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## CPMR POLICY POSITION

### OPINION FROM THE CPMR POLITICAL BUREAU

*(Approved by the CRPM Political Bureau, 9 February 2012, Brussels)*

## TOWARDS A CPMR POLICY POSITION ON THE "2014-2020 COHESION PACKAGE"

Since 2008, CPMR has taken an active part in the reflections on Regional Policy after 2013. The concrete proposals resulting from its work have been presented in four policy papers:

- September 2010: *"The Regions, responsible partners for an effective regional policy after 2013"*;
- February 2011: *"CPMR response to the 5<sup>th</sup> Report on Economic, Social and Territorial Cohesion"*;
- June 2011: *"Seizing the opportunity of internal conditionality linked to regional policy"*;
- September 2011: *"Financial framework 2014-2020: a proposed level below which it would be unacceptable to go"*.

**On the basis of these documents, the CPMR Political Bureau, at its meeting of 9<sup>th</sup> February 2012 in Brussels, adopted its comprehensive position on the package of legislative proposals published by the European Commission in October, i.e.:**

- The Regulation laying down common provisions on the Cohesion Fund, the ERDF, the ESF, the EAFRD and the EMFF (Common Provisions Regulation - CPR);
- The ERDF / Investment for growth and jobs Regulation;
- The ERDF / Territorial cooperation Regulation;
- The ESF Regulation.

CPMR has developed more detailed positions on the ESF and the EAFRD regulations.

This position paper is presented in two parts:

- A. General remarks that represent the summary of the detailed proposals compiled in the annex;
- B. Annex with the concrete amendment to the Regulations as proposed by the CPMR Political Bureau.

## A. GENERAL REMARKS

CPMR **welcomes** the determination to take a qualitative leap towards a more results-oriented approach to cohesion policy and fully understands the need for change in the way the Cohesion Policy is implemented.

- In particular, CPMR's Political Bureau supports the Strategic approach proposed by the Commission. It welcomes the idea of a Common Strategic Framework for the 5 Funds and a Partnership contract to be developed along the same lines as the territorial pacts advocated by CPMR since 2007;
- Partnership and multilevel governance are clearly stated in article 5 of the Common Provisions Regulation and represents a step forward that is warmly welcomed by CPMR. While the provisions do not specify a tripartite Commission/ Member State/ Region contract as such, they do ensure the involvement of the Regions in the strategic and operational preparation, as urged by CPMR. It remains nonetheless up to the Commission to place an ambitious interpretation on the provisions of Article 5 when it comes to negotiating the Partnership contracts and Operational Programmes;
- CPMR places, therefore, great expectations in the development of the proposed "code of conduct" that will determine clearly the partnership principle and will confine regions in the heart of shaping and implementing the investment priorities of regional policy;
- CPMR is also satisfied with the inclusion of the ESF within the overall Cohesion Policy Framework as part of an integrated and holistic approach to social, economic and territorial Cohesion;
- It warmly welcomes the fact that Territorial Cooperation remains in its three current strands. It also welcomes the possibility offered by the draft regulation to bridge transnational cooperation operational programmes and existing macro-regional or sea-basin strategies. This can also help maximise the impact of the Territorial Cooperation funds. Partnership Contracts need to make the link between the mainstream ERDF and ESF Operational Programmes and Territorial Cooperation programmes;
- CPMR's Political Bureau, also welcomes the confirmed will of the European Commission to safeguard the proposed Budget dedicated to Cohesion Policy and its architecture. CPMR wishes to reiterate that any attempt to reduce the EU budget and alter the architecture of Cohesion Policy would jeopardise the growth agenda of the European Union as outlined in the Europe 2020 Strategy.

However, CPMR, after discussing the Regulations with its members including representatives of Managing Authorities involving Regions across several Member States, wishes to express a number of reservations and modifications to the proposed Regulations:

- For the reasons CPMR has already exposed in previous policy positions, it continues to be strongly opposed to any form of macro-economic conditionality in the ERDF, the ESF, the EAFRD and the EMFF. CPMR's position on the matter is echoed by the European Parliament's positions, the Committee of the Regions and all other European Associations of Regions and Local Authorities;
- Furthermore, it estimates that the Commission's proposals on thematic concentration and conditionality tend to be over prescriptive, and asks for a greater account to be taken of regional (thematic and territorial) specificities:
  - o Related to this is the proposed exclusion of major infrastructure investment for more developed regions in the framework of the ERDF. It assumes that regions with a GDP per capita greater than 90% of the EU average do not have any remaining insufficiencies in their transport, ICT and environmental infrastructure - this is clearly not the case;
  - o The proposed thematic concentration will also severely limit the potential for Operational Programme Monitoring Committees to re-allocate resources across priority budgets in light of poor performance or delays in implementation, if the thematic limits are to be respected;
  - o The Commission proposes that thematic concentration is applied differently within the Transition Regions category between phasing-out Regions and other transition Regions. This distinction is not acceptable.

- In terms of conditionalities CPMR wishes to propose that each of the proposed ex-ante conditionalities should be reviewed with respect to its specific direct relevance to Structural Funds and to the quality of programmes. Many of the conditionalities proposed relate to general compliance with EU regulations. There are already mechanisms to ensure that co-financed operations do not breach these regulations and there are also sanctions for general breaches by Member States. The need for further sanctions through the Structural Funds Regulations is questionable and reflects a failure of alternative means of ensuring compliance;
- With regard to the Regulation laying down general provisions (CPR) in particular, a lot of repetition is observed, which considerably reduces the clarity of the document. A splitting of the Regulation into two separate Regulations could possibly be envisaged;
- In order to better adapt to possible changes in the economic context, CPMR proposes to apply the principle of GDP review at regional level and a possible readjustment of regional envelopes in 2018, financed by a “crisis reserve”;
- It advocates for stronger measures in favour of territories with severe and permanent geographic or demographic handicaps;
- The CPMR also considers the proposed Territorial dimension of the Regulations and the urban dimension of Cohesion Policy to be too narrow. Indeed, the objectives should not only be to focus on territorial / social cohesion within cities, as underpinned by the proposal of ring-fencing at least 5% of the cohesion funds for urban development. The urban dimension being part of broader regional strategies, it should also address the role of cities as motors for growth for regions, and thereby also the connection between urban and rural areas;
- Finally, increasing complexity in the operational implementation of this policy runs counter to the sought-after reduction of the administrative burden and the broadly shared will to simplify the whole system, both for beneficiaries and national and regional authorities which manage Cohesion Policy on a regular basis.

In the annex below several suggestions are proposed aiming to provide a detailed opinion and counter-proposals on the draft regulations that CPMR wishes to submit to the European Commission, Council and Parliament for their consideration.

The CPMR Political Bureau will continue to be actively involved in the ongoing negotiations through its established Core Group of experts and managing authority representatives.

A first political discussion based on the above reflexions will take place on the 10<sup>th</sup> February at the Committee of the Regions with the involvement of the three Member States holding the Presidency (Denmark, Poland, Cyprus), the MEPs of the REGI Committee responsible for drafting the Parliament’s negotiating positions on the Regulations and eminent personalities at European and Regional level.

## **B. ANNEX WITH THE CONCRETE AMENDMENT TO THE REGULATIONS AS PROPOSED BY THE CPMR POLITICAL BUREAU**

### **1. BUDGET AND ARCHITECTURE OF COHESION POLICY**

The European Commission's proposals respond to the proposals formulated by CPMR. The CPMR is particularly pleased that the ESF is being maintained within the architecture of cohesion policy.

However, pressure is being exerted, in particular by the net contributor Member States, to call for a significant reduction in the multiannual financial framework proposed by the Commission. This would have a direct and negative impact on the budget for regional policy. It would also call into question the proposed architecture. Any calling into question of the cohesion policy's budget or its architecture would have negative implications for its effectiveness in the future. CPMR therefore calls for the budget and the architecture of this policy as proposed by the Commission to be safeguarded.

Furthermore, the CPMR recalls that the geography of Europe is not uniform. Some Member States are affected to a greater extent by handicaps like insularity, mountain areas or sparsely populated areas. These constraints have inevitable consequences in economic and social terms (notably higher costs for supplies and services, etc.) that need to be taken into account as a breakdown criterion.

- **The CPMR therefore proposes that point 2 of Article 84 of the common provisions Regulation includes a reference to the percentage of territories and populations concerned by these handicaps in the breakdown of funds between Member States.**

### **2. STRATEGIC APPROACH**

**2.1.** The CPMR welcomes the idea of a Common Strategic Framework for the 5 Funds and a Partnership contract developed along the same lines.

**2.2.** Nevertheless, it regrets that the current proposals contain several areas of potential duplication between Partnership Contracts and Operational Programmes, which it deems could be detrimental both to the clarity and efficiency of this approach. This is in particular the case for:

- The justification for the thematic objectives arising from the ex ante evaluations is also already included in the Partnership Contract;
- The inclusion of a timetable for the fulfilment of ex ante conditionalities in each of the Operational Programmes, which is largely redundant as there is already a requirement for their inclusion in the Partnership Contract and most of the general and specific conditionalities apply at Member State level;
- The horizontal principles are also included as a requirement in both the Partnership Contract and the Operational Programmes, with a requirement under Article 87(3) for the Operational Programme to include an opinion of the national equality bodies on the proposed specific actions to promote equality and prevent discrimination.

- **The CRPM thinks that an alternative proposal would consist in distinguishing 3 types of elements:**
  - **Compulsory elements to be included in the Partnership contract;**
  - **Compulsory elements to be included in the Partnership contract if they are not included in the OPs;**
  - **Optional elements to be included either in the PC or in the OPs according to the Member State specific situation.**

**2.3.** Secondly, it considers that some of the Commission proposals regarding the fund-specific provisions are not consistent with the overall will to enhance coordination between the 5 funds and possibility to set up multi-fund programmes. For instance, the remaining differences in co-financing rates between the ERDF and the EAFRD are clearly an obstacle to coordination of these funds in practice. In areas where ERDF and EAFRD thematically overlap, these differences have proved to result in a distortion of funding incentives

- **The CPMR therefore advocates for the alignment of co-financing rates among funds for each category of Regions.**

**2.4.** Thirdly, it considers that the timeframe of 3 months is inadequate for the finalisation and adoption of the Partnership Contract and Operational Programmes at national level, taking into account all of the related

procedures that must be ready for completion. It also questions the proposed power of the Commission to unilaterally amend the Partnership Contract under the circumstances envisaged under Article 21(4). Consistent with the principle of partnership and close co-operation (Article 4.3), all amendments should be mutually agreed.

Finally, it considers that there is a need for greater clarity on how the Common Strategic Framework is to be adopted with regards to its legal value and impact for regions and Managing Authorities. .

### 3. PARTNERSHIP AND MULTI-LEVEL GOVERNANCE

Article 5 of the CPR represents a step forward that is warmly welcomed by CPMR. While the provisions do not specify a tripartite Commission/ Member State/ Region contract as such, they do ensure the involvement of the Regions in the strategic and operational preparation, as urged by CPMR.

It remains nonetheless up to the Commission to place an ambitious interpretation on the provisions of Article 5 when it comes to negotiating the Partnership contracts and Operational Programmes, particularly in application of Article 14.d)iv) which specifies that the Partnership contract **shall** set out *“the actions taken to involve the partners and their role in the preparation of the Partnership contract and the progress report”*.

The involvement of regional authorities in the European Social Fund is, on the other hand, much more tenuous. It fails to take adequate account of the regional sphere in the governance of the ESF. In this regard, the ESF regulation remains vague and ambiguous. It talks about participation, partnership and engaging social partners, but nothing specific is mentioned about the role of the regional tier of subsidiarity.

- **The CPMR therefore urges the European Commission to clearly describe in the “Code of Conduct” the compulsory character of the full involvement of Regions in determining and implementing the Strategic thematic and territorial investment priorities prior to any signing of the National Partnership contract.**

### 4. REFERENCE PERIOD FOR ELIGIBILITY TO THE DIFFERENT CATEGORIES OF REGIONS

**4.1.** CPMR draws attention to the political consequences and impact on the ground, the choice of the applicable reference period will have **on the credibility of EU Cohesion Policy** in the long run. Given that the current crisis began at the end of 2008, there is little sense in building a Structural policy on pre-crisis observations, as the CPR proposes today.

- **It would be preferable therefore for the reference period to take into account the GDP data closest in time to the date on which the Regulation is adopted, and as a minimum the average of the 2009/2010/2011 period. At the same time, CPMR urges Eurostat, the European Commission and national statistics agencies to speed up the process of drawing up regional GDP data, as the current time-lag is unacceptable.**

**4.2.** However, given that the impacts of the crisis have varied considerably from one European Region to another, in terms both of timescale and of intensity, it is possible that the choice of one reference period rather than another could mean certain Regions fall into a more favourable or less favourable category and this would have financial implications, in particular. This could therefore become a politically sensitive issue. That said, without putting a stumbling block in the way of the negotiations some account needs to be taken of GDP trends beyond the reference period that will be finally applied, particularly in regions experiencing severe contraction as a result of their structural weaknesses. **CPMR therefore additionally proposes that:**

- **The CPR should also include a provision by which the GDP of NUTS II Regions would be reviewed in 2017, (similar to the mechanism in CPR Article 82.5 to review Member States’ RNI for the Cohesion Fund or the draft MFF Regulation proposal for an adjustment of cohesion policy envelopes in 2018 in Article 5);**
- **CPMR proposes that a review of regional GDP could provide an additional envelope to regions whose GDP has fallen by x% compared to the average for the reference period, or to Regions experiencing a drop in GDP leading to them being downgraded to a different category;**
- **A crisis contingency fund of [5%] should be constituted to provide this additional funding (amendment to Article 84).**

## 5. THEMATIC CONCENTRATION

**5.1.** In line with its previous policy positions, CPMR is in favour of the principle of thematic concentration as set out in Article 16 of the CPR. However, CPMR considers that the Commission's proposal goes too far, in that

- they are too prescriptive in terms of ringfencing allocations to thematic priorities and take no account of regional diversity (one of the guiding themes of regional policy). Related to this is the proposed exclusion of major infrastructure investment for more developed regions in the framework of the ERDF. It assumes that regions with a GDP per capita greater than 90% of the EU average do not have any remaining insufficiencies in their transport, ICT and environmental infrastructure - this is clearly not the case;
- the proposed thematic concentration will also severely limit the potential for Operational Programme Monitoring Committees to re-allocate resources across priority budgets in light of poor performance or delays in implementation, if the thematic limits are to be respected;
- it will be difficult for Member States, the majority of whose territory is affected by geographic and demographic handicaps, to allocate a substantial share of their allocated funding to the ESF, while what these territories most need is to use the ERDF.

**5.2.** In Article 4 of the ERDF Regulation, the Commission proposes that thematic concentration is applied differently within the Transition Regions category between phasing-out Regions and other transition Regions. We believe that this distinction is not acceptable.

► **The CPMR therefore proposes the following amendments:**

- "Article 16 CSF Regulation - Thematic concentration"  
Member States shall concentrate support, in accordance with the Fund-specific rules, on actions bringing the greatest added value in relation to the Union strategy for smart, sustainable and inclusive growth, addressing the challenges identified in the country-specific recommendations under Article 121(2) of the Treaty and the relevant Council recommendations adopted under 148(4) of the Treaty, and taking into account national and regional needs."
- "Article 4 ERDF - Thematic concentration"  
The thematic objectives set out in Article 9 of Regulation (EU) No [...] /2012 [CPR] and corresponding investment priorities set out in Article 5 of this Regulation to which the ERDF may contribute shall be concentrated as follows:

**(a) in more developed regions:**

at least 80% of the total ERDF resources at national level shall be allocated up to 3 out of the thematic objectives set out in points 1 to 7 of Article 9 of Regulation (EU) No [...] /2012 [CPR] ; and one of which shall be the thematic objective set out in point 4, 5 and 6 of article 9;

**(b) in transition regions,** at least 60% of the total ERDF resources at national level shall be allocated up to 3 out of the thematic objectives set in out in point 1 to 7 , 3 and 4 of Article 9 of Regulation (EU) No [...] /2012 [CPR], one of which shall be the thematic objective set out in point 4, 5 and 6 of article 9;

**(c) in less developed regions:**

at least 50% of the total ERDF resources at national level shall be allocated up to 3 out of the thematic objectives set in out in point 1 to 7 of Article 9 of Regulation (EU) No [...] /2012 [CPR], one of which shall be the thematic objective set out in point 4, 5 and 6 of article 9.

By derogation from point (a) (i), in those regions whose GDP per capita for the 2007-13 period was less than 75% of the average GDP of the EU-25 for the reference period but which are eligible under the category of more developed regions as defined in Article 82(2)(b) and (c) of Regulation (EU) No [ ] /2012 [CPR] in the 2014-2020 period, at least 60% of the total ERDF resources at national level shall be allocated up to 3 out of each of the thematic objectives set in out in points 1 to 7 of Article 9 of Regulation (EU) No [...] /2012 [CPR], one of which shall be the thematic objective set out in point 4, 5 and 6 of article 9.



## 6. CONDITIONALITIES

While CPMR supports the principle of conditionalities that aim to improve the overall performance of cohesion policy, it makes the following comments on the different aspects of conditionality:

**6.1.** Overall, the introduction of these different types of conditionalities makes the operational implementation of cohesion policy by the national and regional authorities considerably more complex (more reporting at different levels, risk of difficulties in financial monitoring following suspensions of payments, etc.). This would appear to be contrary to the CPR's stated aim of reducing the administrative burden for beneficiaries of programmes. The severity of the additional administrative burden in practice, should be clarified.

**6.2.** For the reasons it has already exposed in previous policy positions, the CPMR continues to be opposed to any form of macro-economic conditionality in the ERDF, the ESF, the EAFRD and the EMFF.

**6.3.** Concerning the ex-ante conditionalities and the corresponding criteria proposed for each thematic objective in Annexe IV of the CPR, the CPMR:

- Welcomes these criteria that should provide the right preconditions for investment to make the structural funds more efficient and effective, and ensure that countries and regions implement the reforms that are necessary for good investments in line with the EU2020 objectives;
  - Considers that Member States' assessment of the fulfilment of these criteria should be carried out in accordance with the partnership principle. The same applies to the identification of actions to be taken and the timetable for their implementation when the criteria are not met;
  - Considers that each of the proposed ex-ante conditionalities should be reviewed with respect to their specific direct relevance to Structural Funds and to the quality of programmes. Many of the conditionalities proposed relate to general compliance with EU regulations. There are already mechanisms to ensure that co-financed operations do not breach these regulations and there are also sanctions for general breaches by Member States. The need for further sanctions through the Structural Funds Regulations is questionable and reflects a failure of alternative means of ensuring compliance;
  - Considers that conditionalities should only be imposed on actors who have the ability and competence (financial, knowledge, legal) to meet these conditionalities. The ex ante conditionalities are broadly worded and do not always have a direct link to all structural funds investments. For example, implementing the European non-discrimination directive does not contribute to the effectiveness and efficiency of cohesion policy and is done by other actors than the writers and executors of operational programmes;
  - Considers that the system of conditionalities leads to a certain increase in burdens for governments. In this respect, CPMR is ready to support ex ante conditionality measures proposed by the European Commission, as long as they are able to increase the effectiveness and added value of this policy and therefore its legitimacy in the medium term.
- **Concerning the actions to be taken when the criteria are not fulfilled, CPMR considers that there are two potential risks: firstly, that of creating an additional administrative burden, especially in terms of financial management, and, secondly, that of creating a stop-and-go effect. It therefore proposes that the deadline for implementing the necessary measures to comply with the ex-ante conditionalities is extended to 2017. In the case of non compliance at this date, payments should not be suspended. In any case, a transparent procedure should be set before reaching such a drastic decision.**

**6.4.** The CPMR supports the principle of performance conditionality and the linked performance framework, since it is consistent with the broadly held ambition to increase the effectiveness of Structural Funds; only by monitoring, evaluating and improving our programmes and interventions can we become more effective. Such a performance framework should aim to add value to programmes and interventions and act as a catalyst to encourage ambitious and innovative programming. However, it draws attention to the limitation of the proposed methodology. Indeed:

- Experience has taught us that an approach that simply sets output targets for a performance reserve actually creates adverse behaviour and unambitious programming. In order to secure their performance reserve, Managing Authorities and Member States will often look for "easy wins", targeting funding at areas that help reach goals quickly but which arguably need the least investment; this potentially loses the significant added-value that the medium- to long-term Structural Funds programming offers in addressing the needs of those hardest to reach (in the ESF) and addressing persistent and long-term structural weaknesses (in the ERDF);

- Innovation is also rightly a priority across all European programmes for 2014-2020 and its importance across all fields of activity is recognised; not just technological innovation but social and environmental innovation amongst others. A programming approach based primarily on the achievement of outputs is likely to stifle such innovation, as truly innovative projects need to be allowed to fail and learn lessons rather than chasing outputs. Structural Funds offer a level at which such innovation should be encouraged and tested before being scaled up;
  - There is also a question about the credibility and reliability of targets. It is always difficult to set effective and meaningful targets. Even high-performing member states with strong monitoring and evaluation and administrative systems struggle to set appropriate targets at the beginning of the programme period;
  - Furthermore there will be a 5-6 year gap between the point at which they are set and then assessed. Much can happen during this time: the recent economic crisis has shown how quickly economic and labour market conditions can change; alternatively a policy shift by the member state, region or even the EU may require a shift in focus and therefore targets. The performance review process needs explicitly to recognise that there will be instances where milestones are not met because of changes in the socio-economic context of programmes. The performance reserve process does not offer any qualitative assessment, which is more relevant than one based on targets;
  - A qualitative as well as quantitative review in 2019 would provide good data on which to base decisions on programme performance as part of a performance review. However, adding the performance reserve into this equation raises problems as (beyond the principled objections already given) there is very little prospect of programmes being able to invest the performance reserve effectively as late in the programming period as 2019. It will be difficult to build this into programmes effectively as the relative allocations are inherently uncertain; this means any award of a Performance Reserve will probably end up being invested in a less considered and planned way and its impact will therefore be eroded (compared to being part of planned programming from the start). 2019 is also much too late to reallocate resources from poor performing ones to better performing ones. Even in good programmes, project selection and implementation will be difficult so late.
- **Consequently, CPMR considers the penalties proposed in paragraphs 2 and 3 of Article 20 to be excessive. Where there is evidence that a priority is failing to meet its interim milestones, the Member State and/or Managing Authority concerned should be given an opportunity to set out how the priority may be brought back on track or to propose a programme amendment in light of implementation difficulties or socio-economic impacts. The proposed suspension of interim payments would be a very harsh measure in respect of interim milestones, and should be deleted.**

## 7. TERRITORIAL DIMENSION

7.1. Regarding the allocation of additional funding to various territories with specific conditions, the CPMR:

- feels that it is necessary to give distinct treatment to the situation of the Outermost Regions covered by Article 349 of the Treaty.
  - supports the allocation funding to the Very Sparsely Populated Areas according to the protocol 6 of the accession treaty for Sweden, Finland and Austria.
  - considers however, that in accordance with the provisions set out in Article 174 of the Treaty, additional funding should also be allocated to other territories with geographic and demographic handicaps, such as islands, mountain or sparsely populated regions other than those already mentioned.
- **The CPMR therefore proposes that additional funding be allocated as part of the Operational Programmes mentioned in Article 10 of the ERDF Regulation for projects designed to meet the specific needs of the territories addressed by Art. 174 of the Treaty. In addition, it asks for projects led in these territories to be able to benefit from 10% higher ERDF co-financing rates up to a ceiling of 80% (amendment to Article 111 of the Regulation laying down general conditions).**

7.2. The CPMR also considers the proposed urban dimension of Cohesion Policy to be too narrow. Indeed, the objectives should not only be to focus on territorial / social cohesion within cities, as underpinned by the proposal of ring-fencing at least 5% of the cohesion funds for urban development. The urban dimension being part of broader regional strategies, it should also address the role of cities as motors for growth for regions, and thereby also the connection between urban and rural areas.

7.3. With regard to the ESF Regulation, the proposal for Territorial Pacts set out in Article 12 is in line with the proposal the CPMR has long upheld on introducing a place-based approach to the ESF and coordinating this



fund with other instruments, especially the ERDF. The way in which these pacts will be implemented remains vague however, and consistency with regional strategies in this area should be maintained. The CPMR also recognises the relevance of the global grant instrument. However, the CPMR strongly objects to the fact that there are no references to the role of regional authorities in this regard; the CPMR agrees with the line of action suggested in points 2 and 3 of Article 6 with regard to institutional capacity building, which is essential to ensuring that stakeholders are effectively involved in managing the global grant, programmes and projects.

## 8. TERRITORIAL COOPERATION

8.1. The CPMR warmly welcomes the fact the European Territorial Cooperation remains in its 3 current strands. Nevertheless, it considers that the 150km limit set for maritime cross-border cooperation is a considerable obstacle which would severely hinder cooperation among islands.

➤ **With regard to cross-border cooperation, the CPMR asks for the limit of 150km not to be applied for island regions within their sea basin (amendment to Article 3 of the Regulation on European Territorial Cooperation).**

8.2. The CPMR welcomes the proposal from the European Commission regarding thematic concentration applied to ETC. It believes that territorial cooperation programmes can add more added value if the limited resources available are focused on a more focused number of priorities.

8.3. The CPMR also welcomes the possibility offered by the draft regulation to bridge transnational cooperation operational programmes and existing macro-regional or sea-basin strategies. This can also help maximise the impact of the Territorial Cooperation funds. Partnership Contracts need to make the link between the mainstream ERDF and ESF Operational Programmes and Territorial Cooperation programmes. Nevertheless, the macroregional perspective has to be more visible in the proposal for the Partnership Contract concerning those countries with regions involved in macroregional cooperation, such as the Baltic Sea and the Danube strategies, making it clear that the national level in close cooperation with the involved regions must incorporate this in the programming, also together with the all other macroregional stakeholders of the common strategy.

8.4. Territorial cooperation also importantly contributes to regional development based on synergies between the regions of Europe and its neighbours. The transnational cooperation programmes of cohesion policy and the ENPI CBC programmes are a vital part of cross border cooperation and activities, stimulating interregional contact and networking, cultural understanding and the exchange of ideas and best practice. They are especially important for increasing cross border cooperation between regions sharing common characteristics, resources and challenges. In this respect a better and stronger articulation between cohesion policy transnational programmes and ENPI CBC programmes is to be encouraged, in terms of priorities, rules, resources and stakeholders.

8.5. The draft Common Provisions usefully mention the need to develop a code of conduct on partnership to ensure that stakeholders are adequately consulted and involved in the preparation of Partnership Contracts (Article 5 of the Common Provisions). The code of conduct is particularly significant for the development of territorial cooperation programmes, as the success of the cooperation programmes (particularly cross border cooperation and transnational) is contingent on regional authorities playing an active role in the process of deciding on how these programmes might be best used to address cross-border bottlenecks.

8.6. The CPMR welcomes the proposals to harmonise and simplify rules governing territorial cooperation programmes. In the same vein, the European Commission should also adapt and harmonise state aid regimes to territorial cooperation programmes and change the current rule that applies state aid rules concerning ERDF funding on a national basis.

8.7. It also asks for the revision of the current system of indicators applied to territorial cooperation to better fit with territorial cooperation activities in order to have more relevant and useful results to measure and evaluate its results and impact.

Lastly, CPMR is surprised to read that macroeconomic conditionality will also apply to territorial cooperation. It considers this to be impossible given the multi State approach of the programmes. It will be hard to envisage sanctions to a Multi state and multi partner programme based upon difficulties of one Member State to comply with the Stability Pact.

## 9. SIMPLIFICATION

- *Facilitate access to funding for beneficiaries through an increase in the amount of pre-financing (art.72)*

A real simplification of the rules on how managing, monitoring and audit authorities deliver funding needs to be proposed to facilitate access to funding for beneficiaries. In this regard, the proposal requiring managing authorities to pay beneficiaries before asking the Commission for reimbursement is to be welcomed. However, such a provision can only be applied if there is greater flexibility in the pre-financing system to enable managing authorities to have sufficient cash to be able to make prepayments to beneficiaries. In order to achieve this it is essential **to increase substantially the amount of pre-financing**. This will also reduce the difficulties some Member States face against a background of crisis to find the national public counterparts.

- *Oppose duplicating audit and control bodies (art.64/art.117)*

The new regulation essentially proposes simplifications for the Commission, but further complicates management, control and auditing for national and regional authorities. Proposals concerning audit and control further disempower the Commission and increase the accountability of the managing authorities and the beneficiaries to the Court of Auditors. It is necessary to simplify the management system and clarify the role of each agency involved. In this respect, the **appointment of an accreditation authority at ministerial level** whose role is to accredit the managing and certification authorities on the basis of a preliminary audit, only brings more confusion and adds complexity to the system. Given the diversity of management practices in each Member State, such a measure seems inappropriate and inadequate.

The Commission also provides the possibility for the Member State to **designate a coordinating body** to stay in contact with the Commission, in particular to establish a consolidated report containing a national overview of all management assurance declarations and audit opinions, and coordinate the implementation of corrective action for any systemic weaknesses.

It is important to oppose the proliferation of agencies and duplication of tasks that add even more confusion and complexity to the system for managing and monitoring funds.

- *Promote proportionality and avoid duplication of control and audit measures*

To avoid duplicating controls, it is proposed to **oppose any submission by the audit authority of an opinion on an annual basis** designed to verify the accuracy and veracity of the annual accounts of the previous financial year, the correct functioning of the management and control system, and the legality and regularity of transactions carried out.

Any measures designed to **fix the level of controls proportionate to the amount of co-financed operations** and to focus controls more on operational programmes felt to present a risk should be encouraged.

The Commission also wishes to introduce new provisions concerning the **management declaration of assurance** and **annual clearance of accounts**. However, we might wonder about the need to assess the level of assurance it can obtain from national audit bodies, and oppose any signature by the audit body to ensure the compliance of certified expenditure that engages the personal responsibility of the auditor. In addition, the annual clearance of accounts should remain optional to enable only those managing authorities who so wish to simplify the closure procedure at the end of the period and reduce the duration for conserving accounting documents (Article 131, Article 76 and Article 77).

There is reason to **criticise the proliferation of controls** by the national or regional audit authority, the Commission and the Court of Auditors on the same operators. It may be recommended to organise more systematically joint audits on the ground to avoid duplication and promote shared diagnosis (art 65.2).

- *Rationalise the number of indicators*

It is proposed to oppose **multiplying the number of quantitative indicators**, i.e. European indicators that are overlapped by national and regional indicators. This proliferation of indicators:

- Discourages project developers,
- Swamps the information collected,
- Leads to redundancy between indicators,
- Can be misleading because of a lack of understanding of definitions
- Is often useless because many of the indicators are incomparable.

In addition, the Commission imposes **inadequate monitoring of indicators related to cross-cutting objectives** such as equal opportunities, the principle of non-discrimination and sustainable development. The indicators presented are tedious to complete for the project leader and complicated to follow for the

managing authorities.

It is therefore essential to **limit and rationalise the number and the monitoring of quantitative indicators** by retaining, for example, a limited number of indicators at European and national levels.

➤ *Simplify the use of financial engineering instruments*

The use of **financial engineering instruments** should be encouraged to increase the leverage effect of EU funds. In this respect, openness to new subject areas is a real breakthrough. However it is important to **simplify the implementation of these instruments**, especially to facilitate the participation of the EIB and other banking institutions from the national, regional or local spheres.

One might also question the Commission's proposal to **channel financial support to businesses** primarily through financial engineering instruments. In this regard, we might consider that it is for local authorities to choose the most appropriate type of assistance, depending on the economic and business fabric of each region and in relation to competition policy, particularly regional aid (art 32, 33 and 34).

➤ *Simplify the approval of major projects*

The Commission wants major projects to be included in the operational programme as soon as it is approved and makes the submission of major projects more complex during the course of the period. It may be requested that large projects submitted during programming period could **start without waiting for the Commission's approval**, as proposed in the context of the review of the current programming period (art 91.2). It would therefore be appropriate to ask that the expenditure should be able to be declared even before the Commission approves the major project in order to avoid delays in starting up operations (art 92.4).

➤ *Encourage the use of joint action plans by removing the exclusion applied to infrastructures*

We might welcome the Commission proposal on the development of joint action plans including a series of projects led under the responsibility of the beneficiary as part of one or more operational programmes, in return for **significantly easing** the rules on management, control and audit. Such a provision would indeed facilitate the use of flat-rate costs and lump sums (art 93).

However, the joint action plan serves primarily to facilitate the implementation of the ESF around specific and limited actions. However, it is unfortunate that the use of such a facility **is made difficult for the ERDF in particular in view of excluding infrastructure projects**. This exclusion should be lifted (Article 93.1).

Moreover, it would be important for regional authorities to be able to participate together with the Commission and the Member State in drawing up joint action plans in light of the amounts involved, i.e. more than 10 million euros (Article 93.1 and 93.2) .

➤ *Advocate for rules on the eligibility of expenses at EU level*

While the Commission's efforts to simplify the rules on the eligibility of expenditure may be welcomed, it is important to advocate for greater harmonisation. In this regard, it may be asked to establish **rules for eligibility of expenditure at EU level** rather than at the national level, to avoid delays and misunderstandings that may occur when drawing up rules at national level.

➤ *Review in detail the rules on revenue-generating operations*

These are an obstacle to the emergence of projects. This rule is complex to implement because it is too out of step with the modes of intervention of other public co-financiers. It is also a source of legal uncertainty. Arrangements for its application are subject to interpretation and are not uniform. In addition, there is no practical tool designed for managers as to how to apply this rule. Given the difficulties in implementing these provisions, it would be better to return **to the rules for the 2000-2006 period** through the establishment of a single reduced intervention rate for revenue generating projects (art 54.3).

➤ *Facilitate the use of flat-rate costs*

The Commission's proposal concerning the **various simplified forms of grants** partly encourages managing authorities and beneficiaries to make greater use of standard scales of unit costs, lump sums, and flat rate financing (art 57). However, this use of flat rates should be facilitated through the rapid adoption by the Commission and Member States of a **methodology for fair, equitable and verifiable calculation and methods and scales of unit costs** to allow project leaders to make use of them as of the start of the programming period (art 57).