects, the proposed Regulation provides for a simplification in implementing the Structural Funds and a clarification of responsibilities between the Member States and the Commission.

2.8. The Commission proposes establishing a reserve of 10 % of the Funds to be allocated at the mid-term point according to the performance of programmes as revealed by the outturn up to that stage.

2.9. The Draft Regulation provides for a clarification of the principle of Partnership. Accordingly, the participation of regional and local authorities, environmental authorities and economic and social partners, including non-governmental organisations, must be guaranteed by the Member States.

2.10. The Draft Regulation also provides for the simplification and decentralisation of the operation of the Funds. This is to be achieved by the implementation of a single Structural Funds Integrated Programme per region to contain the integrated measures promoted via all the Structural Funds, whether under Objective 1 or Objective 2. This rationalisation is intended to improve effectiveness and synergies of the Funds, reduce the number of initial and amending decisions, enhance the flexibility of the Funds and harmonise Fund methods.

3. General Comments

3.1. The Commission proposal for a Council Regulation laying down general provisions on the Structural Funds presents the proposed legal framework for the activities of the Funds over the period 2000-2006. This Regulation combines two previous legal instruments — the Framework Regulation and the Co-ordination Regulation, and in so doing both simplifies and makes more transparent the operating principles and administrative responsibilities of the various partners involved in giving effect to the EU structural operations. The Economic and Social Committee welcomes this change as it should lead to greater efficiency and accountability in both planning and implementing local economic development programmes supported by the Structural Funds.

3.1.1. The structure of the General Regulation now represents a clear and ordered statement of the conditions to be met in the implementation and management of the Community's cohesion efforts over the next financial period. Although the Draft Regulation recommends that significant changes are introduced in the operation of structural measures in the next planning period, the underlying principles of concentration, programming, partnership and additionality that have shaped the development of these measures since 1988 are retained and reinforced by the provisions of the proposed Regulation.

3.2. The Economic and Social Committee stresses the importance that none of the reforms being proposed by the Commission should detract from the efforts, through the use of the Funds, to secure a greater measure of economic and social cohesion across the EU. To this end, the proposed reforms must contribute, and be shown to be contributing, inter alia, to raising income levels in the less favoured areas of the EU; facilitating the development of local industry and services (including tourism) within these areas; promoting economic adjustment in the declining industrial areas; promoting economic diversification in the Union's rural, agriculture, fishing and sparsely populated communities; and, especially in the context of the European Social Fund, attacking unemployment throughout the EU by investing in human capital development and facilitating the adaptation of workers to changes in technology.

3.2.1. It is clearly important that, whilst striving to achieve a greater efficiency from the operation of the Structural Funds, a sufficient element of flexibility and adaptability is retained to ensure that the Funds are capable of responding to unforeseen economic shocks of a structural nature which have a significant regional element. This has been a feature of the current Regulations where Structural Funds assistance has been used successfully, for example, to address the particular problems of the textile producing regions in Portugal, the coal mining areas across the EU, as well as regions seeking to diversify employment away from defence and related activities. In most such cases EU assistance has been the central element of broader economic development support.

3.2.2. Given the employment policy power enshrined in the Amsterdam Treaty, measures — and particularly measures forming part of economic aid (Regional Fund)

— should be part and parcel of an overall employment policy blueprint. This should be applied in the context of continuing support for sustainable economic development in the disadvantaged regions of the EU.

3.3. The principles of concentration, programming, partnership and additionality that together have underpinned the operation of the Structural Funds since 1988 are retained in the current proposal, and indeed have been strengthened in crucial areas. Consequently, the proposed new Regulation builds upon the success of the EU approach, and provides for a range of politically sensitive and technical reforms which are aimed at enhancing the effectiveness of activities conducted under the aegis of the Funds. Moreover, actions financed by the Structural Funds actions must continue to observe the objectives of other elements of EU policy (e.g. with respect to the environment, employment and social protection).

3.4. As was indicated in the 'Agenda 2000' Communication [1], the Commission proposes that the number of priority objectives for support under Structural Funds be reduced from seven to three. Whilst the Economic and Social Committee agrees that this should increase the overall visibility and effectiveness of the Structural Funds, this re-organisation must not weaken the EU's commitment towards specific aspects of regional economic development within the now wider EU Objectives, or to particular types of economic disadvantage.

3.4.1. A central aim of the Commission's proposals is to increase the concentration of the Funds such that, by 2006, the share of the Union's population covered by the revised territorial objectives of Structural Funds support will have fallen from the present 51 % to a share of between 35 % and 40 %. Whilst acknowledging the importance of concentration in the Funds' actions, and recognising the transition measures provided for in the proposals, it is essential that Structural Funds reforms do not reverse the economic progress that has been achieved by those regions which no longer find themselves eligible for assistance once the current Regulations expire.

4. **Specific Comments**

A. Revised Objectives

4.1. In line with the proposals set out in the Agenda 2000 Communication, the Draft Regulation proposes that the operation of the Structural Funds be focused on three, rather than the current seven objectives.

4.2. The principle of territorial objectives has been retained with respect to Objectives 1 and 2 of the Structural Funds. However, it is proposed that the total EU population covered by these two Objectives be lowered from the current 51 % to between 35 % and 40 % by 2006. This is a significant reduction in the population to be covered under Objectives 1 and 2, and a significant rise in the proportion eligible under the revised Objective 3. Within this total coverage, the Commission estimates that, based on a 'strict' application of the 75 % of GDP criterion, Objective 1 regions will account for 20 % of the EU population, with Objective 2 representing a further 18 % of the total.

Objective 1

4.3. The Economic and Social committee notes that, under Article 3, it is proposed that the Commission will be responsible for drawing up a list of regions meeting the (less than 75 % per capita GDP) criterion for eligibility under Objective 1.

4.3.1. The Economic and Social Committee supports the principle of concentration of actions under the Structural Funds, and endorses the importance the Commission attaches to limiting eligibility under Objective 1 support only to those NUTS II regions where the per capita GDP falls below 75 % of the EU average. It is, however, likely that strictly applying this criterion will result in some NUTS II regions, or significant areas therein, being excluded which nonetheless are facing serious problems of regional economic development. In such cases, it may be appropriate for the Member States and the Commission jointly to examine whether the 75 % criterion, on its own, is sufficient to trigger support, via the Structural Funds, for all similarly lagging regions. In such joint examination, objective and transparent labour market and other economic criteria should be defined to ensure equitable treatment of such regions.

4.3.1.1. Where, despite careful consideration, economically disadvantaged regions are no longer deemed to be eligible to receive assistance under Objective 1, and notwithstanding the Commission's proposals for transition measures to apply in those regions, Member State governments may need to enhance domestic regional economic programmes if the economic and social performance and prospects of these regions are not to be reversed. Although all such measures must conform to EC competition rules, the Economic and Social Committee recognises that increased national support may be a corollary to intensifying the degree of concentration in the application of EU Structural funding.

4.3.1.2. The Economic and Social Committee notes the Commission proposal (Preamble to the Draft Regulation) that the regions eligible under Objective 1 of the Funds should be the same as the areas assisted by Member States under Article 92(3)(a) of the Treaty. Whilst the Committee accepts that this should be the case generally, it would stress that State aids to industry is a separate instrument of national economic policy

[1] COM (97) 2000 final.

which a Member State should be able to use, at its discretion, where the relevant case for so-doing can be established.

4.3.1.3. The Commission proposes (Article 3 (1), Draft Regulation) that Objective 1 status be extended to include the most remote regions and the areas eligible under Objective 6 for the period 1995-99; that is, regions with an extremely low population density. Whilst accepting that eligibility on this basis should continue to be an element within the Funds, the Committee proposes that eligibility for support on the basis of a considered and specified population density should be available to any region within the EU. Consideration should also be given to developing objective criteria to permit an extension of Objective 1 funding to provide economic support for the better integration of geographically disadvantaged regions. Because of their remoteness or isolation and problems of access, such regions experience considerable difficulty in integrating themselves into the economy of the European Union.

4.3.1.4. In considering the criteria which would trigger Structural Fund entitlement under this heading, the Commission should assess the extent to which the failure of a region to achieve self-sustaining economic development is a result of sparsity of population (including that caused by migration), or is related to the geographic peripherality of the region, including peripherality that results from the physical characteristics of the area (e.g. islands, upland areas and other peripheral regions).

Objective 2

4.4. A revised Objective 2 will comprise declining industrial and service regions (currently eligible under Objectives 2, and using identical criteria), rural areas (previously Objective 5b), urban areas and fisheries dependent areas. A population ceiling of 18 % of EU has been placed on total Objective 2 coverage, with an indicative breakdown of 10 % for industrial and services areas, 5 % for rural areas, 2 % for urban areas and 1 % for areas dependent on fisheries. The regions eligible under Objective 2 will be determined jointly by the Commission and the Member States.

4.4.1. It is important that the proposed revision to the eligibility criteria under Objective 2 to incorporate declining rural areas, along with urban areas in difficulty and depressed areas dependent on agriculture and fisheries, should not produce any diminution in the efforts hitherto made to promote economic development in rural areas. It is often the case that rural areas are characterised by an element of 'hidden' unemployment, implying that this indicator of economic disadvantage should be interpreted with caution when applied to rural areas. Consequently, Member States should strive to ensure that an appropriate balance is achieved in the allocation of support between rural and non-rural areas in the interests of rural/urban complementarity.

4.4.2. The Economic and Social Committee notes that the preponderant criterion determining eligibility for assistance under Objective 2 will remain the level of unemployment. Not only does the Committee regard this to be a narrow indicator of economic disadvantage, it is also an imperfect measure of labour market conditions in disadvantaged regions. Other relevant labour market indicators which could be taken into consideration include labour market participation ratios and skill and human resource audits.

4.4.3. The Economic and Social Committee endorses the proposal that greater weight should be given to urban concerns in the application of the Structural Funds. However, this aid must not be restricted solely to problem urban areas, but must make a positive contribution to overall urban development. In this respect, former Community Initiatives should be integrated into normal Objective 2 support.

4.4.4. The Economic and Social Committee is concerned that the revised arrangements may produce a shift in the current distribution of Structural Funds support between the rural and the urban areas within the Member State. Whilst noting that the Regulation requires that the industrial and rural areas meeting the relevant eligibility criteria must contain at least 50 % of the population covered by Objective 2 in each Member State, nonetheless there is considerable scope for Member States to assign Structural Funds resources to the densely populated areas. In its appraisals of the implementation of the revised Regulations, the Committee urges that the Commission reports and comments upon the pattern of distribution of Objective 2 support in each Member State.

4.4.5. The Commission proposes that eligibility for Objective 2 support under the industrial area provisions [Draft Regulation, Article 4 (5)] will be determined solely by criteria relating to recorded rates of unemployment. The Economic and Social Committee recommends widening the eligibility criteria to reflect per capita income (GDP) trends in declining industrial regions. The cyclical nature of unemployment means that regional levels of employment and unemployment are likely to change significantly over the seven year period during which Objective 2 programmes will operate under the revised arrangements. Consequently, Member States whose economic cycle is out of phase with the cycle in the majority of Member States will be disadvantaged if unemployment is the sole measure of economic disadvantage in these regions. At the same time, regions that do meet the unemployment criteria at the outset may find themselves in a significantly better position long before the Objective 2 programmes are completed.

4.4.6. Incorporating a per capita GDP criterion within Objective 2 eligibility criteria will also be likely to benefit disadvantaged rural regions. The Commission's proposal [Draft Regulation, Article 4(6)] provide only for population and employment trends to determine rural area eligibility. However, all disadvantaged rural areas are also characterised by low per capita income levels (related to the high incidence of hidden unemployment), and utilising a per capita GDP measure of economic disadvantage will provide an additional mechanism for protecting the interests of these areas.

4.4.7. The Economic and Social Committee is of the view that regions no longer deemed eligible for support under the revised Objective 2 should not automatically lose entitlement to national economic support under Article 92(3) of the Treaty.

Objective 3

4.5. Interventions under the new Objective 3 will be outside the areas covered by the new Objectives 1 and 2, and take into account the new Employment Title in the Amsterdam Treaty, and the EU's new employment strategy. Eligibility under Objective 3 requires that the region concerned is not covered either by Objectives 1 and 2, nor that it be in receipt of financial assistance under the transition provisions. The Economic and Social Committee stresses that the Structural Funds in their entirety should operate to support the employment objectives contained in the Amsterdam Treaty. This link should not apply only to the activities of the European Social Fund, but should prevail in the operation of all the Structural Funds. Furthermore, Objective 3 serves as a policy frame of reference ensuring consistency with all measures carried out in a Member State to promote human resources.

4.5.1. Whilst welcoming the scope for assistance to be given under Objective 3, and the emphasis that is given to employment creation in the Draft Regulation — taking into account the new Employment Title in the Amsterdam Treaty — the Economic and Social Committee wishes to stress the importance of continuing those measures that facilitate the adaptation of the workforce to industrial change and technological change, as currently provided for by Objective 4 of the Structural Funds. The Commission's Draft Regulation makes no explicit mention of this aspect under the new Objective 3. The Committee would stress the key role that such measures have in maintaining employment, and would wish to see them continue to occupy a central place in future Structural Funds policies within the framework of Objective 3 support. The Committee would stress the key role that such measures have in maintaining employment, and would wish to see them continue to occupy a central place in future Structural Funds policies within the framework of Objective 3 support and the integrated programmes for Objective 1 and 2 areas.

B. Duration and Transition

4.6. The list of regions eligible for assistance under Objectives 1 and 2 will be valid for the entire seven period 2000-2006. However, where there is a serious crisis in a region, the list under Objective 2 may be amended in 2003 provided it does not increase the proportion of the population covered by Objective 2 in each programming region.

4.6.1. Whilst there is a clear case for programming under Objective 1 assistance to cover the entire seven year period of the new Funds, the argument for this under specific aspects of Objective 2 is less compelling. In particular, the use of employment data as the sole indicator for inclusion under the industrial area criterion of Objective 2 points to a more comprehensive review process being required at the mid-point in the programmes, i.e. 2003. By that time, it is perfectly feasible that some areas initially not eligible under Objective 2 may by then meet the criteria, whilst others initially eligible will no longer be eligible. At present, the Regulation provides very limited scope for adjustment of the industrial areas covered by Objective 2 in 2003, and this is to take place only on the basis of a request by the Member State and subject to the condition that it does not produce an increase in the total population covered by Objective 2 in that Member State. The Economic and Social Committee notes that in fact these provisions give very little effective scope for the Funds to be adjusted in response to changed circumstances within Member States, and none whatsoever should an economic shock result in a net increase in the population then residing in areas that meet the Objective 2 unemployment criteria. The Committee proposes that further consideration is given to introducing a more comprehensive mid-point review, at least in the context of Objective 2.

4.6.2. The Economic and Social Committee welcomes the provisions that the Regulation makes for transition measures to be applied to regions that are no longer eligible for assistance beyond 1999. The transition phase will last between four and six years, and will ensure that the regions which have benefited from support will be in a position to adjust gradually to the future situation. The Committee calls for a detailed specification of the implementing conditions for the transitional measures. The socio-economic partners should be involved in specifying these conditions.

4.6.3. The Committee also welcomes the proposal by the Commission that, with a view to ensuring that each Member State makes an equitable contribution to the overall movement towards concentration, the reduction for each Member State should be limited to one-third of the population coverage of current Objective 2 and 5b regions. However, the Committee considers it to be inequitable and illogical for the gross reduction to be offset by the coverage for areas receiving transitional

support under Objective 1 and which meet the Objective 2 eligibility criterion, before applying the limitation.

C. Reserve

4.7. The financial envelope provided for the Funds over the period is set at 218,7 billion euros. Within this, the Commission proposes that some 10 % be retained as a performance reserve to be allocated at the mid-term point by the Commission. The Draft Regulation stipulates that the reserve will be allocated to programmes which have 'attained a satisfactory level of performance...'. The performance reserve will be awarded to operational programmes or to the SPDs which are judged to be performing well or very well according to their score on a limited number of measurable indicators assessed at the mid-term in comparison to targets established at the outset.

4.7.1. The Economic and Social Committee regards the size of the proposed reserve to be excessive, and the manner of its proposed allocation to be questionable. Whilst the idea of retaining a reserve is accepted, it would be better, should it be used, to address unexpected regional economic disturbances of a structural nature that impact upon the EU over the programming period of the new Funds. Given that the EU is about to embark upon monetary union, and given that regional economic problems may emerge relatively quickly, the Committee proposes that a more modest reserve is created, but that it is retained to be used in the event of unanticipated regional economic difficulties appearing in the future. In particular, experience has taught us that these areas tend to be susceptible to unexpected economic disturbances, and it is in these areas that additional support from the retained reserve is most likely to be required in the future.

D. Community Initiatives

4.8. The Commission proposes to reduce the resources available for Community Initiatives to 5 % of the financial envelope available, and to narrow considerably the scope of actions financed under this heading to 3 general programmes. These are trans-national, cross-border and inter-regional co-operation to stimulate regional economic development and encourage harmonious and balanced regional planning: rural development: and new trans-national co-operation to fight all sorts of discrimination and inequality preventing access to employment. Whilst accepting that a degree of rationalisation in Community Initiatives has been sought by some Member States, the Economic and Social Committee continues in the view that the Commission must be able to respond speedily to unexpected economic disturbances which impact on the economic well-being of regions. In many parts of the EU, the cohesion effort has been represented principally by Community Initiatives which have, on many occasions, made an important contribution to local economic stability. The Commission proposals in this regard will change radically the role of Community Initiatives and it is unlikely that they will be able to be applied in the future as previously.

4.8.1. The Economic and Social Committee's view is that consideration is given to adding a fourth heading for Community Initiatives which provides scope for the Structural Funds to assist the adjustment process in areas significantly affected by unforeseen economic shocks. Measures within this heading should be subject to objective criteria being met, and should complement national programmes of economic assistance.

4.8.2. The Committee also draws attention to the fact that with the end of Rechar and Resider Community Initiatives followed very shortly by the expiry of the ECSC Treaty, a policy vacuum will be created and the continuity of some excellent and pioneering regional development work put at risk. It fully endorses the call by the ECSC consultative Committee for the Commission to bring forward relevant proposals as a matter of urgency.

E. Partnership

4.9. The Draft Regulation proposes a significant strengthening to both the scope and the operation of partnership. In addition to the economic and social partners, the Commission proposes the inclusion within the definition of 'partnership' those bodies responsible for the environment, promoting equality of opportunity between men and women along with regional and local authorities. Moreover, the Regulation extends the scope of the 'partnership' to explicitly include monitoring and evaluation of assistance, in addition to preparation of programmes and financing, and requires [Article 14(1)] that each partner shall be able to express an opinion over development plans for Objectives 1, 2 and 3.

4.9.1. The Economic and Social Committee greatly welcomes the strengthening of the definition and role of the partners in the design, implementation and monitoring of the Structural Funds that is provided for in the Draft Regulation. By adding to the economic and social partners the regional and local authorities, the environmental bodies, and those responsible for equal opportunities between men and women, the Regulation is going far to ensure that those who can best contribute to local economic development are included in the policy process. The partnership concept could be further strengthened by ensuring that it covers organisations

which further social cohesion and solidarity. The revised Regulation will make it much more difficult for some Member States to continue to ignore the relevant economic and social partners in the local economic development process and this should ensure that those responsible for economic development at the local level (even where they are not locally represented) will be included in the deliberations.

4.9.2. The principle of partnership is a key element in ensuring that the operation of the Structural Funds retains the 'bottom-up' approach to planning and implementation which is central to the success of actions taken under the Structural Funds. The Economic and Social Committee has repeatedly called for partnership to be properly observed at all levels of Structural Fund actions, especially within Member States, and does so again in the context of the current reform proposals. Involvement in the partnership cannot be effective unless it is active rather than just advisory. It must cover all stages — programming, implementation and evaluation — at local, national and EU level.

4.9.3. Whilst specific domestic situations may result in differences arising in the operation of partnership between Member States, nonetheless the Commission should be rigorous in ensuring that all Member States correctly observe the underlying partnership principle, as set out in Article 8 of the Draft Regulation.

4.9.4. The Committee feels that appropriations under 'Technical support' — an item which appears in every programme — should be made directly available to the partnership, in order to make it as effective as possible.

4.9.5. The Committee reaffirms its view that the partnership principle should be deepened and extended further at European level, too. The need to use the partnership to plan, implement and evaluate European structural policies has not been fully met in the European context. The plan for the Commission to lay down strategic guidelines for structural assistance must involve all responsible partners and this involvement must extend beyond formal consultation and information activities. The Committee trusts that the Commission will submit more far-reaching proposals and initiatives in this respect, especially with regard to involvement of social partners beyond consultation with the ESF Committee.

F. Additionality

4.10. Under Article 10 of the Draft Regulation, the Commission sets out a much stricter regime that Member States must observe in order to verify additionality in the application of Structural Funds assistance. Not only has this to be demonstrated more transparently in the Community Support Frameworks and Single Programming Documents, it will also be verified at three points during the programming period — an ex ante verification; a mid-term verification; and a verification before 31 December 2005. The Economic and Social Committee welcomes the strengthening of the requirements to demonstrate additionality on the part of the Member States.

G. Global Grants

4.11. The ESC notes the Commission's proposals concerning the use of global grants (Article 26). These are an important and direct mechanism for implementing certain aspects of the structural operations, and are particularly relevant in the context of local development initiatives.

H. Programming and Management

4.12. The Draft Regulation provides for a simplification in the programming procedures whereby a clearer division of responsibility between the Member States and the Commission will be achieved. Whilst the programming procedures will remain broadly as they are at present, the role of the Commission will be confined to setting the Community's priorities under each Objective, with the responsibility for the preparation of the detailed content of the programmes, along with the management and implementation of the specific programmes, and the selection of projects, being assigned almost entirely to the Member States.

4.12.1. The Economic and Social Committee welcomes the simplification and decentralisation of the arrangements being proposed, and the clarification of responsibilities that ensues. This will result in a clearer division of responsibilities in the implementation of the Funds, and this will enhance transparency and efficiency. However, by assigning a greater role to the Member States, it is incumbent on the Commission and the Member States to ensure that the strengthened partnership arrangements set out in the Draft Regulation are working properly and effectively. Otherwise there is a risk that important information available to those in the now broadened partnership will not adequately be reflected in the operational programmes. A corollary of this is that the government agencies in Member States must strive to ensure that those to be included within the partnership, and particularly representatives of businesses, are supported in the often complex tasks and information requirements associated with management of the Structural Funds operations. This can be undertaken by organised training programmes along with regular briefings to ensure that all relevant information, including on definitions of eligible expenditure, is available to these bodies as is necessary to give real effect to the concept of partnership.

4.12.2. The proposal that Managing Authorities will be established that will take responsibility for the detailed programming of the Funds, and for their correct implementation, in each Member State is to be welcomed. Once more this is likely to contribute to a much clearer division of responsibility for the management of the Funds.

4.12.3. The Economic and Social Committee notes that the Managing Authority is required to submit a comprehensive annual Report to the Commission, detailing and reviewing the performance of the Funds. This should provide a clear source of information for the Commission to assess the effectiveness of the Funds. An important issue to be covered in the Implementation Report is the extent to which actions under the Structural Funds comply with the objectives of other Community policies. The Economic and Social Committee endorses this requirement as there is no doubt that in some instances aspects of Structural Funds actions have conflicted with other EU policies — for instance, with environmental concerns.

4.12.4. Article 34 of the Draft Regulation strengthens and clarifies the role of Monitoring Committees. In particular, it is stressed that these Committees must include — either in a voting or an advisory capacity — representatives of each of the relevant partners. Moreover, in accordance with the principle of subsidiarity, and to ensure that responsibilities rest with the appropriate authority, the role of the Commission on the Monitoring Committee will be solely advisory.

4.12.5. The Economic and Social Committee endorses this revision as it lends real authority to the economic and social partners, and the other partners, in the operation and management of the Funds. In providing for an effective role to be played by the partners in this manner, the Regulation goes some way in meeting the objectives of a strengthened role for partnership that have been advocated on many occasions by the Economic and Social Committee. It is essential, therefore, that the Commission uses the powers that it has available to ensure that Member States observe these new arrangements.

4.12.6. The Monitoring Committee must endorse any proposal to change the programme or the programme supplements made by the Managing Authority before such a request is passed to the Commission. Consequently, no measure within the Operational Programme can be altered without the consent of the Monitoring Committee. This is an improvement on current arrangements as it is at the level of the Monitoring Committee that a detailed understanding of local economic development requirements are best understood, and within which partnership is represented.

4.12.7. The Economic and Social Committee notes the proposal for Monitoring Committees to be chaired by a member of the Member State's Managing Authority. It is essential that the Chair of the Monitoring Committee be an independent person in the sense of having no direct or financial interest in the actions to be supervised by the Monitoring Committee.

4.12.8. The Committee notes that within the present programming framework, support schemes take insufficient account of SMEs and craft enterprises, and few appropriate measures are directed towards them. The Committee therefore welcomes the Commission's proposal for greater concentration of measures helping SMEs.

I. Financial Management

4.13. The Commission is proposing that there be no change in the maximum co-financing rates under the new Regulation, although it suggests that lower maximum rates should apply for infrastructure investments that generate substantial revenues and investments in firms. The Economic and Social Committee endorses these proposals, particularly the principle of a maximum 10 % increase in co-financing rates for investment in small and medium sized enterprises.

4.13.1. In the areas of financial management and financial control the Draft Regulation provides for major changes designed to assign the major part of responsibility to Member States. To this end, the Regulation details a range of responsibilities that Member States — through the Managing Authority — will have to discharge to ensure that Funds are being used properly, efficiently, and that the auditing arrangements and reporting systems are such that the finances are being managed soundly and with no irregularities.

4.13.2. The Economic and Social Committee has repeatedly called for financial auditing arrangements to be created that ensure that monies available under the Structural Funds are being spent properly, and that any irregularities are easily detected. Consequently, the Committee endorse these new arrangements as going some way to meeting its previous requests.

4.13.3. The regulation provides for budget commitments to be de-committed if they remain unused by the end of the second year following the year of the commitment with the result that the total assistance package shall be reduced by that amount. Whilst accepting that monies committed to programmes should generally be used within what is effectively a three year time frame, it is important that 'rules' are not applied rigorously without regard to particular conditions in specific Member States. Consequently, without objecting to the general principle contained in this aspect of the Regulation, the Committee would wish to see some flexibility applied in its interpretation.

4.13.4. The Economic and Social Committee endorses the revised plan for payments to be made under the

Funds. This provides generally for a 10 % advance payment, followed by regular payments upon receipt of evidence of actual, certified expenditure having been undertaken. This should help tighten the financial controls surrounding payments from the Funds and reduce the payment periods for the beneficiaries of structural measures.

5. The Commission's Proposal on the European Regional Development Fund

5.1. The Commission's Draft Regulation on the European Regional Development Fund (ERDF) sets out the scope of activities which may be supported by that Facility within regions designated as being eligible for assistance under Objective 1 and 2 of the General Regulation. In common with current arrangements, the ERDF will continue to contribute towards the financing of:

a) productive investment to create and safeguard permanent jobs;

b) investment in infrastructure;

c) support for local development and employment initiatives and the activities of SMEs;

d) technical assistance.

5.2. The Economic and Social Committee endorses the Commission's proposals in this regard. In particular, the Committee notes the wide range of infrastructural investments to be encouraged within Objective 1 regions, and concurs that these are essential elements in a programme leading to sustainable economic development in the EU's lagging regions.

5.3. The thematic areas of support which the Commission proposes are to be provided under the ERDF as follows:

a) the productive environment;

b) research and technological development, including technology transfer and innovation;

c) the development of the information society;

d) the protection of the environment;

e) equality between men and women in the field of employment;

f) trans-national, cross-border, and inter-regional cooperation on regional development.

5.4. The Economic and Social Committee supports the Commission proposals in selecting these priorities for funding under the Structural Funds after 2000. It would particularly stress the need for closer coordination and improved integration between Community intervention under the RTD Framework Programme and structural intervention [1].

6. The Commission's Proposal on the European Social Fund

6.1. Structural Funds actions financed by the European Social Fund (ESF) concern human resource development-related measures undertaken both in Objective 1 and 2 regions, and under the aegis of the new Objective 3 which brings together the previous Objectives 3 and 4. The new Objective 3 will cover all areas of the EU that are not eligible for assistance under Objectives 1 and 2. The aims of the ESF are to promote a high level of employment and social protection, equality between men and women, sustainable development, and economic and social cohesion. Consequently, as is the case under the current Regulations, the ESF occupied a pivotal place in the Structural Funds and has a key role to play in combating unemployment which is a major contributing factor to the multi-faceted problem of social exclusion.

6.1.1. The Economic and Social Committee supports that the ESF's role is to be based on the new employment chapter of the Amsterdam Treaty, and will come within the scope of the employment strategy defined at the Essen European Council and of the annual national action plans for employment.

6.2. The Draft Regulation on the ESF groups together three categories of activities that will be eligible for assistance under the ESF:

a) assistance to persons: education and vocational training, aid for employment, higher education in science and research, job creation;

b) assistance to structures and systems: improving education and training systems, modernising employment services, systems for forecasting qualification needs;

c) ancillary measures: raising awareness, service providers, etc.

6.3. As is made clear under Article 2 of the Draft Regulation, the focus of intervention under the ESF is to be employment creation and protection, including measures to address the problem of long term unemployment. Accordingly, measures financed with ESF assistance include, inter alia, policies to combat unemploy-

[1] The Committee is preparing a separate Opinion on the subject based on the Communication from the Commission of 27 May 1998 on 'Reinforcing cohesion and competitiveness through research, technological development and innovation' (COM (1998) 275 final).

ment; the development of educational and training systems, and systems geared to the adaptation of workers' skills. At the same time, measures under the ESF are to contribute towards local development, including local employment initiatives and territorial employment pacts.

6.3.1. The Economic and Social Committee emphasises that the European Social Fund should remain a targeted labour market policy instrument. Broader social objectives, including national educational objectives, properly are the responsibility of Member States.

6.4. The Economic and Social Committee stresses the importance it attaches to the involvement of all relevant local economic development partners in this process, and to the speedy implementation of measures supported by the ESF. The European Commission should be encouraged to examine and report upon any administrative impediments within particular Member States which prevent this.

6.5. The Economic and Social Committee welcomes the continued support to be provided by the ESF for innovatory operations and pilot programmes as set out in Article 6 of the Draft Regulation.

6.6. The Committee also takes a very positive view of the Commission's proposal, in Article 4(3), that at least 1 % of Social Fund resources shall be available, in conformity with Article 26 of the General Regulation, for the distribution by intermediary organizations of small grants with special access arrangements for non-governmental organizations.

7. The Commission's Proposal on Structural Measures in the Fisheries Sector (FIFG)

7.1. The Economic and Social Committee approves the proposal that the financial instrument for fisheries guidance should be a Structural Fund in its own right.

7.2. The Economic and Social Committee notes and agrees with the four targets which the Commission seeks to pursue within this instrument. At the same time, the Draft Regulation provides for programming measures to accompany the restructuring of fishing fleets to be financed from the EAGGF Guarantee Section.

8. The Commission's Proposals on the Cohesion Fund

8.1. The Commission is proposing that the Cohesion Fund continues to be applied to the four countries whose per capita GNP is still less than 90 % of the EU average (Spain, Greece, Ireland and Portugal). The Cohesion Fund was initially created to promote real economic convergence in these four countries as an integral element in their move towards membership of Economic and Monetary Union (EMU). EMU membership has now been achieved by Spain, Ireland and Portugal, with only Greece not being deemed to have met the requirements for progressing to Stage 3 of EMU.

8.2. Nonetheless, it remains the case that each of the countries continue to have a level of prosperity generally that is significantly below the EU average. At the same time, public expenditure in each of these countries will continue to be subject to the 'excessive budget' criteria set out in the TEU, although for Spain, Ireland and Portugal this is now qualified by the provisions of the Stability and Growth Pact agreed upon at the Amsterdam European Council. The Economic and Social Committee agrees that these considerations are sufficient to warrant continuing with Cohesion Fund support to each of the four beneficiary countries, subject to the results of a mid-term review to be conducted in 2003.

8.3. The Commission is proposing that certain reforms to the mechanics of Cohesion Fund are introduced to reflect the participation of Spain, Ireland and Portugal within the single currency arrangement. In particular, the principle of conditionality will continue to apply and that the provisions of the Stability and Growth Pact, particularly the stability programmes, should be respected. The Economic and Social Committee fully endorses this proposal.

8.4. The Economic and Social Committee also supports the Commission's proposals to reform Article 7 of the Regulation to lower the rate of assistance offered to projects eligible for Cohesion Fund support to reflect the project's capacity to generate revenues, and the application of the polluter-pays principle.

9. Conclusions

9.1. The Economic and Social Committee broadly supports the proposed revisions to the operation of the Structural Funds as tabled by the Commission. The proposed reforms build upon the success of the Structural Funds over the period since 1988, and further consolidate the principles of concentration, programming, partnership and additionality established at that time. Together these principles have underpinned the significant success recorded by the Funds in furthering the objective of economic and social cohesion across the EU, and enhancing the solidarity of the European Union. This objective remains as valid in the current environment as it did when the Funds were reformed in 1988. Consequently, it is essential the Funds continue to provide a coherent and adequately resourced framework within which EU regional economic disparities can be narrowed, and the economic prospects of the disadvantaged regions improved.

9.2. Although detailed comments are made in this Opinion regarding the economic impact that further concentration under Objectives 1 and 2 of the Structural Funds will have in some regions, especially those who narrowly fail to meet the specified criteria for support under the Funds, nonetheless the Economic and Social Committee endorses the Commission approach which focuses on the application of measurable and transparent criteria in determining which regions are eligible for financial support from the Funds. The benefits of the Structural Funds to the EU generally can be maximised only if support is correctly and fairly targeted.

9.3. However, it is also important that the Structural Funds retain an element of flexibility which ensures that they can be used to address unexpected economic disturbances of a structural nature which have a specific regional dimension. Under the current Regulations this role, in part, is played by Community Initiatives, which have shown themselves both to be adaptable to unforeseen structural shocks and innovatory in their approach. The ESC considers that the Regulation should continue to provide for such a role to be played by Community Initiatives.

9.4. The principle of Partnership has been central to the successful implementation of the Structural Funds since 1988. By providing for the involvement of the economic and social partners in the regional economic development process, partnership ensures that a 'bottom-up' approach in the policy process is implemented and that those actors able to contribute most are involved at all stages. The Committee welcomes the strengthening of the operation of partnership set out in the Draft Regulation. It is still the case that some Member States are giving only superficial recognition to Partnership, and the Commission's proposed reforms will go far in confirming Partnership as an essential element in the regional development process which the Member States must observe in full.

9.5. The Economic and Social Committee welcomes the focus on employment creation implicit in the Draft Regulation. This is consistent with the employment objectives included within the Treaty as amended by the Amsterdam Council. The Structural Funds represent a key element in job creation across the EU, both directly — in their support for the development of productive enterprise — and indirectly — as the Funds finance the development of essential economic infrastructure including training and skill enhancement. However, the Committee stresses that general employment policy remains principally a competence of the Member States, and the application of the Structural Funds must continue primarily to be directed to eliminating economic and employment underdevelopment in the lagging regions and promoting socio-economic change in the declining industrial regions. By establishing the conditions for self-sustaining economic growth in these regions, the Structural Funds are directly contributing to employment stability across the EU over the longer term.

9.6. The Economic and Social Committee urges that the debate over the Commission's Draft Regulations is conducted speedily to ensure that the new arrangements are agreed in time for their introduction from 1 January 2000. Any delay in reaching a common position which jeopardises the smooth transition from the current to the new Regulations is likely to interrupt the economic development process in the disadvantaged regions, with adverse consequences for that process. The benefits accruing from the simplified administration of the revised Structural Funds will be compromised considerably should there be any delay in the implementation of the new arrangements.

Brussels, 10 September 1998.

The President

of the Economic and Social Committee

Tom JENKINS

APPENDIX

to the opinion of the Economic and Social Committee

(in accordance with Rules 47 (3) of the Rules of Procedure)

The following amendment tabled by Mr Masucci was defeated during the debate:

Points 4.3.1.3. and 4.3.1.4

Delete these two points.

Reason

They would spread assistance too widely, which runs counter to the concentration principle.

Result of the vote

For: 18, against: 54, abstentions: 3.

Opinion of the Economic and Social Committee on the 'European Spatial Development Perspective (ESDP) — First official draft'

(98/C 407/15)

On 2 July 1998 the Economic and Social Committee, acting under Rule 23(c) of its rules of procedure, decided to draw up an opinion on the 'European Spatial Development Perspective (ESDP) — First official draft'.

The Section for Regional Development and Town and Country Planning, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 17 July 1998. The rapporteur was Mr Boussat.

At its 357th plenary session (meeting of 9 September 1998), the Economic and Social Committee adopted the following opinion by 110 votes to two, with two abstentions.

1. Introduction

1.1. At the informal meeting of spatial planning ministers held in Liège in 1993 under the Belgian Presidency, the Member States decided to draw up a European Spatial Development Perspective (ESDP), in order to provide guidance on EU spatial development policy.

1.2. An initial document entitled 'principles for a European spatial development policy' was adopted at the informal meeting in Leipzig in 1994. This document lays down the general criteria and guidelines for drafting the perspective and is based on a Commission Communication, issued the same year, entitled 'Europe 2000+ — cooperation for European territorial development', on which the Committee issued opinions in March [1] and September 1995 [2].

1.3. The Spatial Development Committee (an intergovernmental working group comprising representatives of the Member States and the Commission) drew up a first official draft of the ESDP which was submitted to an informal meeting of the competent ministers in Noordwijk on 9 and 10 June 1997.

1.4. The presidency's conclusions on this occasion stress the importance of the draft as a basis for political discussions on how, in accordance with the practical objectives set in Leipzig, EU spatial policy can help to

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[1] OJ C 133, 31.5.1995.
[2] OJ C 301, 13.11.1995.