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Committee on Regional Policy, Transport and Tourism

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DRAFT REPORT

on the Third progress 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

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PROCEDURAL PAGE

By letter of 18 February 2004 the Commission forwarded to Parliament its communication on the Third progress 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).

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(s) of

At the last meeting it adopted the draft resolution by ... votes to ..., with ... abstention(s)/unanimously.

The following were present for the vote: ... (chair(wo)man/acting chair(wo)man), ... (vice-chair(wo)man), ... (vice-chair(wo)man), Konstantinos Hatzidakis (rapporteur), ..., ... (for ...), ... (for ... pursuant to Rule 153(2)), ... and

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

The report was tabled on

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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

The European Parliament,

- having regard to the Third progress report on economic and social cohesion (COM(2004) 107 – C5-0092/2004)¹,
 - having regard to Rules 47(2) and 163 of its Rules of Procedure,
 - having regard to the report of the Committee on Regional Policy, Transport and Tourism and the opinions of 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 Agriculture and Rural Development and the Committee on Women's Rights and Equal Opportunities (A5-0000/2004),
- 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 disparities and the promotion of harmonious development constitutes a Treaty obligation that has consistently received the support of the European Parliament,
- C. whereas the draft Constitution of the Union reinforces the cohesion objective by the insertion of its territorial dimension,
- D. whereas it has, with the support of the Commission, insisted on several occasions that 0.45% of Community GDP should represent the minimum amount of financial resources to be allocated to regional and 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;
2. Welcomes the account taken of the territorial dimension in the reformed cohesion policy;
3. 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;
4. Recognises the limits imposed by financial discipline upon the budget allocation to

¹ Not yet published in OJ.

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;

5. Agrees with the overall apportionment of funds to the three objectives and considers that the Commission proposal represents a reasonable compromise;

I. A NEW ARCHITECTURE FOR EU COHESION POLICY AFTER 2006

Objective: Convergence

6. Endorses the preservation of the threshold of 75% of per capita Community GDP as the main grounds for inclusion in this objective; supports, at the same time, 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;
7. Insists that the temporary phasing-out 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;
8. Approves of the maintenance of the Cohesion Fund for 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;

Objective: Regional Competitiveness and Employment

9. Welcomes the introduction of a genuinely new Objective 2 which will cover all the regions outside the Convergence Objective; welcomes at the same time the disappearance of infra-regional zoning so that interventions can be carried out across all the regional territory;
10. Believes, moreover, that the twin approach to the anticipation and promotion of economic change, based on regions and on people, is both coherent and innovative;
11. 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.
12. Supports the proposed allocation of financial resources on the basis of Community recognised economic, social and territorial criteria;
13. 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;
14. Notes the taking into account of the theme of the environment and in particular the notion of risk prevention;

15. Approves the link between the European Employment Strategy and the interventions under the European Social Fund; Expresses however its 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;

Objective: European Territorial Cooperation

16. Congratulates the Commission on the proposal to create a separate objective for territorial cooperation, building upon the success of the INTERREG initiative;
17. Underlines the importance of continuing the three strands of transnational, cross-border and interregional cooperation with the clear objective of promoting the harmonious and balanced development of the territory of the Union;
18. Agrees strongly with the link to be established between the integrated programmes and the Lisbon and Gothenburg agendas;
19. Welcomes the recognition of maritime frontiers, often called-for by the European parliament and others, in the context of cross-border cooperation;
20. Approves of the creation of a single legal instrument to allow Member States, regions and local authorities to more effectively manage cross-border programmes;
21. 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

22. Stresses the importance of an integrated response that encourages a harmonious rather than a conflictual relationship between urban and rural strategies;
23. Underlines the necessity for a strong urban dimension aimed especially at promoting urban regeneration and combating urban deprivation;
24. Appreciates therefore the intelligent approach of URBAN+ which allows for specifically urban problems to be tackled without, however, disassociating them from their regional and national context;
25. 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;
26. Believes that the Commission is correct in its positive approach to those areas suffering from a permanent handicap such as islands, mountainous regions and those with a low population density; considers, nevertheless, that the needs of these regions must also be covered by other sectoral policies;
27. Commends the initiative for an increase in ERDF co-financing rates to take into account

certain territorial characteristics;

Instruments for Rural Areas and the Fisheries Sector

28. 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;
29. Supports the integration of LEADER+ into the mainstream programming of the second pillar of the CAP;
30. Notes the placing of the whole of rural development within the second pillar of the CAP and urges the Commission, therefore, to ensure that within this second pillar an appropriate balance is achieved between interventions for agricultural and non-agricultural measures and beneficiaries and that a proper regional dimension is assured;
31. 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;

Coordination with other Policies

32. 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;
33. 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;
34. Urges the Commission to clarify the future of state aids based on Article 87.3 (c) of the Treaty and to reflect on how territorial differentiation might be incorporated into the rules through the use of appropriate indicators;

II. A REFORMED DELIVERY SYSTEM

35. Congratulates the Commission on its generally positive attitude towards a simplification of cohesion policy and on the advances it has proposed and in particular with regard to programming, partnership, co-financing and evaluation;
36. 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;

37. 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;
38. 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;
39. 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;
40. Approves of the integration of the valuable experience and best practice of Community initiatives such as EQUAL into mainstream programming;
41. Declares itself in favour of the proposals to enhance partnership and cooperation and to encourage Member States to utilise the possibility of concluding tripartite agreements;
42. 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;
43. 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 new Member States.

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.

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's 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 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 European Union is viewed negatively, the significance of highly visible positive action across the Community cannot be overestimated.