

The Future of European Regional Policy
- A Place for Ireland and its Regions -

Up-date on the Policy Debate (No. 2)

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Introduction

This document is intended to provide an up-date on the on-going debate on the future of EU Regional Policy post 2006, from an Irish perspective. It follows on from the previous up-date produced in July 2003.

Since July there have been a number of relevant reports, studies and initiatives launched by the European Commission and a series of contributions made to the debate on EU Regional Policy by various EU Institutions, local and regional governments and their representative associations. This activity indicates that the lobbying effort is continuing but most contributions have tended to reinforce the main lines of the debate as previously established, with little in the way of new proposals (apart from the concept of competitive bidding for Objective 2). In short, whilst consensus is emerging on a number of issues, no significant decisions have yet been taken on the future shape of policy.

July:

Submission to the European Commission of the SAPIR Report on an Agenda for a Growing Europe: Making the EU Economic System Deliver (**July 13th**);
DG REGIO produces its 'Solidarity Report' (**July 13th**);
European Commission publishes its study on 'Objective 1: Promoting the development and structural adjustment of regions whose development is lagging behind' (**July 17th**).

August:

Irish Government agrees to hold an Informal Council meeting on the future of Regional Policy in February 2004;
Kerry County Development Board produces a Position Paper on the future of EU Regional Policy;

September:

European Parliament adopts two resolutions related to Regional Policy (**Sept 2nd**);
Dublin Regional Authority adopts a Position Paper on the Future of European Regional Policy – Developing a Suitable Urban Dimension;
Commissioner BARNIER addresses the Annual General Assembly of the CPMR (**Sept 12th**);

October:

European Commission launches the Growth Initiative for Europe (**Oct 1st**);
The College of Commissioners has its initial discussion on the future of Regional Policy, in the run-up to the adoption of the 3rd Cohesion Report and the multi-annual budget for post 2006 (**Oct 1st**);
Cathaoirleach of the Dublin Regional Authority meets with Minister Tom PARLON TD on the future of EU Regional Policy (**Oct 16th**);
The Italian Presidency holds a Ministerial Meeting in Rome on the Role of Regions in the European Union (**Oct 16-17th**);
Informal Council meeting on the Future of EU Regional Policy takes place in Rome under the Italian Presidency (**Oct 20th**);

This Up-date will focus on a number of these issues of direct relevance to Ireland and will also set out some important future developments.

July - European Commission launches Reports

The SAPIR Report

The SAPIR Report is: *'Agenda for a Growing Europe: Making the EU Economic System Deliver'*, was commissioned by the European Commission and submitted to it on July 13th 2003. This Report looks at the EU's economic systems, in particular: (1) the Single Market and microeconomic policies; (2) macroeconomic policies inside monetary union; and (3) the EU budget. While the Report therefore had a wide remit attention has focused on one of its most controversial recommendations – the re-nationalisation of European Regional Policy.

In arguing for re-nationalisation, the Report recommends limiting European aid to the Accession States, as well as to, Greece, Portugal and Spain and that the budget for Community interventions should be restricted to 0.35% of Community GDP.

By doing so the SAPIR Report develops an approach similar to that of the British memorandum presented in early March 2003 and to the ideas defended recently by The Netherlands. It proposes putting an end to the regional approach to cohesion policy and basing eligibility for European aid (via a "convergence fund") on national rather than regional GDP. It therefore reverses the current approach to cohesion policy, which is based principally on regional interventions (with the Structural Funds) and to a very limited extent on national interventions (under the Cohesion Fund). For the next medium-term financial perspective (2007-2011), it proposes the phasing-out of Italy's *Mezzogiorno* and of the eastern *Länder* of Germany.

According to the SAPIR Report aid would be reserved for two priority objectives:

- Institution building: the report notes this is a "key precondition for growth". "In order to be able to implement any policy, in order to attract investment, in order to build an environment conducive to business, a country needs a well-functioning legal and administrative system";
- Investment in human and physical capital: i.e. in infrastructure, research and development, education and training.

Over and above these guidelines, the EU would not intervene in the choice of projects to be funded - the beneficiary states would be totally free in their choice of projects. The only remnants of Regional Policy as it exists today would be certain operating principles such as multi-annual programming, national co-financing and fund additionality. Conditionality would be strengthened whereby, specific objectives would be determined by the beneficiary states and the release of funds would depend on progress in attaining these objectives. The renewal of eligibility for the 'convergence fund' at the end of the programming period would also depend on attaining such objectives.

On the issue of the budget, Commissioner BARNIER has always maintained that a "*credible*" cohesion policy should be based on a budget corresponding to at least 0.45% of Community GDP. This is the figure he is likely to press for inclusion in proposals of the 3rd Report on Economic and Social Cohesion, to be presented by the Commission in December. The Commissioner reacted unambiguously to the conclusions of the expert report. "*I find the conclusions insane and unrealistic*" as they "*do not take account of the reality and success of European Regional Policy*".

He made a point by noting that the report was "just an opinion" and that the Commission could "have a different view".

European Commission's Report on Solidarity

On the same day as the release of the SAPIR Report, Commissioner BARNIER presented the Commission with the conclusions of another report diametrically opposed to its findings. The 'Solidarity Report' defends Cohesion Policy and the Structural Funds as "engines of growth and convergence". This Report sets out four priorities for the future cohesion policy: (1) to help Member States and less developed regions boost their competitiveness (Objective 1); (2) to encourage employment, competitiveness and social and territorial cohesion (new Objective 2); (3) to encourage co-operation between regions; (4) to intervene - on the basis of a 'contingency reserve' - for sectoral and local shocks.

The report also mentions the importance of cross-border and trans-European co-operation, particularly on transport; the attention that needs to be given to very remote regions; and the possibility of including environmental spending in the cohesion budget.

According to the Solidarity Report, the new cohesion policy must benefit the EU as a whole and be based on a comprehensive strategy focusing on a limited number of themes (Lisbon and Gothenburg priorities). The Report argues for a '*new approach*', with assistance '*organised and managed by the regions, in a form of tripartite partnership with the national authorities and the Commission*'. For co-operation between regions, the report places emphasis on a number of key issues: justice and security; transnational structuring projects of European interest in the field of transport; programmes of European interest for human resources and social cohesion; research; and the protection of shared natural resources.

In terms of spending, the threshold of 0.45% of Community GDP is reiterated. Mr. BARNIER attaches great importance to this figure, considering it a 'credibility' threshold. The report says cohesion policy '*will become more necessary than ever in the next period if the Union is to ensure that sustainable growth and competitiveness is a matter for all and not for the few*'.

European Commission's Study on the Structural Funds

The Commission presented another study on July 17th entitled '*Objective 1: Promoting the development and structural adjustment of regions whose development is lagging behind*' covering the period 1994-99 and highlighting the contribution of European regional policy to the less developed regions. It states that 800,000 jobs were created in the poorest regions during this period.

It shows in these regions the Union has contributed €114 billion from the Structural Funds to financing programmes, representing a total contribution of some €210 billion when national public and private funding is added to the equation. Basically, the Commission considers that this study demonstrates that the strategies adopted and applied in Objective 1 regions have generally proved satisfactory and that the Structural Funds bring an added value, above all through their management and implementation systems.

July - EUROCITIES makes submission

EUROCITIES, which represents 114 cities, has made a submission calling for a more pronounced urban dimension in the future European cohesion policy. It identifies 12 priorities for interventions for cities and urban areas:

- Area-based regeneration based on programmes for areas with around 150,000 inhabitants. The renovation of housing estates in the accession countries needs urgent consideration;
- Brownfield regeneration, for the re-use of abandoned industrial sites or buildings;
- Training and lifelong learning schemes;
- Integration of migrants and asylum-seekers, with subsidies for language learning, integration classes, employment training, etc.;
- Social infrastructure for the young and elderly;
- Stabilisation of the local population to prevent outward migration from certain urban areas, particularly through support related to housing, entrepreneurship, etc.;
- Access to the knowledge-based economy;
- The creation of local employment;
- Improvement of qualifications and level of training to ensure the attractiveness of urban areas;
- Development of economic clusters within specific sectors, to strengthen the role of cities as drivers of the regional economy;
- Sustainable urban transport, with interchanges with regional, national and international transport networks;
- Improvement of the quality of life to make cities attractive places to live and work and offering recreational possibilities.

August - Irish Presidency confirms Informal Meeting

As part of the programme of the forthcoming Irish Presidency of the European Union, it was announced during the summer that there will be an Informal Council meeting on Regional Policy which is now planned for February 26-27th in Portlaoise. This meeting will be chaired by, Minister of State, Mr. Tom PARLON TD.

This meeting was confirmed following a meeting between Mr. Charlie McCREEVY, Minister for Finance and Commissioner BARNIER and will provide the first opportunity to discuss the proposals in the 3rd Cohesion Report at ministerial level.

There may also be an opportunity for Irish sub-national interests to be involved in this Informal meeting, with observer status. Requests for such involvement should be directed to the Minister for Finance.

August/September - Some Irish Positions Emerge

Kerry County Development Board makes submission

In August Kerry County Development Board submitted a paper to the European Commission on 'EU Regional Policy Post 2006 – A Place for County Kerry'. This paper highlights, in particular, the intra-regional imbalances that exist within the South West region in Ireland and considers that the future EU Regional Policy must provide for counties such as Kerry, whose low economic performance is masked by the strong performance indicators of the rest of the region (County Kerry has the 4th lowest disposable income in the country).

The submission goes on to state that: *"to achieve the Cohesion Policy objective of more balanced regional development within the EU, these disparities require appropriate policy responses, among which rural development strategies must feature prominently"*. The paper also calls for a wider statistical coverage at both the NUTS III and county levels. (For further information on the submission contact: Mr. Noreen O'Mahony, Kerry County Council, Tel: 066-7183680 or e-mail: nomahony@kerrycoco.ie).

Dublin Regional Authority finalises Position Paper

In September the Dublin Regional Authority adopted a Position Paper on the 'Future of European Regional Policy – Developing a Suitable Urban Dimension'. This paper sets out the development challenges still facing the Dublin region in terms of sustaining competitiveness, addressing social exclusion and tackling urban deprivation and the contribution that the future EU Regional Policy can make in this regard. The paper calls on the Irish Government to adopt a more sympathetic approach to supporting urban areas, to consider the realities of the scale of problems, which Irish cities continue to face and to reflect the increasingly urbanised nature of Irish society. The Authority underlines that for the Government to adopt such a position *'would be a fair and equitable approach'* and *'would not be detrimental to Ireland's traditional support for rural policy issues but would in fact be complementary'*.

The Paper makes a number of recommendations, general recommendation on Regional Policy itself and more specific recommendations to the Irish Government on the approach that it should take to the forthcoming negotiations. (Copies of the Position Paper are available from the Dublin Regional Authority (Tel: 01-874 5018 or e-mail: ppotter@dra.ie)).

As follow-up to this Paper, the Cathaoirleach, Cllr. John STAFFORD, and the Director of the Dublin Regional Authority had a meeting with Minister of State, Mr. Tom PARLON TD to discuss a number of relevant issues in advance of him attending the Informal Council meeting in Rome.

September - European Parliament adopts Resolutions

The European Parliament adopted two resolutions on Regional Policy issues on September 2nd, one on the Commission's Second Progress Report on Economic and Social Cohesion, and the other concerning structurally disadvantaged regions (islands, mountain regions, regions with low population density). These resolutions indicate that the Parliament favours a strong Community

regional and cohesion policy and rejects any notion of a 're-nationalisation' of this policy. The resolutions stress the need for a Cohesion Policy budget of a minimum of 0.45% of the EU's GDP.

The Parliament's report on the Commission's Second Progress Report agrees that priority should be given to Objective 1 regions, and that the eligibility threshold should continue to be set at 75% of the Community's average GDP, which will involve re-adjusting the allocation of spending in favour of the new Member States. However, the report stresses that this should not be at the cost of the regions in the present Member States that will lose their Objective 1 eligibility as a result of the new statistical calculations. The report supports a new Objective 2 that would promote regional competitiveness in the context of the Lisbon and Gothenburg guidelines. The Parliament's report also asks the European Commission to bring forward proposals to make regional co-operation more operational, drawing on the experience with the INTERREG initiative.

The report on structurally disadvantaged regions emphasises that the principle of solidarity should apply to regions suffering permanent geographic handicap, (i.e. islands, mountain regions and regions with low population density) affected by a clear structural disadvantage. It proposes that regardless of their level of eligibility to future structural policies (Objective 1, Objective 2 or 'phasing out'), regions suffering such permanent constraints should, within the context of their respective classification, benefit from a higher rate of Community co-financing. It proposes examining scope for including explicit references in the Treaty to regions with low population density. It also suggests that other EU policies, in particular on transport and environmental protection, might take account of the specific characteristics of regions with permanent geographic handicap. Finally, it calls for the future Constitutional Treaty to include the principle of 'territorial cohesion' as a fundamental objective, and to include provisions remedying the permanent structural constraints affecting certain EU territories.

September - Address by Commissioner BARNIER to CPMR General Assembly

Commissioner Michel BARNIER addressed the Conference of Peripheral and Maritime Regions' (CPMR) 30th anniversary conference in Saint-Malo, France on September 12th, by defending the EU's Regional Policy that some Member States are keen to see re-nationalised, owing to budgetary constraints linked to enlargement. *'We cannot spend less money in an enlarged Europe'*, he said. *'My fear is that the debate on this policy will be reduced to a debate between Finance Ministers'*. He dismissed as 'ill-advised' the proposals in the SAPIR Report. Mr. BARNIER's declarations echoed the CPMR's demands, whose members reaffirmed the principle of cohesion as a political objective of the first order for the future of the EU. They also supported the inclusion of 'territorial cohesion' in the draft Constitutional Treaty.

Mr. BARNIER said that the Commission would present proposals before the end of the year on the future of Regional Policy. He said this policy 'remains to be defined' but that the proposals would build on the emerging consensus on the following points:

- the need for a strong and credible cohesion policy aiming to 'reduce disparities that will be greater post enlargement';
- the focusing of aid on regions with a development lag, which are primarily in the new Member States, but not only so;

- the maintenance of the eligibility criteria of 75% of per capita GDP at the regional level;
- a solution for regions that suffer as a result of statistical changes following the drop in average per capita GDP: an Objective 1b for regions that would remain eligible were there to be no enlargement;
- a solution for ultra-peripheral regions;
- a substantial enhancement of co-operation between regions (notably through projects concerning accessibility);
- a system of programming, management and more simple controls (a refocusing of the Commission on its strategic role).

September - Swedish Report calls for 'Re-nationalisation'

The Swedish Institute for European Policy Studies published a report *'Reinventing Cohesion: The Future of European Structural Policy'* on September 16th calling for the re-nationalisation of EU Cohesion Policy. Without challenging the need for cohesion at the European level, it argues that this task is essentially one for the Member States and is poorly conducted by EU structural interventions.

The report calls for a complete overhaul of structural policy with further scope for intervention for projects with real European added value outside of the objective of convergence. The report questions the current aim of structural policy convergence, arguing that progress in this area is above all the fruit of national policies. It argues that disparities between the EU's poorest and richest regions have been 'overestimated'. 'The European Commission has an erroneous vision of disparities since its view is based solely on the per capita GDP criterion', it says, taking no account of re-distributions by the Member States towards less-favoured regions via various mechanisms (for example taxation policy). If one takes account of these factors, the real problems are 'less serious than is generally believed'.

The report is broadly in line with the expressed desire of certain Member States to re-nationalise all or part of the EU's structural interventions, a position also supported by the Swedish Government. (The report can be downloaded: www.sieps.se/_pdf/Publikationer/200317.pdf)

October – European Commission's initial discussion on Regional Policy

Dates for Commission Discussions

On October 1st the College of Commissioners held its first discussion on the Union's Financial Perspectives and the outlines of the future EU Regional Policy, post 2006.

As well as the October 1st discussion, the College of Commissioners is scheduled to debate the future of Regional Policy at meetings on the following dates: October 29th; November 18th/19th and December 3rd, when the 3rd Cohesion Report is due to be adopted.

Commission continues to receives inputs

As part of the negotiations phase within the Commission, a number of European regional bodies maintained the lobbying effort, including an open letter to Commission President Romano PRODI from Sir Albert BORE (President of the Committee of the Regions) at the end of September. The main thrust of President BORE's letter was a request to Commissioners to maintain Regional Policy as an EU-Member State task, to provide the sub-national level with an important role in delivering the Policy and to propose that Regional Policy be adequately resourced.

A follow-up letter from Mr. Claudio MARTINI (President of the CPMR) called for 'a single budgetary treatment' for Community funding, regardless of the future status of the regions (Objective 1 or 2). The letter from the CPMR, which represents 150 regions, is a response to the meeting of the Commission on October 1st, which focused on the EU's financial perspective after 2006.

One of the Regional Policy scenarios examined - but finally rejected by Commissioners - involved setting down the various Community funds for Objective 1 and other regions in two different budgetary subheadings. This scenario, supported by Mr. PRODI, would involve only including funds destined for Objective 1 regions in the EU structural policy budgetary heading, with funds reserved for other regions included in a new budgetary heading on growth and competitiveness, with all aid allocated to EU internal policies. The CRPM claims a single budgetary heading is needed to '*produce a widespread leverage effect throughout the EU, enabling a sustainable tripartite partnership to be initiated between EU, national and regional levels*'. In the scenario defended by Mr. PRODI, the notion of programming disappears for regions outside Objective 1, funds being allocated to excellence projects on the basis of calls for tenders.

October – Commission develops European Initiative for Growth

European Initiative for Growth

The Commission outlined its roadmap for the European Initiative for Growth (EIG) on October 1st. The EIG aims to mobilise investment in two key areas of the Lisbon Agenda: (1) Networks and (2) Knowledge. The Commission's roadmap was endorsed by the European Council on October 16-17th and the December European Council will make a decision on the EIG and its complete list of projects for action in the areas of Trans-European Networks (TENs), broadband, eTENs and R+D and Innovation.

In endorsing the Commission's proposals the European Council underlined that: '*the European Initiative for Growth will be consistent with the Stability and Growth Pact, the current Financial Perspective ceilings and in line with the commitments in the Broad Economic Policy Guidelines*'.

However, the Irish Government's position is that it isn't an issue of accessing finance for Public-Private Partnerships (PPPs) to support major infrastructure projects but rather how to manage this without breaching the rules of the Stability and Growth Pact. An Taoiseach considered that changes to the statistical rules for calculating the general government deficit (to make it easier to offset the cost of major projects over the lifetime of the construction rather than all at once in the first year), were '*far more important*' than the discussion about greater EU aid for such projects. It seems that the Government will continue to press for changes in the borrowing rules for major PPP projects.

Proposal for the Trans-European Transport Networks (TEN-Ts)

Also on October 1st, and as part of the European Initiative for Growth, the Commission proposed a new list of priority TEN-T (Trans-European Transport Networks). The list includes a total of 29 projects due to be implemented between now and 2020 at a total cost of €220 billion, (some 20% of which could be raised from the private sector with the rest coming from national and EU budgets). The projects concern the 15 Member States, the 10 accession countries and two candidate countries (Bulgaria and Romania). New co-ordination and funding mechanisms are proposed, including the scope for the EU project co-funding rate to be increased to 30% for the cross-border sections of priority projects. A new development is the provision whereby the European Commission could drop a scheme from the priority list when there is a serious delay in starting the work.

The new list of priority projects draws heavily from the recommendations of the report prepared by a group chaired by the former EU Transport Commissioner Mr. Karel Van MIERT. The list includes a new support mechanism for 'motorways of the sea' to encourage Member States to launch new cross-border sea routes for freight traffic. The 29 projects are deemed to have European interest, which means that financial aid available in the context of the TENs, the Cohesion Fund and the structural pre-accession instrument should be earmarked for them as a matter of priority.

The Commission wants the Member States to adopt a consistent policy on funding these projects and is considering systems for rewarding projects where the Member States make a budgetary commitment at an early date.

Priority projects, on the list of 29 projects, of interest to Ireland, (with completion dates):

1. Railway line Cork-Dublin-Belfast-Stranraer¹(2001)
2. UK/Ireland/Benelux road link (2010)
3. Motorways of the sea of Western Europe (leading from the Iberian Peninsula via the Atlantic Arc to the North Sea and the Irish Sea) (2010)
4. Railway line/road Ireland/United Kingdom/continental Europe – to include a Road/railway corridor linking Dublin with the North (Belfast-Larne) and South (Cork) (2010)²

The Council of Transport Ministers showed broad support for the Commission's proposals for the TENs at its October 9th meeting, although there were divergent views on the proposal for a higher level of EU parallel funding for cross-border projects.

The European Commission's proposal is to raise the EU contribution to cross-border sections of the priority projects to 30% of the total costs. France and Denmark agree with the idea, but the United Kingdom is against and Germany has mixed feelings about the issue. The United Kingdom is 'unconvinced' by the Commission's proposal, and says the bulk of the EU funding should be derived from the European Investment Bank, the Structural Funds and the Cohesion Fund.

¹ This is an older TEN project completed in 2001. A further increase in capacity on this line was decided in 2003 and added to the list of projects.

² This includes the 'Essen Project No13': road link Ireland/United Kingdom/Benelux.

October - Informal Council Meeting on Future of Cohesion Policy

(A) Presidency's Discussion Document

This Informal Council meeting, following on from the May 16th meeting organized under the Greek Presidency, had a focus on two themes: (1) the Cohesion Policy's support for the competitiveness of regions and (2) the development of inter-regional co-operation. The Italian Presidency prepared a '*Background Document for Discussion*' for this meeting, which lent firm support to the idea of an EU-wide Cohesion Policy and set out a number of questions to which delegations were asked to address.

The paper urges the need for the next programming phase to be geared more to the competitiveness targets defined at the EU Summit in Lisbon. It should back competitive strategies in both lagging and non-lagging regions, with appropriate interventions depending on their specific characters. Limited horizontal objectives should be defined at European level to be reflected in more detailed objectives at national and regional levels (and decided upon at national level). (The paper, which lacks an element of coherence, is available on the Italian Presidency's website: http://www.ueitalia2003.it/EN/LaPresidenzaInforma/Calendario/10/20/ev_20ottefrmi.htm).

(B) Joint Statement by UK and The Netherlands

The Informal meeting received a joint statement on '*Principles for Reform of EU Cohesion Policy*', submitted by the UK and The Netherlands. Some of the key issues in this statement concern:

- A call for a fundamental review of the ways in which the Union and Member States fulfill their respective roles in respect of economic and social cohesion;
- A strengthened co-ordination of Union and Member State cohesion policy, within the framework of EU goals and priorities such as Lisbon – Member States should co-ordinate their regional policies in support of EU objectives;
- Support from the EU budget should add-value and to maximize added-value EU resources should be focused on the poorest Member States;
- Actions such as trans-national co-operation, exchange of information and best practice should be supported by EU structural policy in all Member States;
- The level of EU budget spending on Cohesion Policy must be affordable – structural policy can be addressed by a budget significantly less than 0.45% EU GDP;
- The state aid regime must be reformed to enable market failures, which drive regional underperformance to be adequately tackled wherever they occur.

Reports from the meeting suggest that once this statement was presented that discussions moved away from these issues and this is reflected somewhat in the Conclusions of the meeting.

(C) Statement from Commissioner BARNIER

The statement by Commissioner BARNIER at the October 20th meeting gave an idea of the overall shape of what is set to be in the 3rd Cohesion Report.

The future Objective 1 will be focused on the convergence and competitiveness of lagging EU regions: with three action priorities: (1) the knowledge-based economy, (2) the development of basic infrastructure and (3) improving the administrative capacity of the regions. As it is today, this

will apply to NUTS II regions whose GDP is 75% below the EU average. Differentiated and fair treatment is proposed for regions that will emerge from Objective 1 owing to the statistical impact of enlargement. This will be a kind of Objective 1-(II) to allow these regions enjoy, at the start of the programming process, financial levels similar to the ones they now enjoy under Objective 1. Aid rates will then taper off over the programme period. Similar treatment will be handed out to seven very remote EU regions. Entitlement to the EU Social Fund would be based on criteria that are exactly the same as the present ones: a national GDP 90% below the EU average.

The future Objective 2 would apply to all EU regions that do not qualify for Objective 1 (it now covers only 18% of the European population). It has to be based on a 'regional' and a 'national' component. Each one would enjoy half of the budget allocated for this Objective. As Commissioner BARNIER has often said (and in common with what most Member States have been seeking), there will be no prior zoning. Each Member State will be able to decide the areas that will qualify for EU support. The Commission will therefore no longer be required to rubber stamp a pre-determined list of Objective 2 regions. Three action priorities appear in the 'regional' component: (1) innovation and the new economy; (2) the environment and risk prevention; and (3) accessibility.

Regions that leave Objective 1 naturally (such as the BMW area) will come under this heading (with the possibility of "phasing in"). The financial focus will be on regions with structural or natural handicaps. The national component of Objective 2 will have the European Employment Strategy as its focus. This more or less coincides with the present Objective 3 of the Structural Funds, with four action priorities proposed: (1) improving education and training systems; (2) promoting lifelong learning; (3) facilitating participation in the digital economy; (4) integrating immigrants and promoting the digital economy.

The third priority for the future cohesion policy is set to be inter-regional co-operation. This should define and implement the Lisbon and Gothenburg objectives, while taking account of the issues of borders, geographic disadvantages and incorporating large cross-border areas. This component relies to a great extent on the current INTERREG initiative, but makes it more straightforward. The financial resources for this should be boosted, particularly for the transport networks. Co-operation with new external borders should be helped along with a new proximity instrument.

The Commission's current thinking on urban issues is that they should be dealt with in a new URBAN III programme. The Commissioner is anxious to respond to urban issues and believes that cities want a new URBAN, even though the Commission considers that mainstreaming urban issues is more logical and could provide for decentralised management arrangement led by relevant urban authorities.

As for the method, the Commissioner highlighted the requirement for more effectiveness, simplification and flexibility. The simplification process involves phasing out the additional programming and the EU support framework. There will be more use of programmes deploying a single fund. The management and vetting system will generally be more decentralised, while observing the proportionality principle (less stringent checks for smaller programmes) and seeking assurances for national management and auditing systems. An annual Commission-Council-European Parliament meeting will be used for making a review and possible adjustment to the programming process.

(D) The Budget for Cohesion Policy

At the Rome meeting, the delegations were anxious for the budget (whether in absolute terms or as a percentage of GDP) to be defined later on, after decisions about the forthcoming budget prospects and European Commission reform proposals for delivery.

Commissioner BARNIER emphasised his position: a budget equal to 0.45% of EU GDP would be the credibility threshold for the EU's Cohesion Policy - to provide the cohesion policy with an amount matching the commitments made with the Accession Countries and suitable for dealing with the challenges facing the current Member States. He stressed that the future Objective 2 will secure a modest but significant, non-residual share of the cohesion budget. His spokesman stressed it should cover about 20% of the budget for the future cohesion policy. 70% would be for Objective 1 and 10% for interregional co-operation.

Also at the meeting the German position seemed to noticeably harden, from the May meeting. It seems that the serious financial and budgetary plight of the German government is affecting its approach on EU resources. As the main net contributor to the EU budget they will be looking very critically at all proposals that increase the EU budget.

(E) The Irish Negotiating Positions

Minister Tom PARLON TD represented the Irish Government, and a number of key issues for Ireland were outlined, under the meeting's themes of competitiveness and co-operation:

Cohesion and Competitiveness

- For Ireland economic infrastructure, roads and public transport are the main need. However, Ireland appreciates that the balance of needs in other Member States may be different. This suggests that Member States and regions should have the freedom, within EU Cohesion Policy, and in cooperation with the European Commission, to design the most appropriate package of investments for their development needs.
- We must not let the statistical affect of enlargement obscure the development needs of regions where per-capita GDP has recently moved over 75% of the EU15 average.
- Agenda 2000 recognised the undesirability of a sudden cut-off of aid. The post-2006 arrangements for Cohesion Policy should consolidate and not undermine progress made to date. The transition arrangements under Agenda 2000 were grounded in rational considerations that are still valid. These considerations should also be reflected in the arrangements that apply after 2006.
- Future arrangements for EU Cohesion Policy should allow for the full and active involvement of the regions in the formulation and implementation of EU programmes. Ireland's regional bodies have played a positive role in the formulation and implementation of regional development policy. Regional and local public bodies can help ensure that both the European Commission and national governments are fully aware of the development needs and challenges of individual regions.
- We should not allow for a purely mechanical operation of the rules on state aids. We must ensure that the state aids rules do not undermine the achievements of cohesion to date.

Cohesion and Cooperation

- For Interreg to be a more effective instrument for regional development, a simplified regulatory regime is necessary, as with structural assistance generally.
- The choice of instruments for cohesion and cooperation should be in the hands of national authorities, who are best positioned to coordinate all aspects of regional development between national policies and EU funded Programmes.
- Ireland would therefore support the continuation of cross border cooperation along the lines of Strand A of the Interreg III Community Initiative and physical development should be included in cross-border cooperation to make it a significant instrument of regional development.
- We need to carefully consider what resources should be assigned to transnational and interregional cooperation under Strands B and C.

(F) The Informal Meeting's Conclusions

The Informal meeting produced a short, but general, set of conclusions. The most significant statement, highlighting the political balance that exists, was that *"most countries agree that EU Cohesion Policy must involve all EU regions. While some favour an approach which focuses on the poorest Member States. Resources must be further concentrated in lagging regions (including those in phasing out, with special attention when the 'statistical effect' is at work)".*

There was also wide agreement that high-level long-term objectives for Cohesion Policy should be agreed at the Community level but, with a high diversity of conditions between EU regions, there is a need for implementing instruments and regional-specific target to be established by the Member States and the regions themselves.

Almost all countries agree that Cohesion Policy should be oriented to the supply of infrastructure, both physical and non-physical (R+D, Innovation, human capital), since they are likely to generate a higher long-term impact on regional competitiveness. State aids can be a complementary tool but must not be used to shift investments from one territory to another. The coupling of a further reduction in the maximum intensity of regional state aid, with a higher degree of flexibility should be evaluated (especially for SMEs).

All countries agree on the need to reform delivery mechanisms, including: a clearer division of responsibilities between levels of governance; greater subsidiarity; proportionality between controls and financial size of initiative, use of indicators and new mechanisms for the exchange of best practice.

These, and other issues, were raised during the meeting, which, the conclusions state: *'can enable the Irish Presidency to initiate the negotiating phase, after the publication of the 3rd Cohesion Report'*. According to other reports from the meeting it seems that if good progress is made at the Portlaoise meeting in February then there maybe a report to the full Council of Ministers' meeting in March. If good progress continues, then the Commission may set out some draft Regulations before Summer 2004. If not, then it will be 2005, after the new Commission has been installed in the autumn. The Conclusions can be accessed on:

http://europa.eu.int/comm/regional_policy/debate/document/futur/member/rome_201003.pdf

October/November – Italian Presidency busy with the Regions

Meeting on the Role of Regions – October 16-17th

This Ministerial Meeting held in Rome on *'The Role of the Regions in the European Union'* was intended to provide an informal forum for discussion on the role of regions and local authorities within the framework of the present debate on new ways of governance in the EU. While no formal decision was made the meeting adopted a declaration of intent, which will be presented to the EU Institutions.

The declaration of intent expresses the hope that the Union's working methods shall recognize, in a better way, the role of regional and local authorities where relevant in the elaboration and implementation of EU policies. It points to better consultation, the application of the principle of Subsidiarity, the role of the Committee of the Regions and the role of local and regional authorities in fostering greater integration of Europe's peoples. *(For a copy of the declaration of intent visit the Italian Presidency website: <http://www.ueitalia2003.it/EN/>)*

Future Developments

November:

Delegation from the Southern and Eastern Regional Assembly visit Brussels for meetings with Mr. Ronnie HALL (Commissioner Barnier's Cabinet), Mr. Paddy BARRY (Finance Counsellor, Irish Permanent Representation) and others to discuss Regional Policy developments **(Nov 4-5th)**;

European Commission will organize a high level conference on the 'Future Development of Rural Areas in an EU25' in Salzburg, Austria **(Nov 13-14th)**;

Italian Presidency holds Ministerial Meeting on The Specificity of Mountain Areas in the European Union, in Taormina, Italy **(Nov 14-15th)**;

European Commission discusses the publication of the 3rd Cohesion Report and the future Financial Perspectives **(Nov 18th/19th)**;

Commission will publish its overall financial perspectives for post 2006. This will propose the overall budgetary structure within which Cohesion Policy will be set **(mid-Nov)**.

December:

European Commission is scheduled to adopt the 3rd Cohesion Report **(Dec 3rd)**;

Irish and UK Delegations to the Committee of the Regions hold a joint meeting in Belfast at which Mr. Ronnie HALL (Cabinet of Commissioner Barnier) will make a presentation on the 3rd Cohesion Report **(Dec 9th)**;

European Commission set deadline of December 31st for new Member States to be fully aligned with EU legislation in order to draw-down €22billion in Structural and Cohesion Funds.

Irish Presidency of the European Union:

Ireland assumes the Presidency of the European Union on January 1st, 2004;

Informal Council meeting on the Future of EU Regional Policy takes place in Portlaoise and chaired by Minister Tom PARLON TD **(Feb 26-27th)**;

Minister Eamon O'CUIV TD will host a conference on the Future of Islands, to take place in Galway **(May 19-21st)**;

Minister Eamon O'CUIV TD will also host a conference on Rural Development, to take place in Mayo **(May 30th – June 1st)**;

Cohesion Forum will take place in Brussels during the Irish Presidency.

Forthcoming Events

Meeting on Mountain Areas – November 14-15th

The Italian Presidency will also hold a Ministerial Meeting to discuss policies leading to the enhancement of mountain areas, addressing the need to identify criteria that will enable the EU to focus on the specific characteristic of such areas. It seems that the Italian Presidency is anxious to put the issue of mountain areas in the same context as less privileged areas and islands (there has been a focus on 'permanent structural handicaps' during the discussions on the reform of EU Regional Policy). The Presidency hopes the meeting will help develop *'synergies capable of strengthening the economic, social and territorial cohesion of those areas where conditions of poor accessibility hinder economic integration with the rest of the Union'*.

The meeting takes place on November 14-15th and is expected to adopt a joint document, which will become the springboard for the development of a global, integrated policy for mountain areas.

2nd European Conference on Rural Development – November 12-14th

Seen as a follow-on to the Cork Declaration (November 1996), the 2nd European Conference on rural development '*Planting seeds for rural futures - Rural policy perspectives for a wider Europe*' will take place from November 12-14th in Salzburg, Austria. The main purpose of this conference is to provide an opportunity for a wide reflection on the experience of the current generation of rural development programmes (2000 - 2006) which receive EU funding and to set the priorities for the future rural development policy for the next programming period from 2007 onwards in an enlarged EU.

Commenting on the conference, Commissioner FISCHLER, said *"the Salzburg conference will sow the seeds for the future EU rural development policy in an enlarged Europe. On the eve of the biggest enlargement the European Union has ever witnessed, our rural policy is facing new challenges. It will need to evolve further in order to accompany effectively the on-going CAP-reform process. We are facing important questions. What challenges and difficulties are people in rural areas going to face? What should be done to counteract increasing depopulation in some rural areas? How to ensure the future economic, social and environmental viability of rural areas? How to further a balanced development of farming and non-farming activities? In what way could urban and rural areas and policies interact and complement each other? I hope that this conference can provide us with valuable input to answer these questions"*.

The conference will bring together over 1,000 stakeholders in rural development, including the agriculture ministers from the EU-15 and twelve acceding and candidate countries. Regional Policy Commissioner BARNIER will also address the conference.

Further Action in Influencing Policy

Commission continues to accept contributions

It is likely that the College of Commissioners will continue to receive contributions on the broad principles of the future Regional Policy, during their consideration of the key issues over the coming weeks.

DG REGIO continues to accept contributions to the debate on the future of EU Regional Policy and currently displays the submissions it has received to date on its website. If you wish to view these papers visit: http://europa.eu.int/comm/regional_policy/debate/reflex_en.htm

Interested parties wishing to contribute to the debate, may continue to do so by sending submissions to: REGIO-reformdebate@cec.eu.int and formally by mail to:

European Commission
Regional Policy Directorate-General
Unit A.1
200, rue de la Loi
B-1049 Brussels

Following the launch of the 3rd Cohesion Report

Once the Commission adopts the 3rd Cohesion Report on December 3rd the process of negotiations changes focus, as the proposals contained in the Report will be considered by the EU Institutions such as the European Parliament and the Committee of the Regions and will be closely considered by the Member and Accession States. The Commission will also organise a Cohesion Forum in Brussels during the first half of 2004, which will provide an opportunity for an open discussion of the 3rd Cohesion Report's proposals.

Lobby efforts will now begin to focus on influencing the opinions of the Committee of the Regions and European Parliament and in particular the approaches that the national governments will take during the negotiations.

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