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final

Dear Mr Seehöfer,

*Thank you for the Bundesrat's opinion on the proposal for a Regulation of the European Parliament and the Council on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 {COM(2011) 614 final}.*

*The Commission welcomes the Bundesrat's opinion and takes note of the points it contains. While the Bundesrat agreed in its overall assessment with the goals of the Europe 2020 Strategy, it regretted the limited scope for action by regions and increased bureaucracy for ERDF aid. The Bundesrat then went on to give its detailed reaction to the individual elements.*

*Regarding the ERDF's tasks and areas of intervention, the Bundesrat acknowledged that they are in principle geared to strengthening economic, social and territorial cohesion and pursuing the goals of the Europe 2020 Strategy, but it called for them to be made more concrete and flexible. Regarding the relationship between Articles 3 and 5 of the proposed Regulation, the Commission would like to make it clear that Article 3 governs the ERDF's scope for intervention, in other words the types of investment that can receive ERDF support, whereas Article 5 contains investment priorities that must fall within the ERDF's scope for intervention set out in Article 3.*

*The Bundesrat urged that investment aid should continue to be available for large firms. In our view, productive investments to preserve and create jobs should remain limited to small and medium-sized enterprises (SMEs). Large firms generally have better access to aid for financing and a greater capacity to finance themselves. With larger businesses there is also the risk of displacing private investment, something that can outweigh the positive effects of aid. However, large firms can be granted aid for research and development activities, for example in the field of technical development, applied research, or key technologies. Support for large firms will also continue to be possible in the fields of research, technology, and knowledge transfer, as well as for cooperation and networks.*

*The Commission welcomes the fact that the Bundesrat considered it right in principle to exclude investment in infrastructure for basic services in more developed regions. The Commission, too, believes that such investment can be financed in other ways, for instance by national/regional budgets or by charging users. However, the Bundesrat urged making this limitation on aid more specific and flexible, in particular in the area of transport. The Commission proposal envisages funding for investment in social, health, and education*

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*infrastructures even in more developed regions. Small-scale investments, for instance in an urban context, would also be possible. Under the Commission's proposals, the 'Connecting Europe' facility would be available for larger-scale infrastructure investments.*

*The Commission welcomes the Bundesrat's support for the principle of concentrating resources on clear thematic goals. However, the Bundesrat rejected the proposal to set quotas at European level. The Commission considers the principle of thematic concentration absolutely vital at a time when public finances are under strain. It is also essential to ensure that funding is used to complement national and regional aid instruments. Thematic concentration cannot be ensured solely during the preparatory and negotiating process, it also requires a mechanism at European level. This is crucial both to ensure equal treatment for all Member States and regions and to give a visible signal of the commitment to use cohesion policy more effectively for Europe 2020 goals. The proposed mechanism and quota arrangements were defined primarily based on existing ERDF investments. A large proportion of ERDF resources in many regions is already focused on the three proposed areas.*

*Furthermore, the proposed system also provides for the necessary flexibility: the thematic goals are defined in broad terms and allow the Member States and regions to compose the appropriate mix of interventions according to their needs and specific objectives. There is also flexibility as regards the weighting of research and innovation as against SMEs' competitiveness, provided the minimum level of efforts to reduce CO<sub>2</sub> emissions is observed. Moreover, the concentration requirements apply at national level, so that differentiation is possible between regions within a Member State.*

*The Bundesrat's opinion contains detailed comments on fleshing out the individual investment priorities, and the Commission has taken particular note of these. The investment priorities are an important factor for turning the thematic goals flowing from the Europe 2020 Strategy into actual investments on the ground. They will help to ensure the necessary concentration on Europe 2020 goals.*

*The Commission agrees with the Bundesrat that the objective of equal treatment and non-discrimination is especially important. The provisions of Article 7 of the general Regulation apply to the ERDF. And Article 87 of that same Regulation requires that operational programmes include descriptions of the measures for non-discrimination and of their contribution to promoting equal treatment between men and women.*

*The Commission welcomes the Bundesrat's support for aid for comprehensive measures in urban areas and its backing for boosting the urban dimension. The Commission's proposals do indeed provide for an appreciable strengthening of the urban dimension. Some 70% of our population live in urban areas, and they are the driving force behind the European economy and catalysts for change and innovation. At the same time these are also the areas that are often most affected by challenges such as unemployment and segregation. Achieving our vision described in the Europe 2020 Strategy will therefore depend largely on our success in urban development.*

*To be able to implement integrated urban development measures effectively, it is important to set aside funds for this purpose in a common pot. The Commission proposes earmarking at least 5% of ERDF funds for this in each Member State. We realise that in some countries – including Germany – this minimum has already been exceeded in the current aid period. At European level, however, the average figure is only 3%, so that a further focussing of effort is needed. Concerning the plan to delegate tasks to cities, I should like to point out that the*

*nature and extent of delegation can be tailored individually to a city's administrative organisation and capacity.*

*Submitting a list of the cities administering and implementing these integrated territorial investments for sustainable urban development largely on their own responsibility is important in order to guarantee the visibility of the urban dimension of cohesion policy and to tie in the cities as partners in the programming and implementation of programmes at an early stage.*

*The Bundesrat expressed reservations on the innovative measures for sustainable urban development and the creation of an urban development forum.*

*Promoting innovative measures is important to bring back an experimental element into the urban dimension of cohesion policy, something that has been pushed somewhat into the background by 'mainstreaming' under the Community's URBAN initiative. Through the innovative measures, with what is an admittedly small, but not insignificant proportion of up to 0.2% of total ERDF resources, the Commission wants to promote a Europe-wide competition for especially far-sighted and forward-looking pilot projects and model schemes for sustainable urban development, in order to find approaches that are of particular European interest and so deserve recognition and publicity throughout Europe. It is therefore also important for these funds to be administered centrally by the Commission rather than to assign their administration proportionally, and therefore in advance, to the Member States and regions – regardless of the innovative nature and transferability of the measures in the European context.*

*The urban development forum is an instrument designed to support cities in implementing the new instruments (integrated territorial investments, innovative measures). It is, then, a specific instrument to support the urban dimension in operational programmes, which will make it possible to build up a capital of experience and results in implementing ITIs and innovative measures and which will play a major role in strengthening institutional capacities. Given these specific goals, we do not see any room for overlap with other programmes that are primarily intended for exchanging experience, such as the URBACT programme.*

*In view of the clear focus on the thematic goals of the Europa 2020 Strategy, it has been decided in principle not to provide for a separate priority axis for the territorial development of certain areas, including urban areas, but instead to treat integrated territorial development as a cross-cutting task. Consequently, instead of opting for a separate, all-embracing urban priority axis, the new instrument of integrated territorial investment was introduced, making it possible to pool together resources from various thematic goals to provide the funding needed for integrated measures, so making it clearly visible and evident how sustainable urban development contributes to the various goals of the Europa 2020 Strategy. Details of the practical implementation will be discussed further in the course of the negotiations, in order to achieve the best possible compatibility between the goals of thematic concentration and support for integrated measures.*

*I look forward to continuing our dialogue on shaping future cohesion policy.*

*Maroš Šefčovič  
Vice-President*

