

RELEX-003

Brussels, 4 June 2002

**OPINION**

of the

Committee of the Regions

of 16 May 2002

on the

**Information Note from the Commission: Common Financial Framework 2004-2006**

**for the Accession Negotiations**

(SEC(2002) 102 final)

**The Committee of the Regions,**

**HAVING REGARD TO** the Information Note issued by the Commission on 30 January 2002: *Common Financial Framework 2004-2006 for the Accession Negotiations* (SEC(2002) 102 final);

**HAVING REGARD TO** its Bureau's decision of 12 March 2002, under the fifth paragraph of Article 265 of the Treaty establishing the European Community, to instruct the Commission for External Relations to draw up an own-initiative opinion ;

**HAVING REGARD TO** the draft opinion (CdR 71/2001 rev.1) adopted by the Commission for External Relations on 3 April 2002 (rapporteur: **Lord Hanningfield**, *Essex County Council* (UK/EPP));

**HAVING REGARD TO** the Issues paper published by the Commission on 30 January 2002: *Enlargement and Agriculture: Successfully Integrating the new Member States into the CAP* (SEC (2002) 95 final);

**HAVING REGARD TO** the Commission Communication published on 30 January 2002: *First Progress Report on Economic and Social Cohesion* (COM(2002) 46 final);

**HAVING REGARD TO** the Presidency Conclusions of the Berlin European Council, 24 and 25 March 1999;

**HAVING REGARD TO** its opinion on *The Regional Implications of the Common Agricultural Policy on Enlargement of the EU* CdR 416/2000 fin<sup>1</sup>;

**HAVING REGARD TO** its opinion on *Supporting the Development of Institutional Structures at Local and Regional Level in the Applicant Countries* CdR 102/2001 fin<sup>2</sup>;

**HAVING REGARD TO** its opinion on the *Second Report on Economic and Social Cohesion* CdR 74/2001 fin<sup>3</sup>;

**HAVING REGARD TO** its opinion on *Reform of the CAP – Developing Rural Competitiveness* CdR 526/1999 fin<sup>4</sup>;

**HAVING REGARD TO** its opinion on the *Regional Impact of European Agriculture and Rural Policy* CdR 253/2000 fin<sup>5</sup>;

**HAVING REGARD TO** its opinion on *Agenda 2000: the Financing of the European Union after 1999 Taking Account of Enlargement Prospects and the Challenges of the 21<sup>st</sup> Century* COM(97) 2000 final CdR 303/1997 fin;

**HAVING REGARD TO** the report of the CoR-EU Applicant States Liaison Group 1998-2001 R/CdR 448/2001 item 13a);

**WHEREAS** this wave of the enlargement of the European Union represents a challenge that will shape the face of Europe for generations and that has an impact on all areas of the debate on the future nature and structure of the European Union;

**WHEREAS** local and regional government as the implementers of much of the *acquis* legislation will have a key role to play in the success of enlargement;

**adopted the following opinion unanimously at its 44<sup>th</sup> plenary session of 15 and 16 May 2002 (meeting of 16 May).**

## **VIEWS AND RECOMMENDATIONS OF THE COMMITTEE OF THE REGIONS**

### **1. General comments on the information note's contents**

#### **The Committee of the Regions**

1. **notes** that in recent months attitudes towards EU membership in some of the candidate countries have begun to harden. There is a danger that in the run up to accession these attitudes could worsen if the negotiations with the candidate countries generate the perception that they are not entering the EU on fair terms;
2. **notes** that within the financial framework the key issues are the Common Agricultural

Policy and cohesion funding. 80% of the European Union's current budget is spent on funding for farmers and the poorest regions;

3. **recognises** that simply extending current policies in full and with no transition period or phasing to the new post-accession Member States would impose a heavy financial burden on existing Members in the current support period. Against this background, the CoR stresses the need to keep the discussions on reform of the EU separate from the accession negotiations;
4. **believes** that a transitional period for full access to the Common Agricultural Policy and to the Structural Funds is also in the best interests of the candidate countries. The forthcoming accession of new countries once again underlines the long overdue reform of the CAP;
5. **supports** the position adopted by the Commission that the expenditure ceilings agreed in Berlin for the period until 2006 should be adhered to and adjustments made to the Berlin Framework on the basis of an assumption that up to ten new member states will join in 2004;
6. **requests** that in this case adjustments to the overall financial framework be reviewed to ensure that there are no disproportionately negative effects on regions either in the existing Member States or in the new post-accession Member States.

## 2. Agriculture

### The Committee of the Regions

1. **believes** there is a need for further reform of the CAP that takes into account the role played by farming in sustaining the rural economy and that takes particular account of the difficulties faced by farmers in regions suffering natural handicaps whilst at the same time promoting sustainable, environmentally-friendly farming practices that should be promoted as the European model;
2. **supports** the unequivocal statement in SEC(2002) 95 final that in the longer term a two tier agricultural policy is not sustainable. Further reform of the CAP must ensure there is a Common Agricultural Policy for all Member States;
3. **supports** the adjustment of the Berlin scenario to ensure progressive access for farmers in the new Member States to direct payments within the overall financial ceiling of the Berlin framework;
4. **agrees** with the Commission that the urgent need for the restructuring of the agricultural industry in the new Member States would not be best served by immediate access to full direct payments and that immediate access to full direct payments might distort the position of agriculture in relation to other sectors of the economy and the position of rural areas in relation to urban ones;
5. **considers** that transition periods must go hand in hand with reforms of relevant EU policies on the basis of a clearly defined timetable, which must be the product of broad agreement between the 15 existing Member States;
6. **notes** the risk set out in SEC(2002) 95 final that in the early years after accession the

restructuring process might be associated with rural unemployment and poverty and therefore that measures undermining semi-subsistence farming<sup>6</sup> and its welfare function could be counter-productive if no other safety net is available;

7. **supports** the proposal set out in SEC(2002) 95 final that in order to cushion semi-subsistence farms against the effects of the Single Market, flat rate income support should be paid for a transitional period;
8. **welcomes** the proposal to simplify the basis upon which the new Member States might access funding in view of the relatively high administrative costs of processing a large number of payments for small farms<sup>7</sup>;
9. **acknowledges** the concerns that have been expressed in some candidate countries that the effect of these proposals will be to maintain funding disequilibria within the European Union that will benefit richer regions at the expense of poorer;
10. **recommends**, in view of the above, that in accordance with the qualitative argument put forward by the Commission for not fully extending the CAP to acceding countries and the statement in SEC(2002) 95 final that the EU positions 'should be designed so as to support in the best possible way the efforts undertaken by the candidate countries to restructure and modernise', a qualitative determinant should be in place for access to full CAP;
11. **endorses** the proposals of the Commission to increase social development expenditures up to 80% of CAP payments within the Berlin financial framework.

### 3. Structural actions

#### The Committee of the Regions

1. **recognises** that in all the applicant countries effective regional policy and administration will be of the greatest importance in implementing the *acquis* and in enabling those countries to fully benefit from EU membership;
2. **supports** the adaptation of the profile of funding under the Berlin Framework to take into account the possibility of ten new Member States joining in 2004;
3. **agrees** with the Commission that capacity for absorption of such funding needs to be taken into account and that in order to boost absorption capacity more funding should be focused on cohesion fund expenditure;
4. **recognises** that promoting economic and social cohesion is a key element in the success of the EU. Enlargement to 25 would mean a widening of regional and territorial disparities unparalleled by any previous enlargement<sup>8</sup>. A balance must be struck between the needs of the new Member States and the needs of existing Member States who have not yet achieved convergence with EU standards. Likewise, all reforms or reviews of objectives and procedures concerning structural actions must take account not only of all the applicant States, but also of the poorest regions of the 15 existing Member States and those with structural deficiencies, given that considerable interregional differences will continue to exist among them;

5. **believes** that cohesion policy benefits the whole Union. It stimulates the demand for goods and services and increases the competitiveness of the Union providing opportunities for sustainable growth. The success of cohesion policy can be seen in the four cohesion countries (Spain, Ireland, Portugal and Greece) who have all moved closer to the community average for per capita GDP. In Ireland per Capita GDP has risen from 64% of the Community average in 1988 to 119% in 2000. In the other three countries the movement has been, on average, from 68% to 79% of the Community average;
  6. **supports** the position set out in COM(2002) 46 final that no region should see its Objective 1 structural funds support suddenly cut. The Commission must make clear, however, that this support must not have the effect of increasing Member States' budgetary commitments<sup>9</sup>;
  7. **wishes** to see greater decentralisation of cohesion policy so that partnerships are managed at the local and regional level. Building up partnerships at the local level and involving local stakeholders is the key to the success of regional development strategies. The Commission should be more receptive to regional and local initiatives designed to promote cross-border cooperation at transnational and inter-regional level.
4. **Internal policies**

### The Committee of the Regions

1. **welcomes** the Commission's recognition of the priority to be laid on institution building. The work of the CoR's Enlargement Group has demonstrated the key role that local and regional authorities have to play in the successful functioning of the candidate countries within the EU. These countries still require a great deal of support to build up their local and regional governance structures. The successful future application of the acquis and the Union's agricultural and structural policies rely upon building up expertise, competence and capacity at the local and regional level;
  2. The difficulties experienced by the candidate countries in benefiting from accessible resources through the Structural Funds now deserve close attention. Special measures must be taken to improve, as quickly as possible, the candidate countries' opportunities to receive support in an effective way. The Commission should take this into consideration – *inter alia* – when deciding how Phare resources are to be used. An important question in the accession negotiations should be how EU resources can make a better contribution to building up stable local and regional structures in the candidate countries;
  3. **supports** the additional funding for the safe decommissioning of nuclear power plants in Slovakia and Lithuania.
5. **Cyprus**

### The Committee of the Regions

1. **supports** the Commission's intention to make additional funding available to the northern part of Cyprus were it to form part of the accession process.

## 6. Transitional arrangements

### The Committee of the Regions

1. **supports** the establishment of transitional arrangements to ensure that no acceding Member State has a worse net budgetary position than it had in the year before enlargement.

Brussels, 16 May 2002.

The President

The Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

**Albert Bore**

**Vincenzo Falcone**

<sup>1</sup> OJ C 107 of 3.5.2002, p.3.

<sup>2</sup> OJ C 107 of 3.5.2002, p.32.

<sup>3</sup> OJ C 107 of 3.5.2002, p.27.

<sup>4</sup> OJ C 317 of 6.11.2000, p.7.

<sup>5</sup> OJ C 357 of 14.12.2001, p.29.

<sup>6</sup> In Poland national statistics suggest there are 350,000 semi-subsistence farms – 3-15 hectares in size.

<sup>7</sup> In most of the countries, at least half of the farms are less than five hectares' SEC (2002) 95 final.

<sup>8</sup> In a Union of 25 the ratio between the richest 10% of regions and the least developed 10% would rise to 4.5 compared to 2.6 in the present EU. The richest 10% of regions would have GDP at 170% of the Community average, for the least developed 10% of regions GDP would be at 38% of the Community average.

<sup>9</sup> In a Union of 25 the regions whose per capita GDP is less than 75% of the Union average (threshold for Objective 1) will have a population of 115 million, 25% of the total. 4 out of 10 inhabitants would be in the regions of existing EU Member States, the other 6 would be in the regions of candidate countries. The regions currently eligible for Objective 1 which after enlargement will be above the 75% threshold contain 37 million people. Approximately 25 million of these people live in regions that will cease to be eligible because of the statistical fall in GDP average consequent upon enlargement. 12 million of these people live in regions that would have ceased to be eligible, regardless of enlargement, because of the success of convergence.

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