

COM-1/030

Brussels, 23 November 2001

OPINION

of the Committee of the Regions

of 15 November 2001

on the

11th Annual Report on the Structural Funds (1999)

(COM(2000) 698 final)

The Committee of the Regions,

HAVING REGARD TO the decision of its Bureau of 12 June 2001 to draw up, in accordance with the fifth paragraph of Article 265 of the Treaty establishing the European Community, an Opinion on the 11th Annual Report on the Structural Funds (1999) and to instruct Commission 1 for Regional Policy, Structural Funds, Economic and Social Cohesion, Cross-border and Inter-regional Cooperation to carry out the preparatory work;

HAVING REGARD TO the 11th Annual Report on the Structural Funds (COM(2000) 698 final);

HAVING REGARD TO its Opinion on the 9th and 10th Annual Reports on the Structural Funds (1997 and 1998) - ERDF - ESF - EAGGF - FIFG (COM(1998) 562 final and COM(1999) 467 final); CdR 220/99 fin¹, and its Opinion on the 6th and 7th Annual Reports on the Structural Funds (1994 and 1995) (COM(95) 583 and COM(96) 502 final); CdR 355/96 fin²;

HAVING REGARD TO the draft opinion unanimously adopted by Commission 1 on 4 October 2001 (CdR 184/2001 rev. 1) (Rapporteur: **Mr Stanislaw Tillich**, Minister of State for Federal and European Affairs of the land of Saxony);

WHEREAS it could be desirable and helpful to submit to the European Commission, the Council of Ministers and the European Parliament an Opinion on the 11th Annual Report on the Structural Funds (1999) in order to spell out clearly the attitude of the regions and local authorities;

WHEREAS the 11th Annual Report on the Structural Funds describes the application of Structural Fund measures in 1999, giving details of the implementation of Structural Fund support and of the

results so far achieved;

WHEREAS - 1999 saw the end of the 1994-1999 programming period and of the Delors II package adopted at Edinburgh in 1992;

- the Commission was concerned in 1999, as in previous years, to give a new impetus to certain priority actions. In 1999 the focus was on employment policy;

- 1999 was the decisive year for the preparation of the 2000-2006 programming period. Funding for the Structural Funds and the Cohesion Fund was laid down up to 2006 by the Decision of the Berlin European Council of 24/25 March 1999 and the agreement reached at that time on Agenda 2000 and the medium-term financial perspective 2000-2006;

WHEREAS the Heads of State and Government reached agreement in Berlin on funding for structural support for the applicant countries up to 2006;

WHEREAS in 1999 the Council also adopted the Structural Fund and Cohesion Fund Regulations;

WHEREAS the foundation has already been laid for the preparation of the new Structural Fund programmes for 2000-2006:

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

1. **General comments**

1. The CoR welcomes the 11th Annual Report, which is a comprehensive and informative compilation of data and developments concerning the implementation of the Structural Funds in the Member States in 1999. The Committee regrets, however, that the report contains little analysis and insufficient evaluation. It contains no evaluation of the impact of structural policy from the pan-European and national points of view. Instead, the report concentrates mainly on financial aspects, commitments and payments, without however explaining how this expenditure has affected the development and realisation of economic and social cohesion in Europe as a whole and in the individual Member States.
2. The CoR has the impression that figures have merely been put together without, for example, investigating the obstacles to better application of funding. The Commission seems more concerned with the efficient management of the Structural Funds than with the effectiveness of the measures taken. The CoR regrets that the Commission has not analysed the administrative costs incurred by the regional and local authorities in implementing the Structural Funds. Such an analysis could have been the basis for measures to increase administrative efficiency, to which the Commission attaches particular importance in the 2000-2006 programming period. The CoR feels that a purely formal assessment of the commitment and payment rates does not satisfy public expectations that Structural Fund resources will be used effectively. The CoR stresses that, in drawing up the Annual Reports, the Commission should not merely collate and list figures mechanically. More evaluation of performance and analysis is needed, making it possible to carry out an exhaustive assessment of the effectiveness of structural policy and to pinpoint optimised options for action in the future.

2. **Implementation of the programmes**

1. The Committee of the Regions notes that throughout the EU almost all Structural Fund resources were committed by the end of 1999. The Commission attributes this to the speeding up of payments each year. 75% of resources had been paid out by the year-end, although payments at local level may continue until the end of 2001.
2. The Committee of the Regions notes that the best rates of implementation were achieved under the Objective 1 programmes and the Objective 3 employment policy actions. The utilisation rate of resources was lower for Objectives 2, 4 and 5b.
3. The Committee points out that, as in 1998, the cohesion states received the largest share of Structural Fund finance and registered the best payment rates, whilst in some of the most prosperous Member States payment rates were below the Community average. The CoR is also critical of the Commission's failure to address the question as to whether the better performance of cohesion countries is attributable to greater need or to other factors.

3. **Partnership principle**

1. The CoR notes with regret that the report does not attach any special importance to the partnership principle, although it is an essential component of the success of structural policy.
2. The partnership principle has an important part to play in the administration of the Structural Funds. The Committee of the Regions urges the Commission to apply the partnership principle, in relation to the economic and social players, and the subsidiarity principle in the administration of the Structural Funds by recognising the responsibilities of the Member States' domestic political bodies and the tasks of the regional and local levels of government.

4. **Community initiatives**

1. The Commission's report contains a brief analysis of some of the Community initiatives. The Committee of the Regions regrets that the Commission has not carried out more detailed analysis of the important INTERREG II Community initiative. Strand C is an important instrument for transnational cooperation on spatial planning, particularly in the light of the forthcoming EU enlargement.
2. In this context the CoR points out that cooperation can give a further impetus to the enlargement process. The same effect is expected from the new INTERREG III B programme, which in terms of content once again concentrates on transnational cooperation on spatial planning, land use regulation and land development.
3. The Committee of the Regions stresses that problems in implementing the Community initiatives can be primarily attributed to the complicated administrative procedures and the considerable delays in obtaining the Commission's approval of the programmes. Thus INTERREG II programmes for individual regions were approved only in 1995, so that for a time the regions and local authorities could not plan with any degree of certainty.

5. **Administrative requirements**

The CoR regrets that the report does not analyse the administrative burden imposed on the

local and regional authorities in implementing the administrative requirements. The Committee of the Regions is critical of the large number of requirements imposed by the Commission in respect of the Structural Funds and Community initiatives. This reduces the quality of expenditure from the regional and local perspective and does little to enhance public acceptance of European regional policy. The Committee of the Regions urges the Commission to work to simplify the administrative procedures and to reconsider individual procedures in the light of cost-benefit considerations.

6. Supervision

1. In 1999 there were improvements in the Commission's supervision of Structural Fund interventions, particularly with regard to the ERDF. The fact that structural measures account for one third of the European Union budget makes coherent financial supervision measures essential. The Committee of the Regions believes that, with the new regulations for the period 2000 to 2006, the Commission has taken the right approach to improving the position of the Member States, regions and local authorities with regard to supervision of Structural Fund intervention. Specific local knowledge makes the local administrative and supervisory bodies best suited to carry out the supervision.
2. The Committee of the Regions does not question the responsibility of the Member States, regions and local authorities for demonstrating economic, efficient and orderly accounting. And yet the Commission's significantly more stringent requirements with respect to administrative and supervisory systems increasingly suggest a possible disproportion between the administrative burden involved and the benefits. Here too the Committee of the Regions suggests that the administrative burden of European requirements is too heavy. The Committee stresses that the quantity of specific information required, moreover of doubtful value for the supervision of the use of funds, is effectively preventing the regional and local authorities from carrying out their real tasks.

7. Programming period 2000-2006

1. The 11th Annual Report devotes special attention to the preparatory measures for the 2000-2006 programming period. The CoR is pleased that in the 1999 Annual Report the Commission is already looking forward to the future support period.
2. In respect of the 2000-2006 programming period the Berlin European Council decided, inter alia, that Structural Fund resources should be allocated to three new Objectives, with just under 70% of resources being allocated to Objective 1 areas. The Council also took a decision on resources for pre-accession aid and made resources available for ISPA and SAPARD. The Committee of the Regions strongly welcomes the support for the accession process from these instruments. The accession process should be continued intensively with due regard to the time constraints established at Göteborg. The CoR points out that the administration of the Structural Funds will be of strategic importance for the applicant countries and their economic systems. The Committee therefore suggests that the positive and negative experience of administering the Structural Funds accumulated in the regions and localities be made available to those who will in future be responsible for administering these resources, in order to take account of tried and tested methods and practices and to prevent the mistakes of the past being repeated.
3. Between May and June 1999 the Regulation laying down general provisions on the Structural Funds was adopted which reduced the number of Objectives to three and the number of Community initiatives to four (INTERREG, EQUAL, LEADER and

URBAN). The Committee of the Regions supports the reduction in the number of Community initiatives. In this way it has proved possible to counter an emerging lack of orientation in the use of the Community initiatives, which hitherto had spread support too thinly.

4. The CoR stresses that, while the financial perspectives were adopted in good time by the Berlin Summit, the regions and local authorities were prevented from beginning their planning, as the Commission had failed to submit and adopt the guidelines early enough. As a result the programmes began late, which in some cases created problems for the regions and local authorities. The Committee of the Regions calls on the Commission to make improvements and to submit the guidelines earlier in the coming support period. The regions and local authorities must not lose support which is due to them because, as a result of Commission failings, programmes get off to a late start or because additional requirements are imposed after the event in relation to the implementation of support.
5. The Commission's view that the new arrangements simplify Structural Fund support is not entirely shared by the Committee of the Regions. There are some useful innovations, however. Thus the conditions for the submission of payment applications have been relaxed. In the 1994-1999 programming period payments of the tranches were tied to the flow of EU funds in percentage terms. In the new support period payment applications may be submitted to the Commission three times a year on the basis of actual expenditure. In the 2000-2006 support period the spectrum of support has been enlarged compared with 1994-1999. Various new measures have been adopted in relation to the individual priorities. The Committee of the Regions acknowledges that these changes may contribute, inter alia, to improving the quality of national support. And yet a multiplicity of guidelines and working papers have not resulted in any simplification of programme planning and implementation, or contributed to the administration, monitoring and evaluation of the Structural Funds. In fact the administrative burden has risen considerably. Indeed, experience has even come to light which calls into question the advantages associated with support from EU funds. This is particularly true of smaller subsidies to local authorities and firms, once it is realised how much administrative work is associated with applications for EU support.
6. The CoR stresses its view that complying with the formal requirements of Structural Fund support ties up manpower which is then not available for the effective shaping of the content of structural policy.

8. Efficiency of support

The Committee of the Regions stresses that use of the Funds must in future continue to be guided by the principle that economically comparable regions should receive the same intensity of support. The Community's Structural Funds are of major importance in supporting disadvantaged regions. They work against regional imbalances. There are therefore, the Committee of the Regions feels, weighty reasons for requiring that the Funds be used effectively.

9. Employment

In its report the Commission expresses the view that the Luxembourg employment process

was consolidated in 1999. This involved recommendations to the Member States as to how they could best comply with their responsibility for the common objectives of the European employment strategy. The new objectives include lifelong learning, access to the information society, involvement of the social partners in the improving work organisation and gender mainstreaming. The Committee of the Regions points out that the new Structural Fund Regulation requires the Member States to include employment policy considerations in their programmes. Once again it is clear that employment policy measures cannot be realised without the regional and local authorities. The CoR stresses that there is hardly any more conclusive argument than this for the fact that employment policy is essentially a task for the Member States and their regions and local authorities.

10. **Thematic priorities and interinstitutional cooperation**

1. The CoR welcomes the annual setting of thematic priorities by the Annual Report, and in particular the priority of equal opportunities set in 1999, and it underlines the Structural Funds' contribution to gender equality.
2. The CoR is glad that at the end of its report the Commission mentions interinstitutional cooperation with the CoR. It stresses that in the Committee of the Regions the Commission has a reliable partner which is willing, on the basis of the experience of the regional and local authorities, to contribute actively to improving and simplifying procedures. This makes it all the more regrettable that the Commission has not called on the competence of the CoR on its own initiative and that the CoR had to submit a formal request for the drawing up of an opinion. The Committee hopes that in future the Commission will exploit the CoR's competence in order to improve its reports.

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

¹ OJ C 226, 8.8.2000, p. 68.

² OJ C 215, 16.7.1999, p. 28.

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