Written Opinion

COM(2011) 615

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 and 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 Regulation (EC) No 1083/2006

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PART I - INTRODUCTORY NOTE

Under the terms of Articles 6 and 7 of Law No. 43/2006 of 25 August, which regulates the monitoring, assessment and pronouncement by the Assembleia da República regarding the process of construction of the European Union, as well as the methodology for scrutinising the European draft acts approved on 20 January 2010, the European Affairs Committee received the **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 and 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 Regulation (EC) No 1083/2006 [COM(2011) 615] .**

The draft act identified above was sent to the Committees on Economics and Public Works, Agriculture and the Sea, Social Security and Labour, given its objective, but the Committee on Agriculture and the Sea has not given its opinion. The other Committees studied this draft act and approved the Reports attached to this Written Opinion, which are an integral part thereof.

It should also be noted that this Written Opinion includes a substantial part of the Reports from the specialised Committees that commented.

PART II – RECITALS

1 – The proposed Regulation at issue, which lays down common provisions on the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) covered by the Common Strategic Framework (CSF) and lays down general provisions on the European Regional Development Fund, the European Social Fund, and the Cohesion Fund, and repeals Regulation (EC) No. 1083/2006, aims to have the Community institutions [the Commission, European Parliament and Council] set up a new regulatory and institutional framework for the CSF Funds, based on a common set of basic rules and on strengthening its contribution to meeting the objectives and goals fixed for the

various programmes of the European Union associated with the “Europe 2020 Strategy”.

2 – In this context, it is important to mention that in June 2011, the Commission adopted a proposal for the next multi-annual financial framework for the period 2014-2020 entitled "A Budget for Europe 2020"[1]. Simplification of policy delivery, focus on results and increased use of conditionality are among the major objectives of the next set of programmes.

3 - Simplification was considered as a key objective in the EU Budget Review Communication, the Smart Regulation agenda and the aforesaid communication on the next multi-annual financial framework. Experience suggests that in the current programming period, the diversity and fragmentation of rules governing spending programmes is often perceived as unnecessarily complicated and difficult to implement and control.

4 - The European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the future European Maritime and Fisheries Fund (EMFF) (hereinafter referred to as the 'CSF Funds') pursue complementary policy objectives and their management is shared between the Member States and the Commission.

5 - It is therefore important to maximise the effectiveness of all structural instruments in terms of delivering objectives and targets set in programmes and optimise synergies and efficiency of the different instruments.

6 - Against this background, this Regulation delivers a common set of basic rules. It is divided into two parts.

[1] COM (2011) 500 final.

7 - The first part sets out a series of common provisions governing all structural instruments covered by the Common Strategic Framework (CSF). These provisions define the general principles of support such as partnership, multi-level governance, equality between men and women, sustainability and compliance with applicable provisions of EU and Portuguese law.

8 - The second part includes specific provisions set out for the ERDF, the ESF and the CF. These include provisions related to the mission and goals of the cohesion policy, the financial framework, specific programming and reporting arrangements, major projects and joint action plans.

9 - Each and every proposal aimed at ensuring a more rational, integrated and effective management of Community funds and contributing to implementation of the programmes, objectives, and goals defined in the *Europe* 2020 Strategy and in the National Reform Programmes (NRP) of the Member States should be fully supported, in the current context in which all of the Funds are insufficient to meet the obstacles we are facing, namely in the area of creating more and better employment in Europe.

10 – Thus, we note as a positive aspect of the legislation under scrutiny, the underlying objectives designed to maximise and promote the effectiveness and efficiency of the CSF Funds, contributing to delivering the objectives and targets set in programmes and optimise synergies and efficiency of the different instruments.

11 – In this context, we consider that the Europe 2020 Strategy is a structural instrument for the future of the EU, not only because of the priorities, objectives and measures incorporated in the areas of economic growth and employment, but also because of the new philosophy that deals specifically with the need for effective articulation among the priorities and objectives laid out and a better coordination and articulation with the other community and national policies.

12 – We recall that at the level of priorities, the Europe 2020 Strategy elected for smart, sustainable and inclusive growth as the central themes of its intervention, around which were set five main objectives to be reached by 2020:

(i) Achieving an employment rate of 75% among those 20 to 64 years of age;

(ii) Allocating 3% of GNP to expenses for research and development;

(iii) Reducing the emission of greenhouse gases by 20%, obtaining 20% of energy from renewable sources and increasing energy efficiency by 20%;

(iv) Reducing by 10% the rate of early school leaving and increasing by 40% the population between 30 and 40 years of age with higher education;

(v) Removing 20 million people from poverty.

13 – Thus, considering the importance of the CSF Funds, especially those of ERDF, ESF and CF to the success of the new European strategy for growth and employment, as well as to the strategies for regional and even local growth, we consider it appropriate and opportune to move forward with regulatory reform of those Funds in order to increase their effectiveness and efficiency, ensuring full compatibility with the objectives and goals of those strategies, especially in a climate of increased financial and economic difficulties with a very negative impact on the structure of employment and on the economic growth of the Member States.

14 – Therefore, the CSF Funds should be properly aligned with the goals and objectives of the Union with regard to smart, sustainable and inclusive growth, which is why we support the legislative measure under review which defines a common and harmonised framework of rules applicable to the Funds.

Mindful of the provisions of this proposal, the following issues should be raised:

a) Legal Basis

EU action is justified both on the grounds of the objectives laid out in Article 174 of the Treaty on the Functioning of the European Union (TFEU) and the principle of subsidiarity. The right to act is enshrined in Article 175 of the TFEU which explicitly calls on the Union to implement this policy by means of Structural Funds, in conjunction with Article177, which defines the role of the Cohesion Fund.

The aims of the ESF, ERDF and the CF are defined in Articles 162, 176 and 177 of the TFEU respectively.

The actions related to agriculture and fisheries are justified by Articles 38 and 39 of the TFEU.

Article 174 of the TFEU states that particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.

Article 349 of the TFEU states that specific measures shall be adopted to take into account the structural, social and economic situation of the outermost regions, which is compounded by certain specific features which severely restrain their development.

b) The Principle of Subsidiarity

The principle of subsidiarity is respected and complied with, insofar as it refers to matters of shared competence and the objective to be achieved could not be attained sufficiently at the level of each of the Member States, and can be better achieved at the level of the European Union.

PART III – CONCLUSIONS

1 – Through the proposed Regulation under scrutiny which is the object of this study, and which lays 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 (CSF) and lays down general provisions on the European Regional Development Fund, the European Social Fund, and the Cohesion Fund, and repeals Regulation (EC) No. 1083/2006, seeks that the Community institutions [Commission, European Parliament and Council] seek to set up a new regulatory and institutional framework for the CSF Funds, based on a common set of basic rules and on strengthening their contribution to meeting the objectives and goals fixed for the various programmes of the European Union associated with the "Europe 2020 Strategy".

2 - The proposed Regulation which is the object of this scrutiny includes:
- the recitals and the definitions,
- a series of common provisions which regulate all of the structural funds covered by the CSF, and
- specific provisions for the ERDF, ESF and CF related to the mission and objectives of the cohesion policy.

3 - Adoption of this legislative measure has as its objective, on the one hand, maximizing the effectiveness of the structural funds in complying with the objectives and goals set in the various community programmes and, on the other, optimising the synergies and their efficiency with a view towards achieving, in a complementary, coordinated and articulated manner, the desired results.

4.- The European Affairs Committee agrees with the adoption of a legislative measure, which contributes to maximising and promoting the efficacy and efficiency of the Structural Funds of the European Union, and underlines the following observations according to the Report by the Committee on Economics and Public Works:

4.1. "This proposed Regulation corresponds to the issue of greatest importance to the future of Europe, and especially of Portugal, determining and conditioning in large measure the paths of potential evolutions of development possible with the help of the Community Funds between 2014 and 2020;

4.2. This is a lengthy document, which sets out the general lines of application of a total indicative amount of 376 Billion Euros (at 2011 prices) of Community funds for the European area;

4.3. The referenced indicative amount (376 Billion Euros, at 2011 prices) represents a decrease, in real terms, compared with the structural funds available for the financial programming period 2007-2013, a fact which is of concern to us;

4.4. It follows from the above, in a context in which the European Union counts on full integration, since the beginning of the financial programming period (2014-2020) with a total of 28 Member States, with growing aspirations of access to community funds, and at this time we are going through in Europe, that bilateral negotiations to be held are configured as especially delicate. We would hope, however, that the total level of funds corresponding to Portugal would be equal, for 2014-2020 to those achieved for 2007-2013, and we are concerned that this issue be monitored with the importance and competence it deserves.

4.5. There is a clearly strengthened intervention by the European Commission as well as prior identification of the objectives from a top-down perspective, to which all Member States and regions will be bound, as occurs with the eleven central objectives delineated, to which all of the Operational Programmes will be bound, equally in alignment with the Europe 2020 Strategy;

4.6. Although the concentration of efforts around a reduced set of properly selected objectives is welcome, it may be questioned that these objectives must necessarily be the same for all regions of the different Member States, since this binding seems excessively imposed from the beginning and in a unilateral top down manner, which may not be best for the concrete needs of a specific territory, which runs contrary to some principles of subsidiarity and runs counter to the policies of development of the territories, resting on a "bottom up" perspective which is strongly territorial and cross-sector ("place based approaches");

4.7. Through a unique Common Strategic Framework (CSF), each Member State is required to establish a Partnership Contract with the European Commission, and it is within the scope of these same contracts that management of all of the Structural Funds will be applied, hereinafter generically known as CSF Funds. Once again, we are concerned about this being binding on all Member States

4.8. The excessively universal nature of the formatting imposed on all regions, without taking into account the respective specificity, encounters as a concrete example the minimum percentages of values of the ERDF that each region is required to invest for energy efficiency and renewable energies, research, development and innovation, and support for SME, as follows: 80% for more developed regions; 60% for transition regions; 50% for less developed regions;

4.9. There are serious risks that Territorial Cohesion, despite being enshrined in the Treaty of Lisbon, may show itself to be the poorest relation in the future of the Cohesion Policy, with a lesser role in light of the objectives of economic development (which assume a predominant role) and an accessory to social cohesion;

4.10. Although there is a perception that CSF funds are excessively formatted in the sense of supporting above all economic development, including large projects, accumulation of critical mass and investments centred in urban areas to the detriment of territorial cohesion and less densely populated areas, we should note the existence of complementary mechanisms directed towards strengthening the role of local communities, local action groups and local development strategies in some of the measures and that are articulated in the proposed regulation;

4.11. The amounts directed towards territorial cooperation are among the few that enjoy a significant reinforcement in light of the current period of financial programming. It is therefore important that Portugal, contrary to what has occurred up to now, prepare to assume a more active and determining role in the application, involvement and management of these types of projects;

4. 12. In an option on which we have reservations, the proposal of the European Commission points to the existence of three, rather than two, regional categories, based on the respective increased amounts of GDP (in parities of purchasing power) in light of the EU-27 average, with no "phasing in" or "phasing out" mechanisms. These categories correspond to the following designations (which are not especially welcome) and intervals of amounts for the metric indicated: more developed regions above 90%; transition regions located between 75% and 90%; less developed regions for amounts less than 75%;

4. 13 We should note the increased application of mechanisms to assess performance, not concentrated only on the rhythms of financial execution, with two moments of more systematic review in time (2017 and 2019), as well as the creation of a performance reserve fund (equipped with 5% of total available funds), to be applied to programmes that manage to achieve a better result, reallocation decisions lacking previous validation by the European Commission, which may actually be unnecessary;

4. 14. We should also emphasise the circumstance of countries that find themselves facing an increase of 10% in the maximum rates of community co-financing applied to the respective projects, thus reinforcing the corresponding ability to absorb the measures;

4. 15 The criteria for capping are reviewed below, with the total funds of the cohesion policy that can be made available to each Member State amounting to 2.5% of GDP, a change that should not be a problem for Portugal;

4. 16 In the 2014-2020 financial programming period, aspects of conditionality are set forth that permit, in certain circumstances where Member States are not able to achieve previously agreed upon objectives (namely in the area of financial stability criteria), that the European Commission penalise non-compliance through the respective suspension of the transfer of community funds, an issue that generates debate and requires careful analysis as to how it will be handled;

4.17 One especially positive aspect, possibly arising from recognition of the error committed in the context of the current period of financial programming (2007-2013), in which a single fund logic was imposed for each Operational Programme, inverts this reducing position with respect to integrated visions of the territories, enabling once again the existence of Operational Programmes that may have areas of application of funds coming either from the ERDF or the ESF, which we are pleased to note;

4.18. As emphasised above, the aims of the Structural Funds for 2014-2020 are simplifying and reducing the administrative burden, achieving results, concentrating on projects in a reduced number of objectives, strengthening the monitoring and assessment of results, transparency and making information accessible to citizens;

4.19. It is important to guarantee that this time, rather than mere declarations of intentions, these principles really comply with reality, since a lot of this was already enunciated for 2007-2013, but none of it has happened with the needed intensity and scope.

4. 20. With regard to the Cohesion Fund, especially as concerns Portugal, the criteria for eligibility set for the financial period 2014-2020 (BNI per resident less than 90% of the average for the EU-27), ensures the continuity of our country at this level;

4. 21. However, a substantial portion of the Cohesion Fund allocation, EUR 10 Billion, (i.e., almost 15% of the Cohesion Fund) will be ring-fenced for exclusive use in the new programme, managed centrally by the European Commission, to finance core transport networks, ICT and energy under the Connecting Europe Facility, with a total allocation of 50 Billion Euros, including the same 10 Billion Euros taken from the Cohesion Fund (which therefore supports 20% of the total investment to be made in the Connecting Europe Facility;

4. 22. Thus, special attention should be given to the way in which the Connecting Europe Facility will be developed and implemented, since there are considerable risks to distorting the objectives, logics and essence of the Cohesion Fund, through centralised management at the European Commission level of a substantial part of the Cohesion Fund (15% of the total), a situation which is made worse since the initiative Connecting Europe Facility depends significantly (by 20%) on the means taken from the Cohesion Fund;

4. 23. The current state of maturity of the definition of the instruments of the Cohesion Policy, with the recognised inconsistencies that are known and those that have not yet been overcome, as well as the preview of a business process that will be long, complex and especially delicate, raises some apprehensions regarding the ability to proceed with scheduling work compatible with the start of the term of the concrete instruments (including Operating Programmes on the ground) at the start of 2014, as would be desirable.

It is important to recall the experience in the last financial programming framework, in which there was a hiatus of almost two years (2007 and 2008), without availability to access the means that should have been applied between 2007 and 2013, but only started being permanently applied, with some dimension, in 2009. It would be important to avoid repeating this discontinuity in the current process, but there are fundamental doubts as to the real ability to conclude all of the works and agreements that would be needed to avoid it, in light of the temporary windows that are becoming increasingly smaller from this perspective".

PART IV – OPINION

In light of the foregoing, the European Affairs Committee has prepared this Written Opinion according to the terms of and as set forth in Law 43/2006 of 25 August, which determines the powers of the Assembleia da República in *monitoring, assessment and pronouncement in the context of the construction of the European Union*.

1 – This initiative does not violate the principle of subsidiarity.

2 – The matter in question does not fall within the scope of the exclusive legislative responsibilities of the Assembleia da República; accordingly, Article 2 of Law 43/2006 of 25 August does not apply.

3 -With regard, especially, to the issues brought up in the conclusions, the European Affairs Committee should proceed with monitoring of the process referred to in this draft act namely through exchange of information with the Government.

São Bento Palace, 13 December 2011

Rapporteur	**Committee Chairman**
(Carlos Costa Neves)	**(Paulo Mota Pinto)**

PART V – ATTACHMENT

Report by the Committee on Economics and Public Works

Report by the Committee on Social Security and Labour

PART I - INTRODUCTORY NOTE

Report by the Committee on Economics and Public Works 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 and 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 Regulation (EC) No 1083/2006 COM (2011) 615	**Rapporteur:** MP Pedro Saraiva

Under the terms of Article 7 of Law No. 43/2006 of 25 August, which regulates the monitoring, assessment and pronouncement by the Assembleia da República in the context of the process of construction of the European Union, the draft act "Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions European Regional Development Fund, the European Social Fund and 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 Regulation (EC) No 1083/2006 [COM (2011) 615] was sent to the Committee on Economics and Public Works, given its objective, for purposes of analysis and preparation of this Report.

PART II – RECITALS

1. In general

In the context of the ongoing negotiations regarding the next multi-annual financial framework for the period 2014-2020, the Commission adopted a proposal that seeks, essentially "*simplification of policy delivery, focus on results and increased use of conditionality*".

To achieve this, and since the ERDF, ESF, CF, EAFRD, and EMFF European Funds pursue complementary policy objectives and their management is shared between the Member States and the Commission, they encourage working to "*to maximise the effectiveness of all structural instruments in terms of delivering objectives and targets set in programmes and optimise synergies and efficiency of the different instruments".*

2. Relevant aspects

We should remember that various opinions and consultations were gathered from the most diverse locations, which included Member States, the regions, the economic and social partners, academic specialists and various international institutions.

The impact assessments, according to the proposed regulation, are based on three distinct assessments: "*one carried out for the ERDF, the CF and the ESF together; and one each for the EAFRD and for the EMFF".*

These impact assessments analysed issues including EU added value, performance and delivery of the policies, as well as simplification and harmonisation of rules "*The options assessed in the impact assessments related to: i) improving the capacity of the policies to deliver European added value, (ii) increasing the performance of the policies and (iii) simplification – reducing administrative costs and minimising the risk error."*

With respect to the content itself, the proposed regulation analysed herein contains a rather succinct and explicit summary which deals with the general principles, the strategy, the conditionalities and results, the common provisions with regard to management, the financial instruments involved and, clearly, the need for monitoring and assessment and respective rules of eligibility.

With regard to the principle of subsidiarity, and that which is referenced in the recitals of this proposal, especially the fact that one of the main objectives of this Regulation, is to reduce disparities among the regions of the different Member States, and since this is not achieved through the exclusive activity of the Member States, it is clear that the European Union, through concerted efforts and supported by the position of the Member States, may act and achieve this or those objectives, thus complying with the principle in question, at least in a generic manner.

PART III - OPINION OF THE RAPPORTEUR

- This proposed Regulation deals with issues of the greatest relevance to the future of Europe, and especially Portugal, determining and conditioning in large measure the paths of potential evolution of development that may be achieved, with the help of the Community Funds between 2014 and 2022;
- This is a lengthy document, with close to 200 pages, which determines the general lines of application of a total indicative amount of 376 Billion Euros (at 2011 prices) of community funds for the European area;
- The effort to introduce common rules and procedures is commendable, making uniform as much as possible the interaction between the promoters of projects and the different types of structural funds which in an integrated manner may support the respective realisation, with obvious advantages in reduction of the perceived complexity namely by the referenced promoters;
- It would be desirable if the Assembleia da República, similar to what has already occurred in other countries, could find internal organic solutions that would allow it to have technical support structures, directed towards encouraging a deeper analysis and discussion of the necessary topics, as is happening in this case;

- The referenced indicative amount (376 Billion Euros, at 2011 prices) represents a significant decrease, in real terms, compared with the structural funds available for the financial programming period 2007-2013;

- Yet, we recognise the divergent positions that currently exist in Brussels on this same issue, with a group of 13 nations (including Portugal) arguing unequivocally that the policy of cohesion should have for 2014-2020 a financial package identical to that assumed for 2007-2013, but which is confronted by a contrary position, defending significant reductions in these same amounts, assumed explicitly by another group of six countries (France, Germany, Austria, Holland, Denmark and Sweden), which have openly protested the way in which the President of Poland has conducted the process;

- It follows from the above, in a context in which the European Union counts on full integration, since the beginning of the financial programming period (2014-2020) with a total of 28 Member States, with growing aspirations of access to community funds, and at this time we are going through in Europe, that bilateral negotiations to be held are especially delicate. We hope, however, that the total level of funds corresponding to Portugal would be equal, for 2014-2020 to those achieved for 2007-2013, and we are concerned that this issue be monitored with the importance and competence it deserves.

- With respect to the effective concretisation and integral respect for the principle of subsidiarity, we should mention that the conception of the objectives and methods of application of the Structural funds for 2014-2020 reflects a lesser adherence to the same, given that we are witnessing a clearly strengthened intervention by the European Commission, as well as the prior identification of objectives from a "top-down" perspective, to which all of the Regions and Member States will be bound, as occurs with the eleven central objectives delineated, to which all of the Operational Programmes are bound, equally in alignment with the Europe 2020 Strategy;

- This attempt at harmonisation and strengthened alignment of projects to be developed in the context of the Cohesion Policy may in practice show itself to be reduced, by excessively forcing diverse regions to obligate themselves to a common format of objectives, initiatives and division of resources, which do not necessarily correspond to the best way to meet their specific development needs;

- In the current context, and particularly due to the circumstance that the Europe 2020 Strategy itself does not assume this to be central (we need only note that no type of metric is assumed directly linked to territorial cohesion), there are serious risks that territorial cohesion, despite being enshrined in the Treaty of Lisbon, may show itself to be the poorest relation in the future of the Cohesion Policy, with a lesser role in light of the objectives of economic development (which assume a predominant role) and an accessory to social cohesion;

- More importantly, contrary to what occurred in the current financial programming period 2007-2013, in which through the insistence of the Portuguese state, the possibility of transfer of means from the less developed regions to the Lisbon region was created (through the "spill over" mechanism), counter to the entire essence of the orientation based on strengthening Territorial Cohesion, the structural funds made available for 2014-2020 are effectively applied in the less developed regions of Portugal, without exception and as stipulated in Article 85 of this regulation (“Non-transferability of Resources”), which establishes unequivocally that “the total appropriations allocated to each Member State in respect of less developed regions, transition regions and more developed regions shall not be transferable between each of those categories of regions”. It is hoped and expected that this time the Portuguese State will be exemplary in complying with this orientation, central to that which concerns Territorial Cohesion and the vocation of the respective Structural Funds;

- The aims of the structural funds for 2014-2020 are simplifying and reducing the administrative burden (the measures centred on the existence of a flat rate for allocating overheads are especially welcome at this level), achieving results concentrating on projects in a reduced number of objectives, strengthening the monitoring and assessment of objectives, transparency and making information available to citizens (including, for instance the mandatory creation of a unique portal in the public domain in which any person can easily navigate and know all of the projects supported in a certain Member State, with the possibility of selective search of information, a good practice already in place in several countries, but still far from being implemented in Portugal);

- It is important to guarantee that this time, rather than mere declarations of intentions, these principles really comply with reality, since a lot of this was already enunciated for 2007-2013, but none of it has happened with the needed intensity and scope.

- Although the concentration of efforts around a reduced set of properly selected objectives is welcome, it may be questioned that these objectives must necessarily be the same for all regions of the different Member States, since this binding seems excessively imposed from the beginning and in a unilateral “top down” manner, which may not be best for the concrete needs of a specific territory, which runs contrary to some principles of subsidiarity and runs counter to the policies of development of the territories, resting on a “bottom up” perspective which is strongly territorial and cross-sector (“place based approaches);

- We need to ensure that Portugal, contrary to what took place in 2007-2013, avoids creating bureaucracies, redundancies, administrative or other complexities typically not imposed by the European Commission, adding to the volume of red tape imposed nationally other than that strictly required at the European level. At a time when simplification is important, "simplification" must be shared by our country, breaking with habits and vices that are installed at multiple levels in the conception and management of the machinery that operates the use of community funds in our country.

- We should note the increased application of mechanisms to assess performance, not concentrated only on the rhythms of financial execution, with two moments of more systematic review in time (2017 and 2019), as well as the creation of a performance reserve fund (equipped with 5% of total available funds), to be applied to programmes that manage to achieve a better result, reallocation decisions lacking previous validation by the European Commission, which may actually be unnecessary;

- We should also emphasise the circumstance of countries that find themselves facing an increase of 10% in the maximum rates of community co-financing applied to the respective projects, thus reinforcing the corresponding ability to absorb the measures;

- Through a unique Common Strategic Framework (CSF), each Member State is required to establish a Partnership Contract with the European Commission, and it is within the scope of these same contracts that management of all of the Structural Funds will be applied, hereinafter generically known as CSF Funds. It is once again important to question whether it is proper to bind all of the Member States and the respective regions to a single Common Strategic Framework, assumed for the entire European area.

- The criteria for capping are reviewed below, with the total funds of the cohesion policy that can be made available to each Member State amounting to 2.5%, a change that should not be a problem for Portugal;

- The proposal of the European Commission points to the existence of three, rather than two, regional categories, based on the respective increased amounts of raising of GDP (in parities of purchasing power) in light of the EU-27 average, with no "phasing in" or "phasing out" mechanisms. These categories correspond to the following designations (which are not especially welcome) and intervals of amounts for the metric indicated: more developed regions above 90%; transition regions located between 75% and 90%; less developed regions for amounts less than 75%;

- The financial packages of funds of the cohesion policy that are part of the European Commission contemplate the following division among these three categories (in billions of Euros): 162.6 for less developed regions; 38.9 for transition regions; 53.1 for more developed regions;

- According to the provisional EUROSTAT estimates, division of the national regions according to these categories will lead to the following frameworks: Lisbon and Madeira in the group of more developed regions; the Algarve in the group of transition regions; the North, Centre, Alentejo and the Azores in the less developed regions;

- The creation of a new category of regions (transition regions) has been the target of strong debate among different Member States (including Germany). In the case of Portugal, the conceptual existence of Transition Regions appears to be favourable from a mid-term strategic viewpoint, once the amounts allocated to them do not affect the financial packages made available to the less developed regions, as territories richly deserving of the application of CSF funds;

- The maximum rates of co-financing set forth correspond, according to the different regional categories, to the following amounts: 85% for less developed regions; 60% for transition regions; 50% for more developed regions;

- Analogously, the minimum percentages of CSF funds which should correspond to the ESF according to the different regional categories, are as follows: 25% for less developed regions; 40% for transition regions; 52% for more developed regions;

- The excessively universal nature of the formatting imposed on all regions, without taking into account the respective specificity, encounters as a concrete example the minimum percentages of values of the ERDF that each region is required to invest for energy efficiency and renewable energies, research, development and innovation, and support for SME, as follows: 80% for more developed regions; 60% for transition regions; 50% for less developed regions;

- In the 2014-2020 financial programming period, aspects of conditionality are set forth that permit, in certain circumstances where Member States are not able to achieve previously agreed upon objectives (namely in the area of financial stability criteria), that the European Commission penalise non-compliance through the respective suspension of the transfer of community funds, an issue that generates debate and requires careful analysis as to how it will be handled;

- One especially positive aspect, possibly arising from recognition of the error committed in the context of the current period of financial programming (2007-2013), in which a single fund logic was imposed for each Operational Programme, inverts this reducing position with respect to integrated visions of the territories, enabling once again the existence of Operational Programmes that may have areas of application of funds coming either from the ERDF or the ESF, which we are pleased to note;

- Although there is a perception that CSF funds are excessively formatted in the sense of supporting above all economic development, including large projects, accumulation of critical mass and investments centred in urban areas to the detriment of territorial cohesion and less densely populated areas, we should note the existence of complementary mechanisms directed towards strengthening the role of local communities, local action groups and local development strategies in some of the measures and that are articulated in the proposed regulation;

- The amounts directed towards territorial cooperation are among the few that enjoy a significant reinforcement in light of the current period of financial programming. It is therefore important that Portugal, contrary to what has occurred up to now, prepare to assume a more active and determining role in the application, involvement and management of these types of projects;

- With regard to the Cohesion Fund, especially as concerns Portugal, the criteria for eligibility set for the financial period 2014-2020 (BNI per resident less than 90% of the average for the EU-27), ensures the continuity of our country at this level;

- However, a substantial portion of the Cohesion Fund allocation, EUR 10 Billion, (i.e., almost 15% of the Cohesion Fund) will be ring-fenced for exclusive use in the new programme, managed centrally by the European Commission, to finance core transport networks, ICT and energy under the Connecting Europe Facility, with a total allocation of 50 Billion Euros, including the same 10 Billion Euros taken from the Cohesion Funds (which therefore supports 20% of the total investment to be made in the Connecting Europe Facility;

- Thus, special attention should be given to the way in which the Connecting Europe Facility will be developed and implemented, since there are considerable risks to distorting the objectives, logics and essence of the Cohesion Fund, through centralised management at the European Commission level of a substantial part of the Cohesion Fund (15% of the total), a situation which is made worse since the initiative Connecting Europe Facility depends significantly (by 20%) of the means taken from the Cohesion Fund;

- The current state of maturity of the definition of the instruments of the Cohesion Policy, with the recognised inconsistencies that are known and those that have not yet been overcome, as well as the preview of a business process that will be long, complex and especially delicate, raises some apprehensions regarding the ability to proceed with a scheduling work compatible with the start of the term of the concrete instruments (including Operating Programmes on the ground) at the start of 2014, as would be desirable. It is important to recall the experience in the last financial programming framework, in which there was a hiatus of almost two years (2007 and 2008), without availability to access the means that should be applied between 2007 and 2013, but only started its permanent application, with some size, in 2009. It would be important to avoid repeating this discontinuity in the current process, but there are fundamental doubts as to the real ability to conclude all of the works and agreements that would be needed to avoid it, in light of the temporary windows that are becoming increasingly smaller from this perspective".

PART IV – CONCLUSIONS

In light of the foregoing, the Committee on Economics and Public Works concludes as follows:

1. This draft act respects the principle of subsidiarity;
2. Analysis of this draft act does not bring up any issues that imply future monitoring.
3. The Committee on Economics and Public Works hereby concludes the scrutiny of this draft act, and this report, under the terms of Law No. 43/2006, of 25 August 2006, should be sent to the European Affairs Committee for all due purposes.

São Bento Palace, 23 November 2011

MP acting as Rapporteur, *Pedro Saraiva*

Chairman of the Committee, *Luis Campos Ferreira*

PART I - INTRODUCTORY NOTE

REPORT BY THE COMMITTEE ON SOCIAL SECURITY AND LABOUR 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 and 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 Regulation (EC) No 1083/2006 [COM(2011)615]	**Rapporteur:** MP Maria Helena André (PS)

Under the terms of Article 163 of the Constitution of the Portuguese Republic [*CPR*] and that set forth in Law No. 43/2006, of 25 August, [Monitoring, assessment and pronouncement by the Assembly of the Republic within the scope of the process of constructing the European Union], as well as the *Methodology for Scrutiny of European Draft Acts*, approved on 20 January 2010, it is the responsibility of the Assembleia da República to monitor the activity of the European institutions, and they may give their opinion on proposed legislative acts it feels should be examined, by issuing reports and opinions.

On 19 October 2011, the European Affairs Committee [*EAC*] sent to the Parliamentary Committees of Economics and Public Works [CEPW], Agriculture and the Sea [CAS] and the Committee on Social Security and Labour [*CSSL*] the draft Proposal of the REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions European Regional Development Fund, the European Social Fund and 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 Regulation (EC) No 1083/2006 for "*… possible analysis and preparation of a report*" to be sent to the EAC by 29 November 2011.

Thus, given the importance that this proposed legislative act of the European Parliament and the Council assumes in the framework of European and national policies for economic growth and employment and, mindful of the specific competencies of the CSSL, this report is issued under applicable legal and regulatory terms which, notwithstanding a general approach, gives special focus to the part pertaining to the European Fund for Regional Development, the European Social Fund, and the Cohesion Fund, and considered that the proposed Regulation of the European Parliament and the Council, both in the documents associated with it entitled Impact Assessment – 3 parts [SEC(2011)1141] and Summary of Impact Assessment [SEC(2011)1142].

PART II – RECITALS

3. Context and grounds for the proposal

Through the legislative measure (proposed Regulation), which lays down common provisions on the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) covered by the Common Strategic Framework (CSF) and lays down general provisions on the European Regional Development Fund, the European Social Fund, and the Cohesion Fund, and repeals Regulation (EC) No. 1083/2006, seeks that the Community institutions [Commission, European Parliament and Council] set up a new regulatory and institutional framework for the CSF Funds, based on a common set of basic rules and on strengthening its contribution to meeting the objectives and goals fixed for the various programmes of the European Union associated with the "Europe 2020 Strategy".

We should note that, in June 2011, the Commission adopted a proposal for the next multi-annual financial framework for the period 2014-2020entitled "A Budget for Europe 2020", which mentions the need for simplification of policy delivery and greater use of conditionality in order to ensure that the EU financing is directed towards results and creating new incentives for the Member States to comply with the objectives of the Europe 2020 Strategy.

Experience suggests that in the current EU financial programming period, the diversity and fragmentation of rules governing spending programmes are often perceived as unnecessarily complicated and difficult to implement and control. This imposes a heavy administrative burden which can discourage participation and delay implementation.

In other words, the complexity and diversity of the rules which regulate access and application of the EU expense programmes often lead to the benefits associated with them not being fully used by the potential beneficiaries. It should also be pointed out that these difficulties are often aggravated by national regulations governing the access and use of community funds, making the situation even more complex and delicate.

We should also add that the CSF Funds that provide support within the cohesion policy, whose management is shared between the Member States and the Commission, pursue complementary policy objectives, making it advisable for the institution to have a harmonised set of common basic rules to ensure this complementarity and provide efficiency and full use, in order to avoid underutilisation.

Within this framework comes the legislative proposal under scrutiny whose primordial design has as its objective, on the one hand, maximizing the effectiveness of the structural funds in complying with the objectives and goals set in the various community programmes and, on the other, optimising the synergies and their efficiency with a view towards achieving, in a complementary, coordinated and articulated manner, the desired results.

Naturally, as was well explained in the presentation of the motives which precedes the proposed Regulation under scrutiny, it is therefore important to maximise the effectiveness and efficiency of the financial instruments that make up the CSF, in order to optimise execution of the programmes and strategies of the European Union, which, from the perspective of the Rapporteur, must include the establishment of a new institutional and regulatory framework for the Funds, which is more simplified and capable of providing the proper focus to the monitoring and performance of the goals and objectives set by the programmes and to harmonisation, whenever possible of the rules of execution and the requirements for their control.

Indeed, each and every proposal aimed at ensuring a more rational, integrated and effective management of Community Funds and contributing to the implementation of Programmes, objectives and goals defined in the "Europe 2020" strategy and the National Reform Programmes [NRP] of the Member States such be fully supported, in the current context in which all of the funds are insufficient to meet the obstacles we are facing, namely in the area of creating more and better employment in Europe.

In this context, the Rapporteur adds, now as a positive aspect of the legislative measure under scrutiny, the underlying objectives aimed at maximising and promoting the effectiveness and efficiency of the CSF Funds contributing to the achievement of the objectives and the goals set in the community programmes, through the creation of rules that promote the total and effective achievement and fruition by the respective recipients.

It should be remembered that, just recently, the CSSL approved an opinion on the Report "Portugal in the European Union – 2010", which is reproduced in its entirety herein, wherein notwithstanding its considerations, considered the Europe 2020 Strategy a structural instrument for the future of the EU, not only because of the priorities, objectives and measures incorporated in the areas of economic growth and employment but also because of the new philosophy that deals specifically with the need for effective articulation among the priorities and objectives laid out and a better coordination and articulation with the other community and national policies.

We cannot stress enough that, at the level of priorities the Europe 2020 Strategy elected for smart, sustainable and inclusive growth as the central themes of its intervention, around which were set five main objectives to be reached by 2020:

(i) Achieving an employment rate of 75% among those 20 to 64 years of age;

(ii) Allocating 3% of GNP to expenses for research and development;

(iii) Reducing the emission of greenhouse gases by 20%, obtain 20% of energy from renewable sources and increasing energy efficiency by 20%;

(iv) Reducing to 10% the rate of early school leaving and increase to 40% the population between 30 and 40 years of age with higher education;

(v) Removing 20 million people from poverty.

Thus, considering the importance of the CSF Funds, especially those of ERDF, ESF and CF to the success of the new European strategy for growth and employment, as well as to the strategies of regional and even local growth, we consider it appropriate and opportune to move forward with regulatory reform of those Funds in order to increase their effectiveness and efficiency, ensuring full compatibility with the objectives and goals of those strategies, especially in a climate of increased financial and economic difficulties with a very negative impact on the structure of employment and on the economic growth of the Member States.

Finally, in the opinion of the Rapporteur, the CSF Funds should be properly aligned with the goals and objectives of the Union with regard to smart, sustainable and inclusive growth, which is why we consider support the legislative measure under review which defines a common and harmonised framework of rules applicable to the Funds.

4. **Objective of the Proposal**

The Proposed Regulation which is the object of this scrutiny includes three parts: first, the recitals and the definitions, the second, a series of common provisions which regulate all of the structural funds covered by the CSF, and the third specific provisions for the ERDF, ESF and CF related to the mission and objectives of the cohesion policy.

a. Common provisions governing all CSF Funds

With regard to the general provisions applicable to all of the CSF Funds, we should emphasize, due to their importance, the creation of partnerships and a governing at different levels, the promotion of equality between men and women, and sustainable development, with special emphasis on the following aspects:

a) Strategic approach

In order to promote the harmonious, balanced and sustainable development of the European Union, the Proposed Regulation sets in Article 9 the following objectives for each fund that CSF should support in the "*Europe 2020"* strategic framework :

(i) Strengthening research, technological development and innovation:
(ii) Enhancing access to and use and quality of information and communication technologies;
(iii) Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector, fisheries and the aquaculture sector;
(iv) Supporting the shift towards a low-carbon economy in all sectors;
(v) Promoting climate change adaptation, risk prevention and management;
(vi) Protecting the environment and promoting resource efficiency;
(vii) Promoting sustainable transport and removing bottlenecks in key network infrastructures;

(viii) Promoting employment and supporting labour mobility;
(ix) Promoting social inclusion and combating poverty;
(x) Investing in education, skills and lifelong learning;
(xi) Enhancing institutional capacity and an efficient public administration.

Nonetheless, as may be seen, and this is perhaps the most relevant aspect of this regulatory reform, the CSF becomes aligned with the objectives and goals of the Union with regard to smart, sustainable and inclusive growth, which certainly will allow an articulated and integrated use of the Funds to achieve common objectives.

This new strategy assumes the establishment of partnership contracts between the Commission and each of the Member States articulated with the objectives and goals of the Europe 2020 Strategy and the NPR, allowing progression to an integrated strategy of territorial development, supported by all of the funds and based on common indicators and on strategic investments.

b) Conditionalities and performance

In order to reinforce performance, new conditionality provisions will be introduced to ensure that EU funding creates strong incentives for Member States to deliver the objectives and targets of the new European strategy for growth and employment.

These rules are to ensure the ex-ante conditions for the effective support of the funds as well as the ex-post conditions that allow reinforcement of the tonic of performance and realisation of the objectives of the Europe 2020 Strategy, especially the possibility of application of a co-financing rate that is higher by 10 percentage points when the Member state is receiving financial assistance, thus reducing the effort required of national budgets in a period of budgetary consolidation, while still maintaining the same total level of financing.

Regarding the macro-economic conditionality and its alignment with the methods of execution of the Stability and Growth Pact to be adopted as part of the Sixth Economic Governance Package, they must be safeguarded from double penalisation for the countries and regions with the most difficulties.

c) *Common management and monitoring provisions*

We note in the proposal under discussion, the creation of a common system of management and control for all Funds. We should also mention the creation of a new system of national accreditation to emphasize the commitment of Member States to sound financial management harmonised and new common elements such as a management declaration of assurance and annual clearance of accounts.

Common provisions are also established for all CSF funds in the area of monitoring and evaluation to include the presentation of annual reports, annual review meetings, progress reports on the implementation of the Partnership Contract, as well as ex ante and ex post evaluations, aspects that are very important for achieving the objectives and goals of the new European strategy.

d) Community-led local development

In order to respond to the multiple needs of subregional and local development and to facilitate implementation of interventions of a multi-dimensional and cross-sector nature, the proposed Regulation points to strengthening the initiatives promoted by local communities, and Member States will have the possibility to use common processes for preparation, negotiation, management and implementation, and will be encouraged to do so in particular where the need for improved coordination of human capital and infrastructure investments is greatest.

e) Financial instruments

As for financial instruments, emphasis is placed, on the one hand on support for enterprises and projects expected to generate substantial financial returns through innovative financial instruments and, on the other, the introduction of various simplification elements.

Indeed, the Commission will offer ready-made solutions through access to financial instruments set up at EU level and models for national and regional funds based on standard terms and conditions laid down by the Commission. Second, the proposal represents a clear framework for the implementation of these instruments, and addresses the ambiguities which arose in the context the 2007-2013 legislative framework, increasing legal certainty for all parties. Third, financial instruments can in the future be used for all types of investment and beneficiary representing a significant extension of the possibilities to use these innovative instruments.

f) *Simplified and streamlined eligibility rules*

The new regulatory framework seeks to harmonise, to the extent possible, the eligibility rules for the expenses in the different financing instruments of the Union, in order to reduce the multiplicity of existing rules and ensure that administrative rules are proportionate and that the administrative burdens associated with the management of funds by the respective beneficiaries are reduced.

2.1. General provisions applicable to the ERDF, the ESF and the CF

As for specific provisions applicable to the ERDF, the ESF and the CF [Part Three of the Proposed Regulation], defines the mission and goals of cohesion policy, the geographical coverage of support, financial resources and principles of assistance, programming, major projects, joint action plans, territorial development, monitoring and evaluation, information and communication, eligibility of expenditure and management and control.

The policy of economic, social and territorial cohesion constitutes one of the community policies that assume greatest importance in the framework of lessening asymmetries between the Member States and the regions and thus the urgent need, in light of the crisis facing the EU, to strengthen and value them.

Among the general provisions applicable to the ERDF, the ESF and the CF are the following:

a) Geographical coverage of support

We should note, as a positive element of the legislative measure under scrutiny that supporting the less developed regions will remain an important priority for cohesion policy.

For this purpose, the proposed regulation includes a distinction among the less developed, transition and more developed regions.

All regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita has grown to more than 75% of the EU-27 average will receive two thirds of their 2007-13 allocation.

The introduction of a new category of region – 'transition regions' is important but should not translate to less attention and less help to the less developed regions which should continue to be a central priority of the cohesion policy.

We should also mention the presentation by the Commission of different measures with the objective of avoiding the difficulties Member States have with respect to the release of funds to provide national co-financing and absorbing large volumes of EU funds over a limited period of time, such as: (i) fixing at 2.5% of GDP the capping rates for cohesion allocations; (ii) capping co-financing rates at the level of each priority axis within the operational programmes at 85% in less developed regions (or in certain cases, 80% and 75%) and outermost regions, 60% in transition regions and 50% in more developed regions.

b) Reinforced strategic programming geared towards results

The Commission proposes a more results-oriented programming process to ensure that cohesion policy programmes have a clear intervention logic, are oriented towards results, and include the appropriate provisions for an integrated approach to development and the effective implementation of the Funds.

c) Streamlining financial management and control

Of note in this area is the redefinition of the role of the Commission in the management and control system. Thus, the mandatory review by the Commission is replaced with a risk-based approach, leaving the smaller programmes and those coming from solid administrations exempt from review.

This new approach, which we support, reduces administrative costs associated with small programmes and solid administrations and strengthens accountability, since the resources of the Commission will be more demanding manner and directed to areas of greater risk.

On the other hand, we note the proposal that would require all Member States to set up systems by the end of 2014 to enable beneficiaries to submit all information by way of electronic data exchange, significantly reducing financial burdens. Finally, the requirement for keeping supporting documentation for three years after closure of a programme has been abolished, replaced by the requirement for annual closure of operations, a procedure that also reduces costs and avoids the risks associated with the loss of the audit trail.

In summary, we consider that this proposed Regulation by creating a common framework of rules applicable to the Funds that support the policy of cohesion, contributes to a coordination and harmonisation demanded for a long time and to bring about and increase the impacts of the policy of cohesion.

Indeed, we should stress here the role of the CSF funds especially the ERDF, ESF and CF, in strengthening economic, social and territorial cohesion of the Union.

Since 1986, the cohesion policy has reinforced the economic and social cohesion of the European Union. Moreover, the Treaty of Lisbon and the Europe 2020 Strategy introduced a third dimension: territorial cohesion.

The policy of cohesion has contributed significantly to the growth and prosperity of the Union, while simultaneously reducing economic, social and territorial disparities.

According to the conclusions of the fifth report on cohesion [COM[2010]642] the policies implemented between 2000-2006, promoted the creation of new employment - about 1,4 million jobs were created and 800 thousand small and medium business (SME) were started; allowed the development of human capital – the investment in professional training benefited over 10 million persons per year; allowed the creation of essential infrastructures – was co-financed the construction or improvement of 8.400 km of rail lines, and 2.000Km de motorways; also contributed to the improving environmental protection, especially in less developed regions; and also contributed to raising the GDP per capita in new Member states.

It is certain that, without a policy of cohesion, the economic, social and territorial disparities on the European Union would be significantly greater. In order to maximise this policy as much as possible, the Commission proposes a greater and more systematic articulation of the cohesion policy with the objectives of the Europe 2020 Strategy. To this important proposal we should emphasise that the cohesion policy constitutes the main instrument of support to the most important priorities of the Union and that these are contained in the Europe 2020 Strategy.

However, the impacts of the economic and social crisis, the need for innovation stemming from the growing challenges linked to the imperative of maximising the public investment made, demand an ambitious reform of this policy.

In this sense, the Commission declared, in the next multi-annual financial framework 2014-2020 [COM(2011)500 Final], that the policy of cohesion should continue to be a fundamental element of this financial framework It proposes significant changes in the way the cohesion policy is conceived and executed.

It argues that the financing should be concentrated in a fewer number of priorities, since the progress obtained regarding common objectives should be duly monitored a and that specific conditionalities should also be included in the partnership contracts with the Member States. It is felt that this would allow the policy of cohesion of the European Union to make a greater contribution to economic, social and territorial cohesion, growth and the creation of jobs.

As has already been amply stated, we should yet emphasis that the current situation of crisis which has hit the EU, in which public monies are scarce and the investment to promote the growth and employment is necessary more than ever, led the Commission to decide to present a "legislative package" proposing significant changes to the cohesion policy for the period 2014-2020 thus strengthening the strategic dimension of this policy and guaranteeing that the community investment is channelled into compliance with the European long-term objectives for growth and employment (set forth in the Europe 2020Strategy).

In this context, the draft act under study includes the set of legislative proposals presented by the Commission, and should be linked with the same draft acts that agree with the same common objective: strengthening the cohesion policy of the EU.

5. Consultations and impact assessments

The proposed Regulation which is the object of this scrutiny takes into account not only the results of a broad consultation carried out among the interested parties [Member States, regions, economic partners and experts] but also the results of the ex post evaluations carried out on the 2000-2006 programmes.

On the other hand, we call your attention to the common conclusions can be drawn from the results of the different public consultations which confirmed the following: (i) an appeal for continued financial support of these policies; (ii) EU support should focus on a number of priorities and the different policies should be aligned with the Europe 2020 Strategy; (iii) the need for a more results-oriented approach and there was strong support for a more transparent and simplified set of financial management procedures; (iv) A majority of stakeholders called for a more integrated approach or joined-up strategies with other EU policies and financial instruments.

Finally, the legislative measure under study harbours most of the suggestions and recommendations made by the interested parties from the different public consultations performed.

This proposal draws on three Impact Assessments: one carried out for the ERDF, the CF and the ESF together; and one each for the EAFRD and for the EMFF. i) improving the capacity of the policies to deliver European added value, (ii) increasing the performance of the policies and (iii) simplification – reducing administrative costs and minimising the risk error.

It should be noted that, of the impact assessments performed came important contributions, included in the proposal under study, most notably the concentration of support for the structural funds in the political priorities of the EU, i.e. they should promote a strong connection with the objectives of the Europe 2020 Strategy; a more effective coordination of structural funds with the policies and other financial instruments of the EU, i.e., through a Common Strategic Framework and partnership contracts at the national level; a significant reduction of administrative costs and the volume of work and greater transparency in the application of the structural funds through an approach endowed with control mechanisms based on risk and anticipating various options of repayment and electronic governing at the level of the Member States and the regions.

6. Legal elements of the Proposal

EU action is justified both on the grounds of the objectives laid out in Article 174 of the Treaty on the Functioning of the European Union (TFEU) and the principle of subsidiarity.

O Article 174 of the TFEU states that particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.

The right to act is enshrined in Article 175 of the TFEU which explicitly calls on the Union to implement this policy by means of Structural Funds, in conjunction with Article 177, which defines the role of the CF. The aims of the ESF, ERDF and the CF are defined in Articles 162, 176 and 177 of the TFEU respectively.

Finally, it should be noted that Article 349 of the TFEU states that specific measures shall be adopted to take into account the structural, social and economic situation of the outermost regions, which is compounded by certain specific features which severely restrain their development.

In this case the principle of subsidiarity is applicable, since it is a legislative measure regarding structural funds of the EU, an area of competency shared between the European Union and the Member States.

The objectives of the proposal under study cannot be sufficiently achieved by the Member States, since alteration and revocation of the Regulations of the EU cannot be done at the national level.

PART III – CONCLUSIONS

In light of the foregoing recitals, the Committee on Social Security and Labour concludes as follows:

1. Through the proposed Regulation, which is the object of this scrutiny, which lays 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 lays down general provisions on the European Regional Development Fund, the European Social Fund, and the Cohesion Fund, and repeals Regulation (EC) No. 1083/2006, the Community institutions [the Commission, European Parliament and Council] seek to set up a new regulatory and institutional framework for the CSF Funds, based on a common set of basic rules and on strengthening its contribution to meeting the objectives and goals fixed for the various programmes of the European Union associated with the “Europe 2020 Strategy”.
2. The Proposed Regulation which is the object of this scrutiny includes three parts: first, the recitals and the definitions, the second, a series of common provisions which regulate all of the structural funds covered by the CSF, and the third specific provisions for the ERDF, ESF and CF related to the mission and objectives of the cohesion policy.
3. Adoption of this legislative measure has as its objective, on the one hand, maximizing the effectiveness of the structural funds in complying with the objectives and goals set in the various community programmes and, on the other, optimising the synergies and their efficiency with a view towards achieving, in a complementary, coordinated and articulated manner, the desired results.
4. The Committee on Social Security and Labour agrees with the adoption of a legislative measure, which contributes to maximising and promoting the effectiveness and efficiency of the Structural Funds of the European Union.
5. This draft act was presented under the terms of the different provisions of the Treaty on the Functioning of the European Union which regulate the mission, the objectives and the performance of the Funds of the Common Strategic Framework and respect the principle of subsidiarity, to the extent that they reflect issues of shared competence and the objective to be achieved [Approval of a Community Regulation] cannot be achieved at the national level.
6. The Committee on Social Security and Labour considers that scrutiny of this draft act should be maintained until completion of its approval process.

PART IV – REPORT

The Committee on Social Security and Labour is of the following opinion:

a) The Committee on Social Security and Labour considers that this Report is ready to be sent to the Parliamentary European Affairs Committee, for all applicable legal and regulatory purposes.

b) The Committee on Social Security and Labour considers that scrutiny of this draft act should be maintained until completion of its approval process.

São Bento Palace, 28 November 2011

MP acting as Rapporteur, Maria Helena André

Chairman of the Committee, José Manuel Canavarro