



EUROPEAN COMMISSION

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Dear President,

Many thanks for the Bundesrat's position paper on the Commission's proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006, {COM(2011) 615 final}. The Commission would like to apologise for the late reply.

The Bundesrat has declared its support for the financial framework proposed by the Commission for cohesion policy and has emphasised that the European Social Fund for strengthening social cohesion in Europe is of fundamental importance. In this context, the Commission regrets that the Bundesrat is opposed to establishing quotas for the ESF. Reliable financing will be needed to complete the mission of the ESF between 2014 and 2020. As also recognised by the Bundesrat, the ESF will pursue three of the five Europe 2020 headline targets. This is why the Commission has proposed for each category of regions minimum shares for the ESF reflecting this political commitment and highlight the importance of the Fund for the Union. The Commission is pleased to observe that the Bundesrat is in favour of improving the coordination between the different cohesion funds by means of the Common Strategic Framework. However, the Bundesrat has opposed in particular focusing solely on the Europe 2020 Strategy and adopting the Common Strategic Framework by delegated act. In order to facilitate the discussions on the Common Strategic Framework, the Commission presented recently a revised version of the regulation including elements for a Common Strategic Framework. This should help clarifying the observations put forward in the Bundesrat Decision concerning the content and legal status of the Common Strategic Framework.

The Commission welcomes the Bundesrat's openness to the basic idea of Partnership Contracts. However, the Bundesrat was critical of the link to country-specific recommendations and National Reform Programmes, the complexity of the instrument, and interference with federal structures within the Member State. We take the view that Partnership Contracts are key to strategic governance as they guarantee consistency and coordination between the different EU instruments and provide a general overview of their contribution to the Europe 2020 Strategy in Member States. In this context, it is also important to link investment under cohesion policy with the European Semester and not to isolate it from the reform process for economic and employment policy. The specific way in which Partnership Contracts are designed will reflect the institutional makeup of the individual Member State. The division of responsibilities within Member States will remain unchanged.

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The Commission notes the concerns of the Bundesrat regarding conditionalities. Conditionalities are important to ensuring that funds are used effectively. Experience has shown that using EU funds on the basis of an unstable macroeconomic framework does not always yield the anticipated results. In such cases, a mechanism is needed which enables solutions to be found through dialogue with the Member State. In individual cases this could lead to sanctions, but only as a last resort. The Commission proposal also provides for systematic and transparent use of ex ante conditionalities. Only ex-ante conditionalities which are directly related to the effectiveness of cohesion policy investment would be used. Any additional bureaucracy which may result from the introduction of conditionalities would be clearly offset by the improvement in the effectiveness of investments.

The Bundesrat supports the Commission's objective of ensuring structural funds are used in as targeted and results-oriented a way as possible. However, it admits to being sceptical of introducing and actually implementing a performance reserve. The Commission's proposals provide for a performance framework and a performance reserve as a means of creating incentives for performance and focusing on results. As part of the negotiations with the Council and the European Parliament, the Commission presented a document on the practical implementation of the performance review and application of the performance reserve, describing the procedure in detail.

The Commission welcomes the Bundesrat's support for concentrating the use of funds around clear priorities. However, the Bundesrat is against provisions allowing the thematic objectives to be weighted by the Commission and is calling for more flexibility in the way the priority axes are designed. The proposed system of thematic concentration and focusing the design around priorities is necessary to ensure that there is a focus on the objectives of the Europe 2020 Strategy and that this is visible in the programmes. The provisions for thematic concentration are to be used at national level for each category of region, thereby providing the necessary flexibility to achieve the right mix of investment at regional level. Furthermore, instruments such as integrated territorial investment would offer the possibility to implement integrated strategies.

The Commission has taken onboard the detailed comments from the Bundesrat concerning the implementing methods and its consistent call for simplification. The Commission's proposal contains a series of elements which give due consideration to the objective of simplification and the principle of proportionality. The Commission is proposing to harmonise the rules of the five Funds covered by the Common Strategic Framework. There are also provisions for greater flexibility when setting up management and control systems as well as greater consideration for the principle of proportionality, e.g. in terms of the volume of funding and the risk arising from the use of funds. Indeed, proposals to introduce an e-cohesion policy and to use simplified cost models offer considerable potential for simplification. It is important for us to see simplification and the reduction of administrative burdens as a common mission at European, national and regional level.

I look forward to continuing our dialogue on the shape of future cohesion policy.

*Maroš Šefčovič
Vice-President*