



Committee of the Regions

COTER-V-040

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**DRAFT OPINION
of the
Committee of the Regions**

RECOMMENDATION FOR BETTER SPENDING

Rapporteur: **Alberto Nuñez Feijóo**
President of the Autonomous Community of Galicia

Deadline for tabling amendments:

midnight on Monday, 23 September 2013 (Brussels time) to be submitted through the online tool for tabling amendments (available on the Members' Portal: <http://cor.europa.eu/members>)

Number of signatures required: 6

Reference document

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I. POLICY RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS

Role of cohesion policy and of local and regional budgets

1. stresses the important role which cohesion policy has played up until now in the process of convergence between the regions of the European Union and highlights the role which it will continue to have in the future as a basis for creating jobs, promoting economic growth and combating inequality, thus helping to achieve the objectives of Europe 2020. In fact the Structural Funds represent more than 60% of all public investment in six Member States and between 30% and 60% of public investment in seven Member States;
2. stresses the importance of local and regional budgets as a proportion of public spending in the European Union, which represented 16.7% of GDP in 2011, making up 34% of total public spending in the European Union, with direct investment playing a major part in these budgets, which is a key factor in rapid economic recovery. In this connection, points out that cohesion policy funding should be seen as investment and not simply as public spending;

General factors which can contribute to better spending

3. considers that, in order to ensure better spending, it is not enough simply to increase the effectiveness and efficiency of the allocation of resources; it is also necessary to take account of the territorial differences and obstacles which can impede growth in certain regions, analyse the effect of these on spending and seek ways of reducing the impact on cohesion policy;
4. recommends concentrating the resources provided by European funding on the areas of greatest strategic importance in each region, particularly knowledge-based areas, education, research and innovation, which exert a leverage effect on the rest of the economy of the regions;

Coordination of spending

5. reiterates the fundamental importance of suitable coordination between the various administrative levels, between different cohesion policy activities, and between these and sectoral urban and rural development activities channelled through the EAFRD and fisheries sector activities channelled through the future EMFF, in order to achieve synergy in the use of resources for the 2014-2020 programming period;
6. considers the integrated approach of the Common Strategic Framework for the new programming period to be positive; this brings together all the resources assigned to regional purposes, although it highlights the problem of coordination between activities, given that the

thematic objectives set out in the proposal for a common provisions regulation differ from the six priorities established for the EAFRD and the EMFF. Moreover, each fund is governed by the specific provisions of its own regulation, which complicates the implementation of a truly integrated approach;

7. reiterates the connection between cohesion policy and the 2020 strategy and stresses that the global objectives of strengthening competitiveness and employment (sustainable growth, employment and welfare) remain fully valid. In this connection the impetus given by cohesion policy to R+D+i and knowledge is of fundamental importance; it has made it possible to develop innovative projects, while increasing Community added value and stressing the importance of the coordination of cohesion policy programmes and financing instruments with innovation and research policies;
8. highlights the importance of following up the results obtained by the application of cohesion policy in order to measure its impact. Every activity should be quantifiable in order to assess the contribution of resources to regional and local development. Moreover, an approach based on objectives rather than on the eligibility requirements for funding enables regions to choose instruments and measures better and to adapt them to their needs;

Governance and decentralisation

9. stresses that multilevel governance and cooperation between various levels of government are essential for improved implementation of the funds with a view to achieving the objectives of the 2020 strategy. In this connection, welcomes the fact that the Common Strategic Framework will include multilevel governance and the partnership principle among its horizontal principles, and recommends that the Commission draw up the European code of conduct provided for in Article 5(3) of the Common Provisions Regulation in order to promote the active participation of local and regional authorities, economic and social partners and bodies representing civil society in all stages of the programming cycle;
10. points out that decentralised implementation is much more efficient, in terms of both costs and quality of local public services, as it offers major advantages in identifying needs and demand as well as in the design of policies intended to boost sustainable and competitive growth while at the same time strengthening autonomy and local democracy;
11. considers that decentralisation through regional and local institutions plays a crucial role in reducing existing economic and social disparities between Europe's regions, thus helping to mitigate the negative impact of the rural exodus from poorer regions to major urban centres, as well as emigration, which weakens the labour market in some Member States; points out that advance long term and annual planning and designing of investments in the regions is essential to better targeted and effective investments. A Bottom up approach is critical to better planning of countries' investment programmes and national Development plans;

12. points out that the added value of spending in the European Union depends on specific obstacles encountered in each region and that, consequently, it is impossible to design a common strategy applicable to all regions, which in turn requires a degree of flexibility in the framework of rules for the programming period;
13. considers that, in order to achieve the objectives pursued, independently of differences between regions, significant participation by local and regional authorities is essential for the implementation of the funds in the period 2014-2020, from the design of the framework of rules to the implementation of activities;
14. recommends decentralising operational management at regional and local level, which will increase coordination and complementarity between funds and ensure a bottom-up approach based on the needs and characteristics of each territory. Moreover, this decentralisation will assign to the local and regional authorities entrusted with implementation the responsibilities incumbent on each operational programme authority;

Application of the subsidiarity principle

15. points out that the subsidiarity principle requires political and regulatory decisions to be taken at the level which is most appropriate for the achievement of the objectives and as closely as possible to the public;
16. stresses that the Lisbon Treaty strengthened the subsidiarity principle, enshrining the identity of the regions and municipalities in the Treaty and strengthening the role of the Committee of the Regions, which has acted as an incentive for various Member States to implement or plan institutional reforms to increased decentralisation and strengthen the local and regional levels of government;
17. stresses again that the cohesion policy approach based on subsidiarity needs to be retained and further developed, so that the role of local and regional authorities in all phases of the life cycle of structural activities is strengthened;
18. advocates the use of the subsidiarity principle in conjunction with proportionality, and not just in the interests of greater efficiency: for example, the current decentralised system for the design of operational programmes should be maintained or even strengthened, in order to give an impetus to regional and local autonomy in the practical implementation of European cohesion policy; this will result in planning which is more closely geared to the needs and priorities of each region;
19. considers that the regional and local authorities should assume the maximum level of powers in programmes and activities developed in each region, to achieve a truly integrated place-based approach. The regions are the most suitable partners for those responsible for the funds at EU level and can interconnect European, national, regional and local initiatives;

Conditionality and cohesion policy

20. reiterates that *ex ante* conditionalities should be restricted to areas directly related to the implementation of cohesion policy and that it is important to avoid overloading cohesion policy with responsibilities which are not its concern and which merely increase bureaucracy;
21. points out that regions and local authorities are in most cases not responsible for the achievement of economic governance objectives, which means that the application of macroeconomic conditionality at national level would make cohesion policy less fair while at the same time giving rise to uncertainty as to the financing of new projects in the future;
22. Reiterates its firm opposition to macroeconomic conditionality;

Monitoring mechanisms

23. calls for a differentiated approach to the use of quality and quantity results indicators, which should be relevant and selected appropriately targeting the result of the projects and long term benefits rather than theoretical assumptions, in an attempt to harmonise at European level the criteria for evaluating the results of fund activities;
24. expressly supports the evaluation culture, which allows for continuous improvement of the quality of strategies and procedures, recommends promoting the exchange of experience and best practice between national and regional authorities throughout Europe. To achieve this objective, it proposes that an integrated database be set up to compile best practices and technologies financed by any of the funds under the Common Strategic Framework;

Reserves

25. reiterates its proposal for the establishment of a flexibility reserve financed from the automatic decommitment of resources, so that those responsible for policy can orientate medium-term strategy, thus providing an incentive for implementing the spending initially assigned to each operational programme;

Integrated Territorial Investment

26. considers that the option of designing and applying strategies by means of integrated territorial investment, which allows cross-sectoral activities to be implemented with financing from one or more priority axes or programmes, would help ensure that the projects selected have a greater real impact on the areas in which they are developed, while giving the funds greater added value and increasing the efficiency of spending;

Management of programmes

27. endorses the idea of combining financial instruments and subsidies as complementary instruments contributing to balanced regional development and smart growth. Suitably combined use should be an essential feature of investment policies for the period 2014- 2020. The Centre for European Policy Studies (CEPS) took this line in a report for the European Parliament, arguing that innovative financial instruments should not be a substitute for aid and are only suitable for financially profitable projects;
28. considers that during the implementation of the multiannual financial frameworks developments occur which could affect the initial objectives and priorities. Although frequent changes to planning are not desirable, there should therefore be greater flexibility to reallocate part of programme resources internally. This reallocation would at all events have to be in line with the initial objectives and be on a scale which would not significantly affect the achievement of those objectives, while making it possible to adapt them to the new situation in the region;

Simplification

29. considers that, although the implementation requirements and financial control provisions have been tightened up, the simplifications announced in the 2007-2013 period have not materialised; on the contrary, disproportionate costs have arisen. The Committee therefore reiterates the need for real simplification of the administrative burden, focusing greater effort on programme management. This simplification should extend from the Commission to potential beneficiaries, being consistent with the essential requirements for monitoring and supervision of activities and guarantees to beneficiaries;
30. is convinced that all the simplification measures adopted at EU level will not have any significant impact on programme management unless they are accompanied by genuine simplification measures at national, regional and local level, in line with the powers of each level of government;
31. suggests as possible mechanisms for simplifying management: the standardisation of procedures and documents, the use of common IT tools and the effective establishment of one-stop shops, thus avoiding interdepartmental formalities within the same administration;
32. recommends wider use of e-administration, which can play an essential role in the deployment of resources and relations between beneficiaries, the real promoters of wealth creation, and authorities and managers of various activities;
33. recommends the alternative approach of standard costs as a model for approval and justification of spending, which can reduce the administrative load without adversely affecting the objectives of activities;

34. reiterates the possibility of reducing other bureaucratic formalities by means of simplified reports and checks on progress, checks on the reliability of monitoring and supervision procedures and auditing of programmes;
35. highlights the usefulness of single-fund programmes which have made it possible to simplify approval and revision procedures compared with integrated programmes, and points to the advantages of multi-fund operational programmes. These make it possible to maximise the positive impact of EU support in the regions by exploiting in an integrated way the opportunities created by the various development instruments;
36. points out that the implementation of Community rules in national law is a potential focal point of conflict for fund management. Therefore calls on the competent authorities to exercise the greatest rigour in drawing up the rules, particularly those with a horizontal impact on programmes, such as the rules on contracts or subsidies;
37. considers that the close relationship between cohesion policy and European rules on state aid and services of general economic interest make it necessary, in the context of every reform, to pay particular attention to compatibility between financing mechanisms and to avoid imposing additional administrative burdens in connection with programme management. Recommends that guidelines on State aid for 2014 – 2020 be drawn up to facilitate the implementation of operations, simplifying and reducing the prior approval or communication requirements to be met by aid schemes financed by European funds;
38. reiterates the need for a clear framework for application of the rules on state aid to financial instruments and public-private partnerships, avoiding duplication or delays in project implementation;
39. proposes that the simplification introduced by the Commission, limiting the number of criteria for eligibility for subsidies in specific support activities, be implemented. It therefore suggests that indicators be introduced into the project selection processes making it possible to analyse both the impact of investment and the maturity of projects, thus ensuring more efficient allocation of resources, with priority for those with greater added value and economic impact. Strengthening of administrative capacities of Local Authorities, especially in those cases when they are Final Beneficiaries of the projects, for public procurement and technical supervision and after investment assets management is essential for success of investments in long term;

Financing alternatives

40. recommends that the competent authorities make use of the option of obtaining private co-financing, since it is an additional cohesion policy option, against the backdrop of ever

scarcer public resources; this would certainly add value to this policy; in this regard, Public Private Partnership models might be a model to develop in the new programming period;

41. draws attention to the important role which the EIB can play in this context and to the additional possibilities offered by the framework loans and structural programme loans;
42. argues, as in previous opinions, that consideration should be given to the possibility of issuing bonds for the financing of major projects which are likely to be economically profitable in the medium-term;

Financial instruments

43. recognises the operational difficulties facing financial instruments at present, and is particularly aware of the specific concerns and needs of towns and urban areas with regard to the development of the Jessica instrument, as a result of tensions between programme management authorities and municipal authorities. Therefore reiterates the need to facilitate the use of loan-based instruments in the appropriate areas, when implementing cohesion policy, given their multiplier effect and positive impact on the effectiveness of support activities, and the consequent alleviation of the burden on regional and local budgets;

Retroactivity of the provisions

44. rejects the practice of establishing retroactive provisions and considers that this should be avoided in the future, as it makes management more difficult and generates legal uncertainty; urges that the application of a proportionality principle be studied which would tailor supervisory requirements to the scale of the projects co-financed from the Structural Funds;

Proportionality of controls

45. considers that the option of establishing "contracts of confidence" between the European Commission and the regions could prevent duplication in auditing procedures, in line with a proportionality principle;
46. considers that a specific approach needs to be taken to designing EU-level guidelines concerning the management and supervisory mechanisms applicable to multifund projects or programmes, in order to prevent administrative duplication that could discourage their use; this applies in particular to the appointment of single competent authorities, overall reporting and comprehensive auditing;

47. points out that the authorities responsible for managing projects should be a highly sensitive to the provision of additional resources to the regions by the European Union, consequently, recommends that they adapt their organisations in such a way as to ensure that an appropriate organisational structure is in place for optimum use of these resources.

Brussels,

II. PROCEDURE

Title	Recommendation of local and regional authorities for better spending in the new financial perspective 2014-2020
Reference(s)	
Legal basis	Art. 307 TFEU
Procedural basis	Rule 39 §a of CoR Rules of Procedure
Date of Council referral/Date of Commission letter	22 April 2013
Date of Bureau/President's decision	22 April 2013
Commission responsible	Commission for Territorial Cohesion Policy (COTER)
Rapporteur	Mr Alberto Nuñez Feijóo (ES/EPP) President of the Autonomous Community of Galicia
Analysis	24 May 2013
Discussed in commission	11 July 2013
Date adopted by commission	11 July 2013
Result of the vote in commission	Majority
Date adopted in plenary	Scheduled for 7-9 October 2013
Previous Committee opinions	<ul style="list-style-type: none"> • Opinion on Synergies Between Private Investment and Public Funding at Local and Regional Levels (CdR 272/2013) • Opinion on Creating Greater Synergies Between EU, National and Subnational Budgets (CdR 1778/2012) • Revised Opinion on The New Multiannual Financial Framework Post-2013 (CdR 1777/2012 fin) • Opinion on the Proposal for a General Regulation on the Funds Covered by the Common Strategic Framework (CdR 4/2012 fin) • Opinion on The New Multiannual Financial Framework Post-2013 (CdR 283/2011 fin¹) • Opinion on the Fifth Cohesion Report (CdR 369/2010 fin²) • Opinion on Smart Regulation (CdR 353/2010 fin³) • Opinion on the EU budget Review (CdR 318/2010 fin⁴) • Opinion on the Contribution of Cohesion Policy to the Europe 2020 Strategy (CdR223/2010 fin⁵)

1 [OJ C 54, 23.2.2012, p. 40.](#)

2 [OJ C 166, 7.6.2011, p. 35.](#)

3 [OJ C 9, 11.1.2012, p. 14.](#)

4 [OJ C 166, 7.6.2011, p. 9.](#)

5 [OJ C 15, 18.1.2011, p. 10.](#)