

COM-1/029

Brussels, 22 November 2001

OPINION

of the

Committee of the Regions

of 15 November 2001

on the

Annual Report on the Cohesion Fund (1999)

(COM(2000) 822 final)

Rapporteur: **Mr Declan Bree**

(Member of Sligo County Council, Member of Border Regional Authority, IRL/PES)

The Committee of the Regions

HAVING REGARD TO the Commission's Annual Report on the Cohesion Fund (1999) - COM (2000) 822 final - C5-0109/2001;

HAVING REGARD TO Council Regulation (EEC) No.1164/1994 of 16 May 1994 establishing the Cohesion Fund;

HAVING REGARD TO the sixth periodic report on the social and economic situation and the development of the regions of the EU (SEC(1999) 66);

HAVING REGARD TO the European Spatial Development Perspective, as adopted by the informal Council in Potsdam on 10-11 May 1999;

HAVING REGARD TO the second report on economic and social cohesion (COM(2001) 24);

HAVING REGARD TO the Commission's decision of 11 January 2001 to consult the Committee of the Regions for an opinion on this subject, in accordance with Article 265 (1) of the Treaty establishing the European Community;

HAVING REGARD TO the decision taken by its President on 6 March 2001 to assign the preparation of an opinion to Commission 1 - Regional Policy, Structural Funds, Economic and Social Cohesion and Cross-border and Inter-Regional Cooperation;

HAVING REGARD TO the draft opinion adopted by Commission 1 on 4 October 2001 (CdR 183/2001 rev. 2, rapporteur: **Mr Bree**, Member of Sligo County Council, Member of Border Regional Authority IRL/PES);

WHEREAS according to Article 2 of the EC Treaty, economic and social cohesion is one of the principal objectives of the European Union (EU);

WHEREAS Article 158 of the EC Treaty commits the EU to strengthening economic and social cohesion, reducing disparities between levels of development of the various regions and promoting the development of the least-favoured regions;

WHEREAS in order to pursue this objective more effectively, Article 130d (now Article 161) of the Maastricht Treaty established a Cohesion Fund;

WHEREAS this Fund was formally established by Council Regulation 1164/1994/EEC, having been preceded by a provisional cohesion financial instrument;

WHEREAS the principal aim of this Fund is to help countries with GDP per capita of less than 90% of the Community average to meet the challenges posed by economic and monetary union, by providing financial contributions to the development of environmental and transport infrastructure;

WHEREAS compliance with the economic and stability programmes is a condition for access to the Cohesion Fund;

WHEREAS Article 154(2) of the EC Treaty on Trans-European Networks (TENs) calls for special emphasis on linking peripheral areas with the EU's central regions;

WHEREAS environmental projects supported by the Cohesion Fund are intended to help the four beneficiaries meet the objectives of agreed EU environmental objectives;

WHEREAS evidenced by the results it has achieved, the Cohesion Fund is an effective means of cohesion;

WHEREAS in 1999, the Commission submitted proposals to revise two major environmental Directives which affect projects supported by the Cohesion Fund, the Environmental Impact Assessment Directive and the Habitats Directive;

WHEREAS 1999 was the last year of the operation of the Cohesion Fund for the 1993-99 programming period;

WHEREAS the Commission's Annual Report covers the Cohesion Fund's activities in 1999 as required by the 1994 Regulation as well as providing an overall assessment of the entire programming period;

WHEREAS by the end of 1999, the Commission had committed all of the financial appropriations of the Cohesion Fund for 1999 and 91.6% of payment appropriations had been implemented in 1999;

WHEREAS the Berlin Council in 1999 decided that the current cohesion countries would continue to be eligible for Cohesion Fund support after 2000 and that eligibility would be reviewed in 2003;

WHEREAS the EU has established a Pre-Accession Structural Instrument (ISPA) to help the applicant countries achieve EU transport and environmental objectives;

WHEREAS the cohesion countries and the Commission have agreed Strategy Reference Documents setting out the principal projects to be funded under the current programming period (2000-06);

unanimously adopted the following opinion at its 41st plenary session on 14 and 15 November 2001 (meeting of 15 November):

The views and recommendations of the Committee of the Regions concerning the 1999 Annual Cohesion Fund Report:

1. The Cohesion Fund in 1999

1. the Committee acknowledges and congratulates the Commission for its efforts in producing the 1999 Report and sees this report as an essential tool in assessing the operation of the Cohesion Fund and EU and Member State cohesion policies. It notes with satisfaction the detailed coverage of the main developments in the four cohesion countries, Spain, Portugal, Greece and Ireland, in 1999;
2. the Committee congratulates the Commission for successfully overseeing the operation of the Cohesion Fund in the four cohesion countries in 1999. The Cohesion Fund clearly is a success and has been of undoubted benefit both to the countries concerned and to the EU as a whole though much remains to be done, both before and after enlargement, in terms of improving transport and environmental infrastructures and achieving real convergence among the Member States and all regions of the EU;
3. the Committee is aware that in 1999, the strategy adopted in previous years was not substantially altered and that the emphasis was very much on finalising projects rather than starting new ones, that particular efforts were made in 1999 to ensure overall compliance with objectives for the entire 1993-99 period, particularly achieving an equal balance between transport and infrastructure projects and allocating funding among the cohesion countries in accordance with the ranges specified in Annex I of the 1994 Regulation establishing the Fund.

2. Managing, monitoring and evaluating the Cohesion Fund

1. the Committee notes that the failure to utilise all payment appropriations available in 1999 was attributed by the Commission to a large number of applications for payments reaching the Commission late in 1999 and to the heavy work-load of the Commission services at the end of 1999. It would ask the Commission to provide more detailed information on such outstanding commitments in future Annual Reports as well as calling on the Member States to ensure projects are submitted in time. It emphasises that the Commission services responsible for the Cohesion Fund have to be fully resourced if the Cohesion Fund is to achieve its objectives;

2. the Committee welcomes the fact that no cases of fraud were reported by the four cohesion countries in 1999 to the Commission's anti-fraud unit UCLAF and reiterates the importance it attaches to stepping up anti-fraud checks both at Member State level and at EU level;
3. the Committee welcomes the fact that no case of "double-financing" by the Cohesion Fund and other EU funding sources was detected in 1999 and emphasises the need to fully respect the additionality principle;
4. in relation to monitoring, checking and irregularities, the Committee notes that the Commission's report refers to *ad hoc* committees operating in one Member State (Greece) and seven sub-committees of the monitoring committee in another (Spain) and stresses the importance of ensuring overall coherence among the monitoring committees if Cohesion Fund projects are to be managed, monitored and evaluated correctly;
5. in view of the fact that compliance with the economic stability and convergence programmes is a condition for accessing the Cohesion Fund, the Committee would urge the Commission to provide a more detailed analysis of the budgetary performance of the cohesion countries;
6. the Committee does question the Commission's statement that some of the 18 environmental projects evaluated in 1999 "indirectly increased land values within the impacted area and stimulated economic development, so prompting new activities and employment". The Committee believes the Commission should be wary of suggesting that increased land values are always of benefit to peripheral regions.

3. **Projects Supported by the Cohesion Fund**

1. the Committee is pleased to note that many of its detailed comments and recommendations made in response to previous Annual Reports on the Cohesion Fund have subsequently been taken up by the Commission but again reiterates the importance it attaches to the Cohesion Fund giving greater priority to nature conservation and improving the urban environment;
2. the Committee notes that the Commission has "*never ceased*" asking the cohesion countries to submit non-road proposals, welcomes the increase in investment in rail projects in Spain, Portugal and Greece in 1999, and urges Ireland to similarly increase investment in rail transportation, particularly to disadvantaged areas;
3. the Committee welcomes the increase in investment in solid waste in Portugal and Greece in 1999;
4. the Committee urges greater investment in the port sector, given the importance of sea transport in the four beneficiary countries;
5. the Committee is convinced that, despite the need to finance large-scale projects and to ensure a strategic approach to project development, it is equally important to fund small-scale flagship projects, particularly in the area of the environment and nature conservation;
6. the Committee calls on the Commission to fully assess the environmental impact of projects financed by the Cohesion Fund and in full consultation with local communities affected.

4. **Transparency and Accountability**

1. the Committee notes that the 1999 Annual Report was published only in January 2001 and urges the Commission to make greater efforts to ensure that the Annual Report is published earlier;
2. the Committee notes that in 1999 meetings and seminars were held between the Member States and the Commission, but that no specific meeting was held with the social partners (though the social partners were informed about the Cohesion Fund during a meeting on the Structural Funds), and asks the Commission to ensure that the social partners are fully involved with, and fully informed about, the Cohesion Fund;
3. the Committee requests that the Commission's evaluation currently underway of the results of the three-year *ex-post* evaluation programme, which was launched in 1998 and continued through 1999, be made publicly available. The results of the 120 or so evaluations carried out in this process should likewise be made available;
4. the Committee requests that the current Strategy Reference Documents agreed by the cohesion countries and the Commission be made publicly available;
5. the Committee has already welcomed the findings of the London School of Economics study of the operation of the Cohesion Fund and asks that reactions to this study be made publicly available;
6. the Committee notes that approximately 0.05% of cohesion funding under the 1993-99 programming period was allocated to technical assistance and that two major calls for tender were published in June 1999 and two consortia of consultants chosen to commence work in June, and requests that additional information about technical assistance and the terms of reference of the appointed consultants be made available.

5. **Compliance with EU legislation**

1. the Committee urges the eligible Member States to fully honour their commitments undertaken in connection with the nature conservation programme, Natura 2000;
2. the Committee notes that the Commission states that the Member States are "*cooperating increasingly well and responding exhaustively to its questions*" as regards compliance with EU public procurement legislation, reiterates the importance it attaches to compliance with existing public procurement legislation.

6. **Role of sub-national levels of government**

1. the Committee takes note of the code of conduct on implementation of cohesion policies agreed by the Commission and the European Parliament on 6 May 1999 and believes that a strengthening of the role of the Committee of the Regions in the operation of the Cohesion Fund is necessary;
2. the Committee recalls that a number of projects supported by the Cohesion Fund originated with local and regional authorities and recommends that the Commission take greater account of the views of local and regional levels of government when assessing which projects are to be supported;
3. the Committee notes in relation to monitoring, checking and irregularities, that the

Commission states that in one Member State (Greece) meetings were attended by representatives of associations of local authorities whereas in another (Ireland), the meetings were attended by representatives of local authorities “*responsible for the design, implementation and management of road, water-treatment and water-supply*”. The CoR emphasises that such meetings involve the real participation of democratically-elected representatives;

4. the Committee believes that decisions on the revenue-generating potential of projects and their suitability for private sector involvement should be made following consultation with the local and regional authorities involved.

Brussels, 15 November 2001.

The President

The Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

Jos Chabert

Vincenzo Falcone

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