

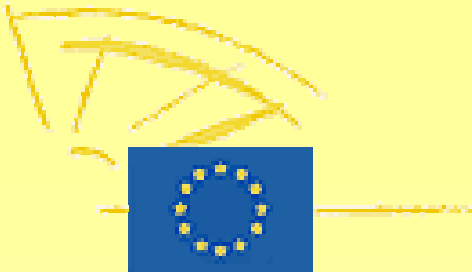


Outlook on the future structural funds:

**Guiding principles, funding opportunities,
Parliament's role,
state of play of negotiations, and finances**

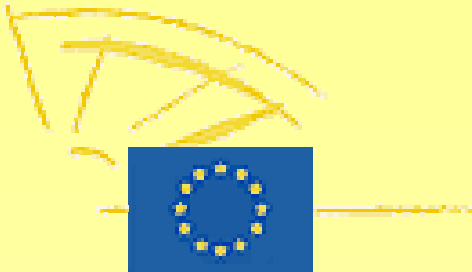
Tenerife – 2 December 2005

Felix Lutz - Administrator
in the Committee on Regional Development (REGI)
of the European Parliament

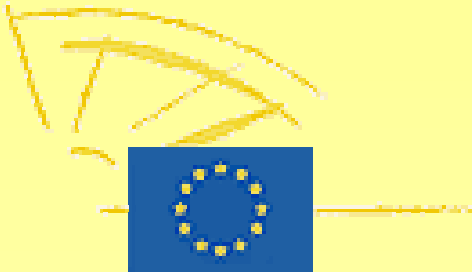


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- 2. Funding opportunities**
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- 5. State of play of negotiations**
- 6. Talking about money... (financial perspectives)**



1. Guiding principles of the new structural funds



The reform's guiding principles

The 3 key elements of the reform



Concentration

- Geographic: ca. 80% of funding to less-developed regions,
- Thematic: focus on Lisbon and Gothenburg agendas.



Simplification:

- Number of regulations reduced;
- Fewer objectives - fewer funds;
- Programming: no “zoning” any more,
- Single-fund programmes;
- More flexible financial management;
- Proportionality regarding control, evaluation and monitoring;



Decentralisation:

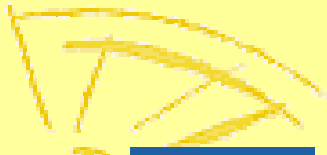
- Stronger role for the regions and local players



The reform's guiding principles

Concentration

- Before the new programming period adoption of overall strategic document for cohesion policy
(Community Strategic Guidelines)
 - by the Council
 - with **the assent from the European Parliament** (KREHL-report)
- Clear link between cohesion policy and **Lisbon & Gothenburg strategies**: increase consistency with broad economic policy Guidelines and the European Employment Strategy
- **Annual report** by the Commission to EU institutions to assess Member States' progress and examination by the Council



Geographic Concentration


Cohesion Policy between 2000 and 2006

Objective

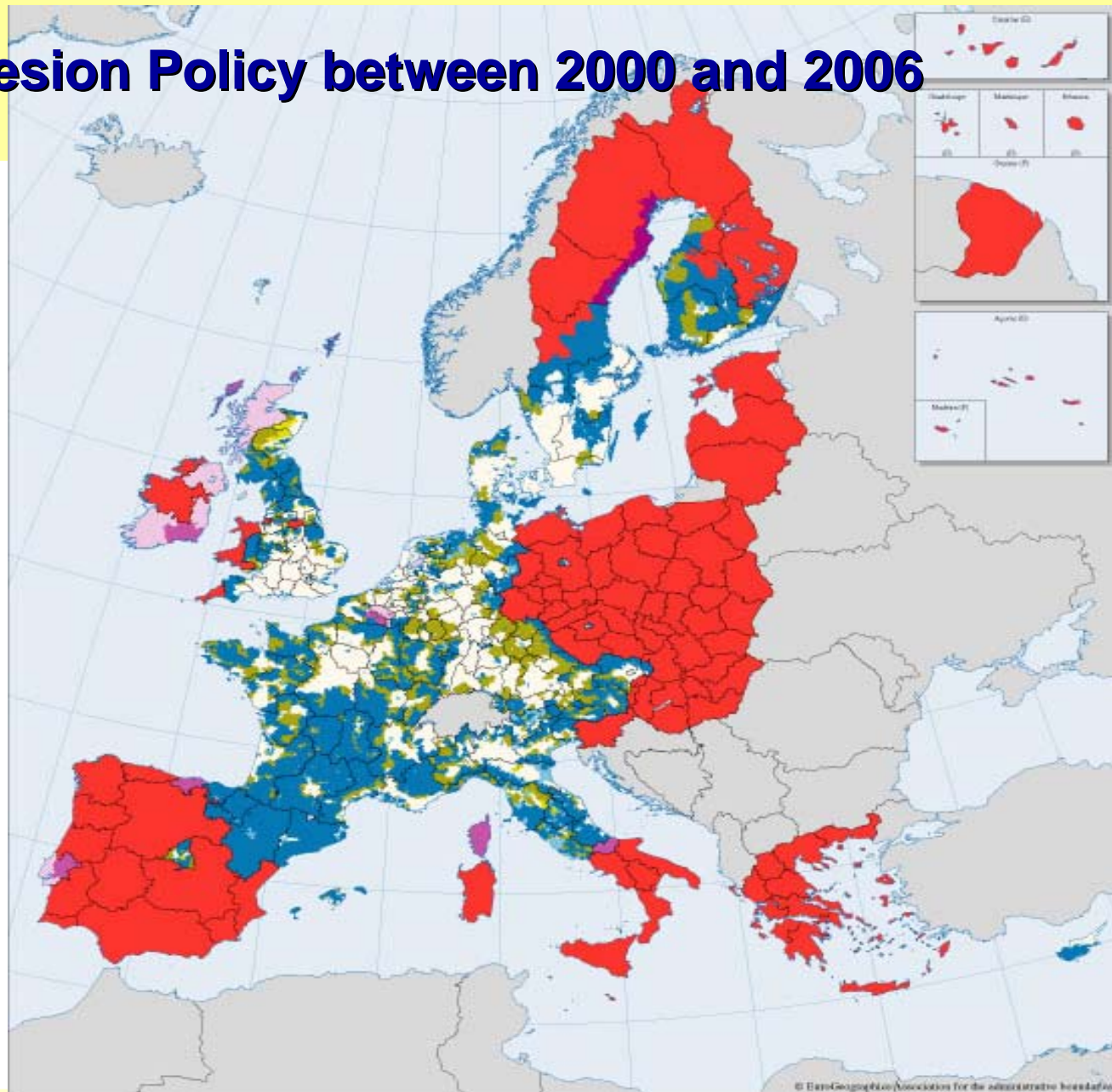
strengthen economic and social cohesion and reduce regional disparities

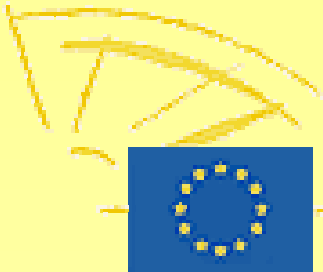
Instruments

three Objectives and four Community Initiatives; 49.5% of the population in EU25 live in areas covered by

Objective 1 
or Objective 2 

Financial resources
about Euro 233 bn
representing one third
of
the EU's total budget
or 0.45% of the EU's
GDP









Cohesion Policy between 2007 and 2013

Geographical concentration

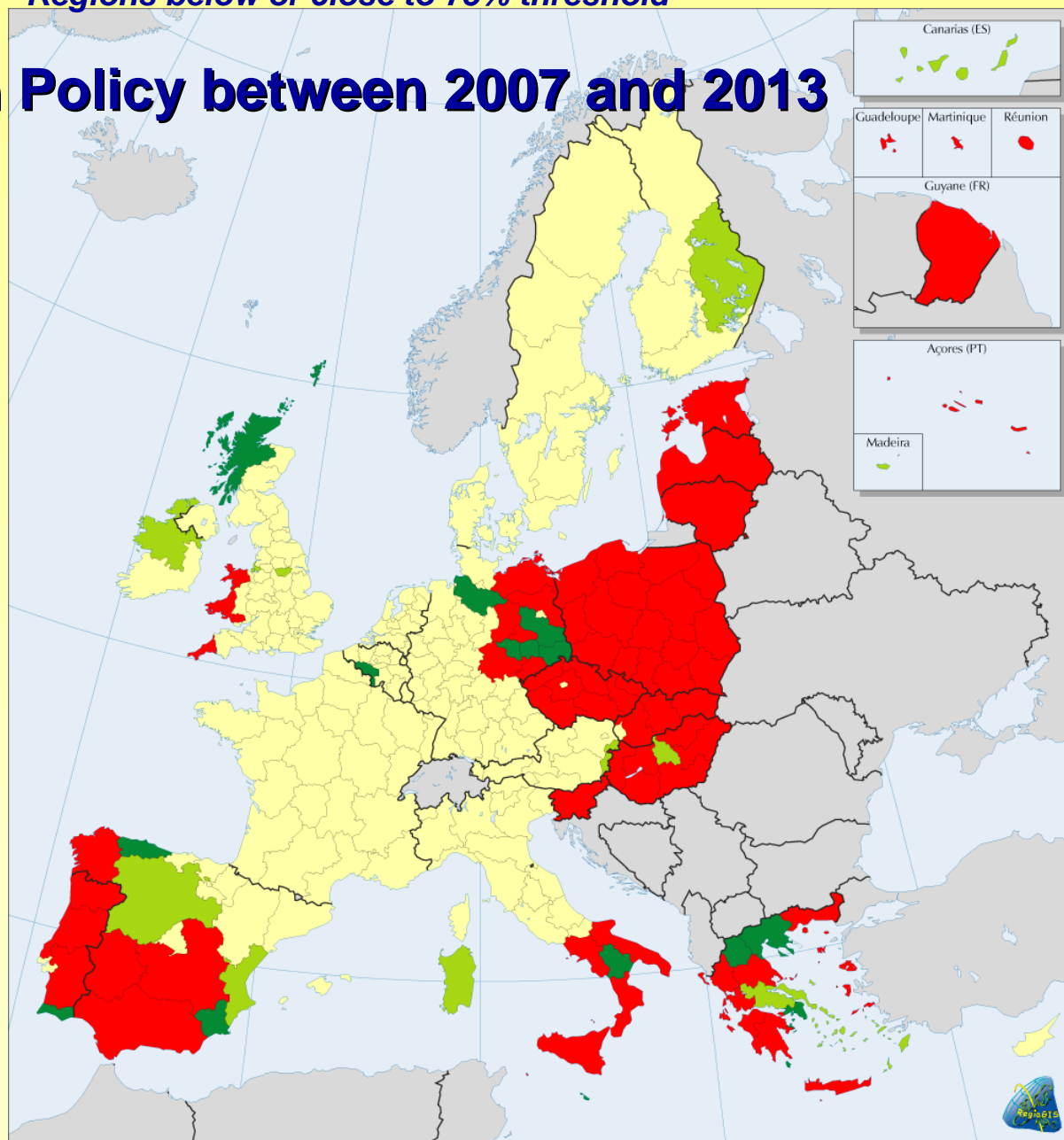
Regions below or close to 75% threshold

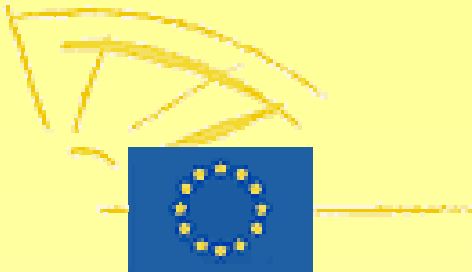
-  below 75% in EU25
-  statistical effect below 75% in EU15
Above 75% in EU25
-  "naturally" above 75% because of growth
-  other regions

Index EU 25
= 100

*GDP/head average
2000-2001-2002*

Source: Eurostat





The reform's guiding principles

Concentration of financial resources

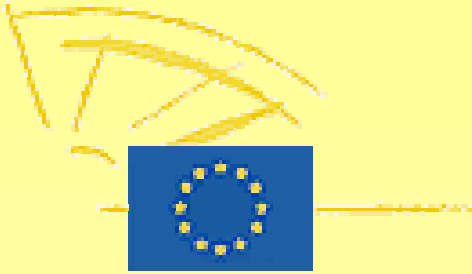
- **Convergence objective:** 78.5% (EUR 264 bn.) of the total allocation to Member States and regions at NUTS level II, allocation by eligible population, regional and national prosperity and unemployment
- **Regional competitiveness and employment:** 17.2% (EUR 57.9 bn.) of the total allocation to regions at NUTS level I or II, allocation by eligible population, regional prosperity, unemployment, employment rate, education level of those employed, and population density
- **European territorial co-operation:** 3.94% (EUR 13.2 bn.) of the total allocation to Member States, using eligible population



The reform's guiding principles

Simplification

- **Overall architecture:** 3 instead of 7 objectives, 3 instead of 5 funds, Mono-fund programmes, No “zoning” outside “Convergence” objective
- **Programming:** 2 steps instead of 3
- **Financial management** at priority level, allows greater flexibility for programme modifications
- **Control system:** proportional if Community cofinancing below 33% and EUR 250 million of total costs



The reform's guiding principles

Decentralisation

- **A stronger role for the regions:** shared management between the European, national, regional, urban and local level
- **All regions** to benefit from Cohesion policy
- **Urban issues:** sub-delegation to urban authorities possible



Strategic guidelines, programming and follow-up

1

Community's strategic guidelines on cohesion

*proposed by the Commission,
adopted by the Council, assent by the
European Parliament*

2

National strategic reference framework

*proposed by the Member State in applying the
partnership principle; reflects the Union's orientations,
lays down a national strategy and its programming;
finally decided by the Commission*

3

Operational Programmes

*one programme by fund and Member State
or region, description of priorities, management and
financial sources; proposed by Member State or region;
finally decided by the Commission*

4

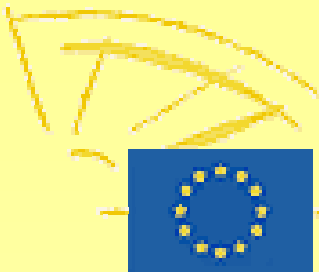
Programme management and project selection

*by Member States and regions; "shared management"
principle = concertation with the Commission*

5

Strategic follow-up and annual debate

*by the European Council in Spring, based on annual
report of the Commission and Member States*

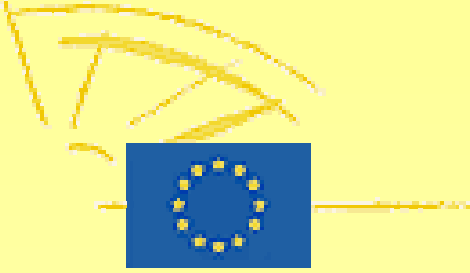


Cohesion Policy 2007-2013

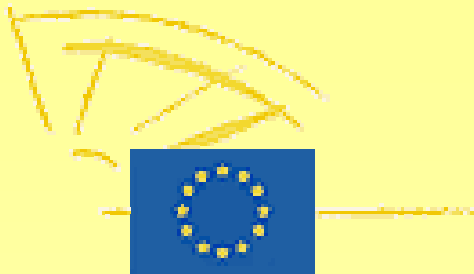
3 Objectives

Budget: €
336.1 bn
(0.41% of EU-GDP)

Programmes and Instruments	Eligibility	Priorities	Allocations
Convergence objective <i>including a special programme for outermost regions</i>			78.5% (EUR 264 bn.)
Regional and national programmes ERDF ESF	Regions with a GDP/head <75% of average EU25	<ul style="list-style-type: none"> •innovation; •environment/ risk prevention; •accessibility; •infrastructure; •human resources; •administrative capacity 	67.34% = 177.8 billion EUR
	Statistical effect: Regions with a GDP/head <75% of EU15 and >75% in EU25		8.38% = 22.14 billion EUR
Cohesion Fund	Member States GNI/head <90% EU25 average	<ul style="list-style-type: none"> •transport (TENs); •sustainable transport; •environment; •renewable energy 	23.86% = 62.99 billion EUR
Regional competitiveness and employment objective			17.2% (EUR 57.9 bn.)
Regional programmes (ERDF) and national programmes (ESF)	Member States suggest a list of regions (NUTS I or II)	<ul style="list-style-type: none"> •Innovation •environment/risk prevention •accessibility •European employment strategy 	83.44% = 48.31 billion EUR
	"Phasing-in" Regions covered by objective 1 in 2000-06 period and not covered by the convergence objective		16.56% = 9.58 billion EUR
European territorial co-operation objective			3.94% (EUR 13.2 bn.)
Cross-border and transnational programmes and networking (ERDF)	Border regions and greater regions of transnational co-operation	<ul style="list-style-type: none"> •innovation; •environment/ risk prevention; •accessibility •culture, education 	35.61% cross-border 12.12% ENI 47.73% transnational 4.54% f. networks



2. Funding opportunities



Funding opportunities **Convergence** and regional competitiveness

*The European Regional Development Fund
(ERDF) finances in the
framework of the*



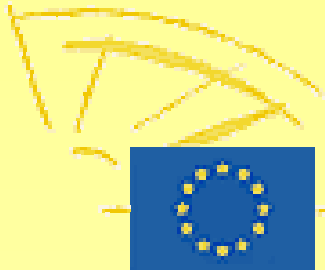
“Convergence” objective:

research and technological development, innovation and entrepreneurship; information society; environment; risk prevention; tourism; transport networks/TEN; energy networks and renewable energies; education and health investments; direct aids to SMEs



“Regional competitiveness and employment” objective:

Innovation and the knowledge economy (RTD, technology transfer, innovation in SMEs)
Environment and risk prevention (NATURA 2000 rehabilitation of contaminated land; promotion of energy efficiency and renewable energies)
Access - outside urban areas - to transport and telecommunication services of general economic interest

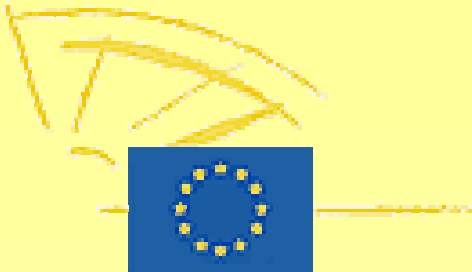


*The European Regional Development Fund
(ERDF) finances in the framework of*

Funding opportunities

European territorial co-operation

- **Cross-border economic and social activities**
entrepreneurship and the development of SMEs, tourism, and culture; protection of the environment; better access to transport, information and communication networks and services, water and energy systems; social and cultural infrastructure in particular in health and education sectors;
- **Transnational cooperation**, integrated territorial development: water and coastal management, accessibility, advanced communications and information technologies; maritime safety; risk prevention; R&TD and technological development networks etc.;
- **Networking and exchange of experience** among regional and local authorities: co-operation programmes, studies, data collection, and the observation + analysis of development tendencies in the Union.



Funding opportunities

Cohesion Fund

Focus on transport and environmental infrastructure:



Multi-annual programming: the Cohesion Fund will now be programmed together with the ERDF in Operational Programmes for transport and environment infrastructure



Projects to be co-funded: Trans-european transport networks, Priority projects in the field of environment and sustainable development with emphasis on rail, maritime, multi-modal and sustainable urban transport connections and energy efficiency and renewable energy



Conditional assistance: support depends on the Member States' public deficit management



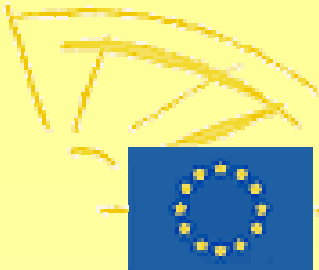
Funding opportunities

European Social Fund

Focus on employment:

*The European Social Fund (ESF)
finances in the framework of the*

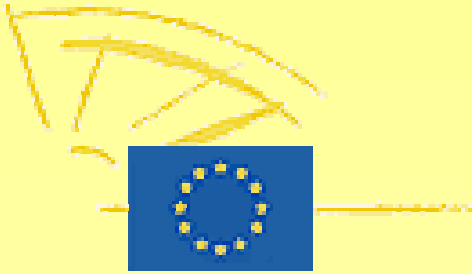
- **“Convergence” and “Regional competitiveness and employment” objective:**
Increasing adaptability of workers and enterprises;
enhancing access to employment and participation in the labour market;
reinforcing social inclusion of people at a disadvantage and combating discrimination;
mobilising for reforms in the fields of employment
- **“Regional competitiveness and employment” objective:**
expanding and improving investment in human capital (education, training, post-graduate studies);
strengthening institutional capacity and the efficiency of public administrations and other organisations (studies, training for Structural fund actors).



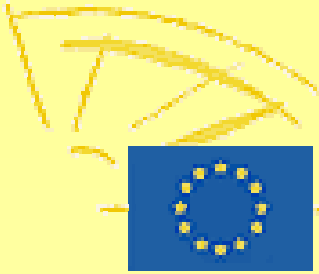
European grouping for cross-border cooperation (EGCC)

New legal instrument to facilitate cooperation:

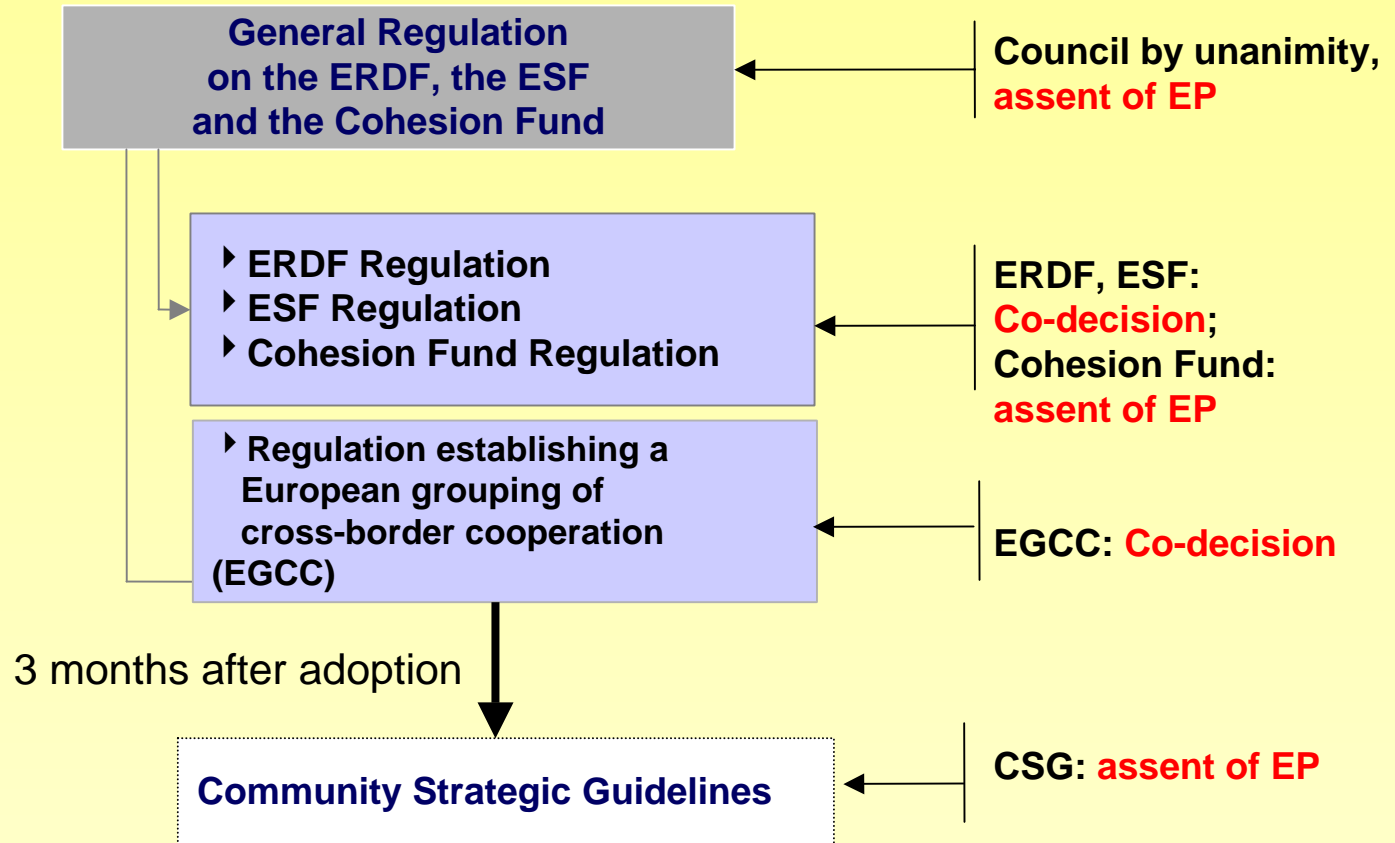
- **Background:** difficulties in managing cross-border, transnational and interregional programmes and projects because of different legal and national laws and procedures
 - **Approach:** an institution with a legal personality based on a voluntary 'convention' between Member States and/or regions carrying out cross-border, transnational and interregional programmes and projects based on Art. 159 para. 3 TEC
 - **No financial responsibility** for Community funds can be delegated to the EGCC
- => Problematic negotiations in the Council (issue of cross-border entities between State and sub-national authority)**



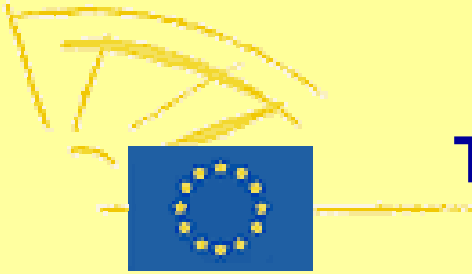
3. The European Parliament's role



The European Parliament's role Proposed new legal architecture

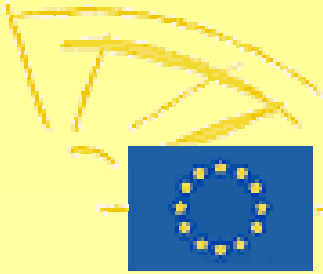


New: General Regulation applies to the Cohesion Fund; a new Rural Development Fund now outside Cohesion Policy; one Commission regulation instead of five on specific aspects; eligibility rules simplified and incorporated in the General and separate Funds' regulations.



The European Parliament's role **Assent procedure**

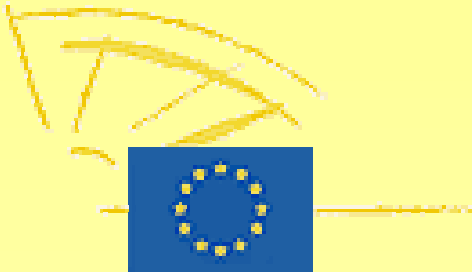
- The EP can approve or reject the proposal => Assent procedure = "*Take it or leave it*"?
- The Committee can present **an interim report** containing recommendations for modification or implementation of the proposal.
(Rule 75 § 3 of EP's rules of procedure)
- The interrim report is transmitted to the Council, EP gives assent to final result of Council negotiations



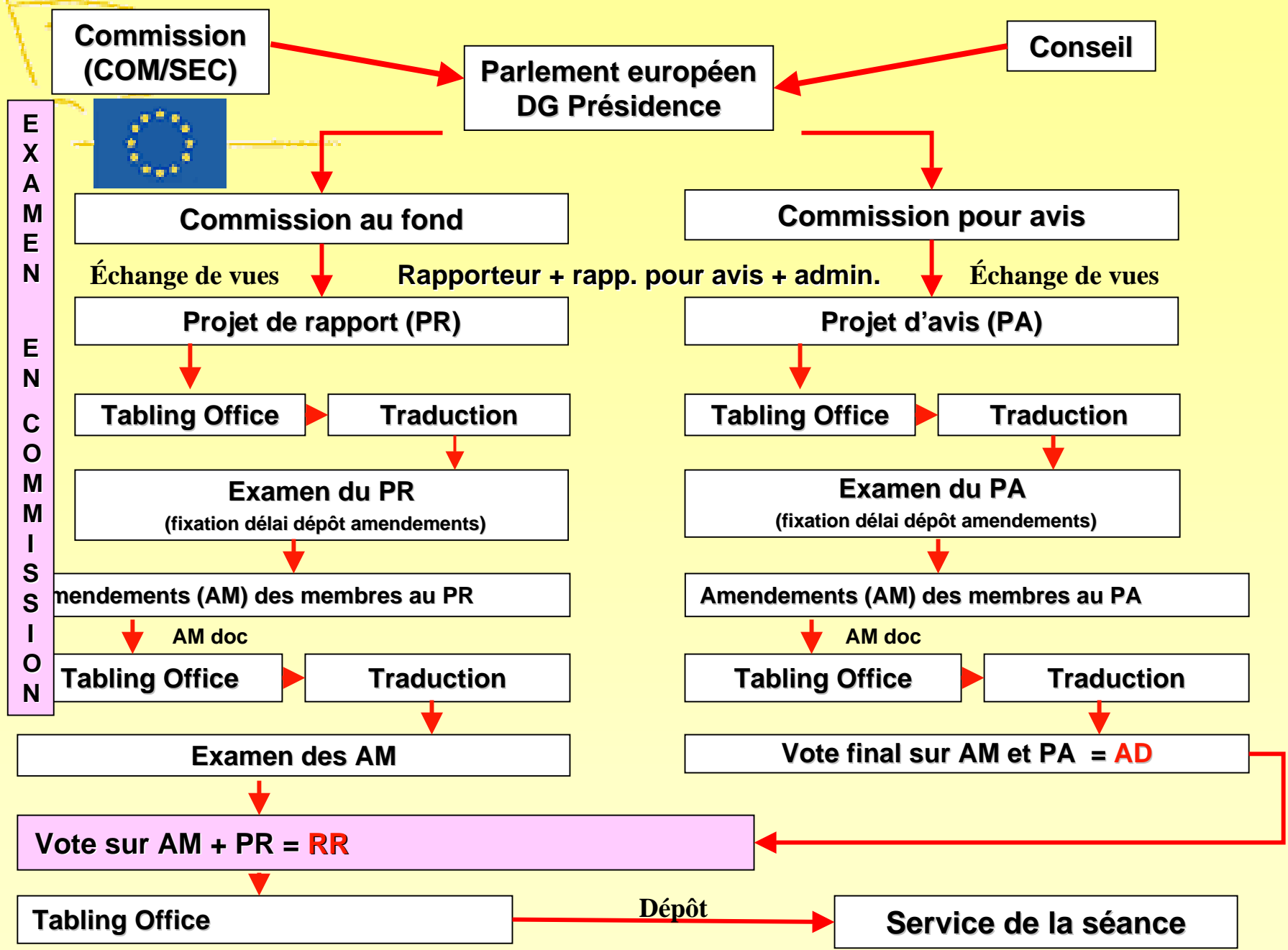
The European Parliament's role

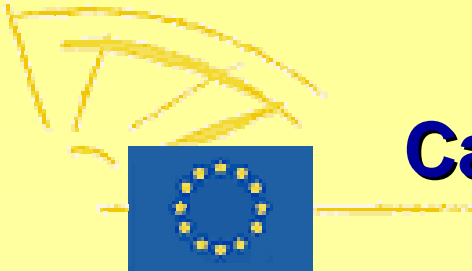
The legislative package in the EP

<i>Legal instrument</i>	<i>Procedure</i>	<i>Lead Committee</i>	<i>Rapporteur</i>
Horizontal	Assent	REGI	Hatzidakis report (EPP-ED)
ERDF	Codecision	REGI	Fava report (ESP)
Cohesion	Assent	REGI	Andria report (ALDE)
ESF	Codecision	EMPL	Schroedter (GREENS) draftswoman-REGI
EGCC	Codecision	REGI	Olbrycht report (EPP-ED)
CSG	Assent	REGI	Krehl report (ESP)



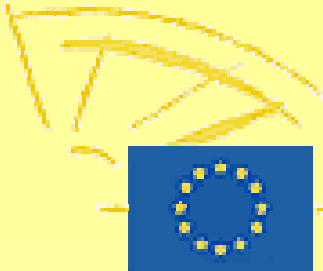
4. The decision-making in the EP





The decision-making in the EP Calendar of Parliamentary works during first reading

14 July 2004	Adoption of the proposals by the European Commission
24 Nov	1st exchange of views in REGI-Committee
19/20 Jan 2005	Consideration of working documents Hatzidakis and Olbrycht
31 Jan 05	Consideration of working documents Andria and Fava
2 Feb 05	Public hearing
14/15 Mar	Consideration of 4 draft reports
4 Apr 05	Deadline for tabling amendments
20/21 Apr 05	Consideration of amendments + draft opinion Schroedter
24 May 05	Vote and adoption in REGI-Committee
29 Jun 05	Deadline for tabling amendments to Plenary
5-7 Jul 05	Adoption of the 5 reports during the Plenary in Straßburg

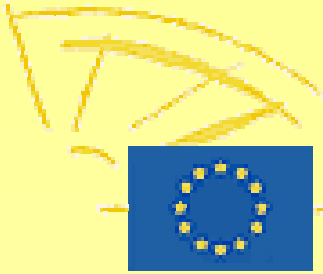


The decision-making in the EP

The HATZIDAKIS report (horiz.)

283 amendments tabled to draft report!

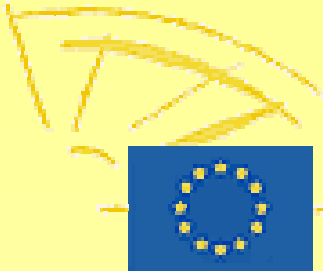
- Overall architecture proposed by Commission should not be changed!
- In favour of **performance reserve** and strict maintenance of **N+2 rule** (funds allocated, but not used within 2 years go back): , and keeping **interregional cooperation** as an independent component.
- **Urban dimension**: maintain requirement for information to be submitted on the approach for urban issues including list of areas chosen.



The decision-making in the EP

The HATZIDAKIS report (horiz.)

- **Eligibility of housing:** only expenditures for renovation of social housing with a view of saving energy and protecting the environment (as well FAVA ERDF report).
- « **Cross-funding** »: Increase from 5% to 10% as a limit up to which either the ESF or ERDF may fund measures falling within the scope of the other fund.
- **Maritime cross-border cooperation:** Arbitrary limit of 150km for defining maritime regions eligible should be abolished.
- **Relocation:** Imposing financial corrections on firms that relocate their activities and ensure that firms receiving SF do not relocate for a long and predetermined period.

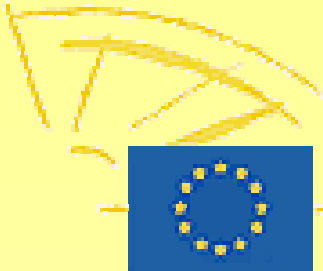


The decision-making in the EP

The FAVA report (ERDF)

322 amendments tabled to draft report!

- **Coherence with Hatzidakis report! (housing issue)**
- **Extension of scope:** urban areas, regions affected by serious permanent natural or demographic disadvantages, areas with a low population density, border and mountain areas and islands.
- **Urban dimension:** a sufficient level of investment in urban development, greater involvement of local authorities in National strategic frameworks (Beaupuy-report: EP request taken)
- Reference to non-discrimination and equal opportunities



The decision-making in the EP

The Andria report (Cohesion)

50 amendments tabled to draft report!

- **Increasing financial allocation:** 62,99 billion EURO
- **Transport networks:** Not only TEN, but also improving regional networks + coastal shipping, sea links and cross-connections to outermost regions and smaller islands.
- **Eligibility of land purchase:** Flexibility clause for ineligibility on the purchase of land for an amount exceeding 10 %
- **N+2** (funds allocated, but not used within 2 years go back):
Flexibility during the first 3 years of programming period

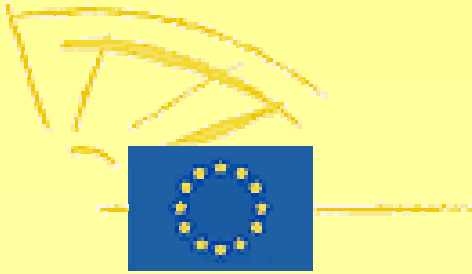


The decision-making in the EP

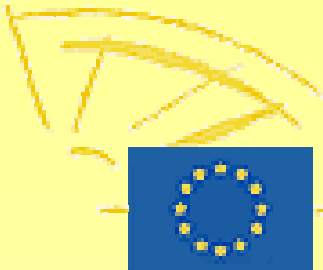
The Krehl report (CSG)

Current state of play in REGI

- **Started preparation:** EP will elaborate an interim report (assent procedure)
- **First exchange of views** at Committee meeting in January,
- **Adoption** of *interim report* foreseen in March/April.
- **Problematic issues:** Measures in field of education, use of document (obligatory, guidance)?



5. State of play of negotiations

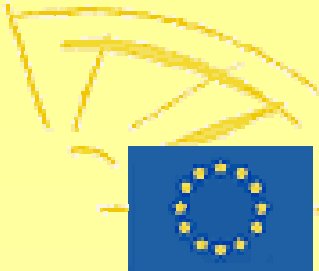


State of play of negotiations in the Council

Horizontal issues:

Compromises reached in line with EP's position

- **Cross-financing rate** has been increased from 5% to 10%
- Parliament's role in adopting **CSG** has not been weakened,
- Principle of **equal opportunities** has been extended
- **N+2** rule has not been watered down
- **Urban dimension:** List of cities chosen + procedure for sub-delegation (optional) to urban authorities



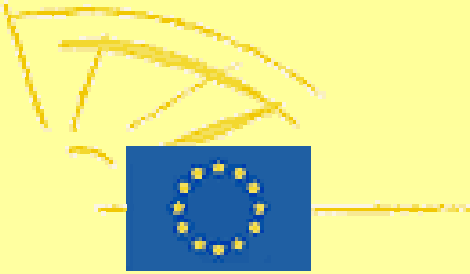
State of play of negotiations in the Council

Other compromises likely to be reached in Council

- **Performance reserve** only optional!
- **VAT** not eligible, except for non recoverable VAT for non taxable beneficiary other than public entity
- **Land purchase** for environmental conservation exceptionally eligible

However, the final question is about money!

- Without a compromise on the financial perspectives figures are missing in current proposal discussed,
- Threat of cutbacks for all 3 objectives,
- Overall balance must be right!



6. Financial perspective



The negotiations on the financial perspective

The position of the European Parliament

- Parliament set up a temporary Committee to deal with financial perspectives
- Böge report (EPP-ED) adopted on 19 May 2005
- Concerning the regional policy, the EP supports the initial proposal by the Commission:
 - **Overall budget: 1,16% of the Union's gross income**
 - **Cohesion Policy: 0,41%**
 - 78% "Convergence",
 - 17% "Regional competitiveness and employment"
 - 4% "Territorial cooperation"



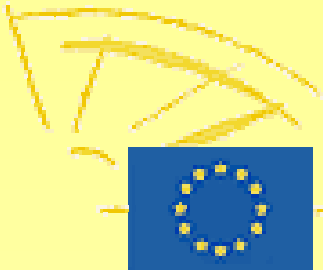
The negotiations on the financial perspective

The last compromise by the Luxembourg Presidency

Overall budget: 1,06% of the Union's gross income

Cohesion Policy: 0,376 % (UE-27):

- 82,30 % “Convergence” (+) (in relative terms...)
- 4,79 % for “phasing-out” regions
- 24,87 % for the Cohesion fund
- 15,28 % “Competitiveness and employment” (-)
- 2,42 % “Territorial cooperation” (--)

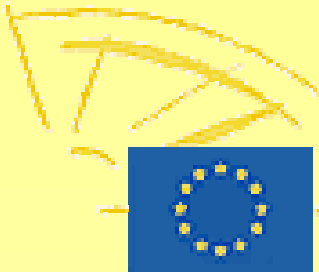


The negotiations on the financial perspective **Barroso letter (20 October)**

In the field of Cohesion Policy:

Special **earmarking of funds from cohesion spending for Lisbon objective**: research and innovation, human capital, business services, improvement of energy efficiency and renewables, major EU infrastructure)

- Earmarking level differentiated between...
 - (1) convergence objective (min. 60%)
 - (2) competitiveness and employment objective (min. 75%)
- Every Member States sets its targets
(currently, average varying between 30%
(Portuguese regions) to 90% (Finnish regions).
- Should increase in line with acceleration of Lisbon Strategy

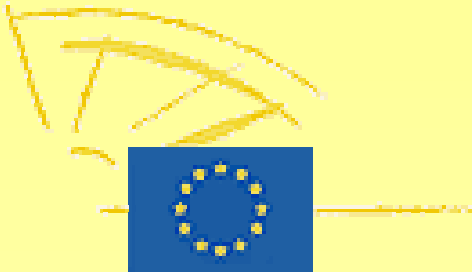


The negotiations on the financial perspective **Blair's latest compromise attempt**

Another try at the EU Summit on 15 December...

- **Overall budget: 1,03% of the Union's gross income**
(compared to the Commission's initial proposal -336,4 billion EUR- a cut of 172.918 billion EUR!)
- **Biggest area for saving of the compromise: Structural Funds!**
 - **Cohesion Policy: a 10% cut compared to the last Luxembourg proposal (ca. 0,33 % instead of 0,41%)**
 - Sharp cuts to the Convergence objective for new Member States, cuts to competitiveness and territorial cooperation.

Good luck Tony, to find support....!



Future steps Calendar

- **End of 2005:** Partial agreement in Council on legislative package (without figures!)
- **End of 2005 ???:** Agreement in Council on financial perspectives
- **Beginning of 2006 ?:** Second reading of legislative package
- **Spring 2006 ?:** Adoption of legislative package by the Council and the European Parliament
- **Summer 2006: Adoption of the CSG**
- **2006:** Preparation of programmes for 2007-2013
- **1 January 2007:** Beginning of implementation of new programmes