

European and External Affairs Committee

Date: 11 November 2004
Time: 9.00 – 12.10
Venue: National Assembly for Wales, Cardiff Bay
Title: Additional information on EU deposited documents requested at meeting on 14 October 2004.

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Further information on EU documents: Structural fund regulations and European Defence Agency

1. At its meeting on 14 October 2004, the Committee requested further information on several of the European documents listed in EUR(2) 07-04 (p4e).
2. Section A of this paper deals with the draft Structural and Cohesion Fund regulations highlighted by the Committee. Section B looks at the documents relating to the European Defence Agency. Throughout the paper, links are provided to each of the documents on the Assembly internet page.

Section A Structural Fund Regulations

3. On 14 October 2004, this Committee received and discussed paper EUR(2) 07-04 (p3), which updated Members on the reform of regional policy for 2007-2013. The paper included comprehensive overviews of the new proposals for the European Social Fund (ESF), as outlined by speakers at the Wales Forum on European Affairs on 15 September 2004. It did not give detailed information on the other proposed Structural Fund regulations.
4. The Commission has issued six proposed regulations to implement the objectives outlined in the 3rd Cohesion Report. These are to be negotiated in the European Parliament over a 12 to 18 month period, and will then be subject to a majority vote of the European Council. With the exception of the regulation on the European Fisheries Fund, the Committee highlighted all of these for further consideration.
5. To provide background to the regulations, an overview of the 3rd Cohesion Report and the overarching Financial Perspectives paper is attached as Annex A. The list below provides information on the proposed Structural Fund regulations.

6. COM(2004) 489 - Proposal for a Council Regulation on the financing of the Common Agricultural Policy - this would set up the following two agricultural funds to finance the Common Agricultural Policy (CAP) and to replace the current EAGGF system:

- a European Agricultural Guarantee Fund (EAGF);
- a European Agricultural Fund for Rural Development (EAFRD).

The draft regulation proposes to have a similar operating system for the two Funds, to make it easier to clarify the respective roles of the Member State and the Commission (the financing of some measures under CAP involves shared management).

There would however be some differences between the two Funds. For example, the rate of payment would be different (monthly and quarterly respectively), as would the treatment of amounts recovered following irregularities. Under EAFRD, it is possible that the amounts recovered could be re-used by Member States in the context of the same rural development programme.

The draft regulation also includes rules on budget discipline and takes account of the reform of the CAP outlined in Regulation (EC) No 1782/2003. The budget rules cover the fixing of amounts available annually for EAGF expenditure, forecasts relating to the payment deadlines imposed on the Member States, any reductions and suspensions of monthly or quarterly amounts and specifications regarding the dollar exchange to be used in drawing up the budget.

7. COM(2004) 493 – Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund - the European Social Fund (ESF) would continue to exist. It would provide support under the ‘convergence’ and ‘regional competitiveness and employment’ objectives, and its intervention would focus on four key areas endorsed by the European Council:

- increasing adaptability of workers and enterprises;
- enhancing access to employment, preventing unemployment, prolonging working lives and increasing participation in the labour market;
- reinforcing social inclusion by promoting the integration in work of disadvantaged people and combating discrimination;
- promoting partnership for reform in the fields of employment and inclusion.

In the least prosperous regions and Member States, there would be a general concentration on promoting structural adjustment, growth and job creation. To this end, under the ‘convergence’ objective, the ESF would also support action to expand and improve investment in human capital, in particular by improving education and training systems, and action aimed at developing institutional capacity and the efficiency of public administrations, at national, regional and local level.

This proposal gives a greater emphasis to the Union’s commitment to the elimination of inequalities between women and men. Also, the promotion of innovative activities and trans-national co-operation

would be fully integrated into the scope of the ESF, and mainstreamed within the national and regional operational programmes.

Also under the ‘convergence’ objective, social partners would be encouraged to actively participate in capacity building actions and to undertake joint activities in the policy areas where they play a decisive role.

8. COM(2004) 494 – Proposal for a Council Regulation establishing a Cohesion Fund - the Cohesion Fund now applies to the 10 new Member States until the end of 2006, as well as to the three Member States eligible until the end of the 2000-06 period (Greece, Portugal and Spain).

This proposal envisages that the Cohesion Fund would contribute to the convergence of less developed Member States and regions through financial participation in the operation programmes of the ‘convergence’ objective.

In the field of trans-European networks, actions financed by the Cohesion Fund must follow the guidelines for these networks, which were adopted by the Council in revised Decision (EC) 1692/1996. In the environmental field, the Cohesion Fund would contribute to achieving the Union’s policy objectives envisaged under article 174 of the treaty.

9. COM(2004) 495 – Proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund - the European Regional Development Fund (ERDF) exists to support the correction of regional imbalances. The May 2004 enlargement has increased regional disparities in the EU; regions whose development is lagging now have GDP ranging from 30% to 75% of the community average, whereas the more developed regions have the challenge of increasing competitiveness to achieve continuous development.

The ERDF actions for 2007-2013, as outlined in this proposal, would therefore be differentiated depending upon the beneficiary region, whilst remaining concentrated on the Union’s priorities in line with the Lisbon and Gothenburg agendas.

Under the ‘convergence’ objective, the ERDF would have a broad range of interventions, reflecting the needs faced by these regions. An emphasis would be placed on research, innovation and risk prevention, as well as infrastructure. Under the ‘regional competitiveness and employment’ objective, the main focuses would be innovation and the knowledge economy, and accessibility to transport services and ICT, aimed at reducing isolation from transport and digital networks.

A specific objective would be dedicated to territorial co-operation, which would be organised around cross-border and trans-national elements, based on a menu of actions linked to the Lisbon and Gothenburg agendas. The inter-regional dimension, in turn, is part of the joint management of programmes under the preceding two objectives.

10. COM(2004) 492 – Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund - this sets out the framework and the context which would be necessary for the above suite of regulations to be put into place.

11. The Committee did not request further information on COM(2004) 497 – Proposal for a Council Regulation: European Fisheries Fund. This proposed Regulation concerns the creation of a new financial aid fund for the fisheries and aquaculture sectors – the European Fisheries Fund (EFF) – and completes the suite of Structural Fund regulations proposed by the Commission. This fund will operate from 2007-2013, and will replace the current Financial Instrument for Fisheries Guidance (FIFG). The EFF will provide funds for fishing, aquaculture and processing businesses but will not fund projects that will increase the fleet's ability to catch fish.

SECTION B European Defence Agency

11. The following documents, also highlighted for further discussion by this Committee on 14 October 2004, relate to the establishment of the European Defence Agency (EDA). The EDA was established on 12 July 2004, and is tasked with overseeing the strengthening of European military capabilities, including promoting European defence research and ending Europe's tradition of duplication in armaments research, development and procurement. Membership of the EDA is voluntary, at the discretion of individual Member States. The Steering Board of the EDA met for the first time on 10 September 2004 and was headed by the High Representative of the EU, Javier Solana.

12. The UK Government has expressed its support for the EDA's creation, but the degree to which it wishes to become involved in the establishment of the EDA is in question.

13. 10930/04 – Draft Council Decision on the financial provisions applicable to the general budget of the European Defence Agency (EDA) - this document (10930/04) outlines the finances available to the EDA for only the early stages of its operation. They have been brought in now to ensure the early setting up of the Agency, but will need to be amended by July 2005 in line with Article 18 of the Joint Action.

14. 10837/3/04 – Staff Regulations of the European Defence Agency - these are the regulations for staff joining the EDA. They cover all aspects of employment for temporary and permanent staff.

15. The Committee did not request further information on 11002/1/04 – Rules applicable to national experts and military staff on secondment to the European Defence Agency (EDA). This was deposited with the UK Parliament at the same time as the two documents outlined above, and applies to Seconded National Experts (SNEs) from Member States belonging to the EDA.

Financial Perspectives and the 3rd Cohesion Report

A 1. Financial Perspectives

COM(2004) 101 final is the European Commission document outlining the Policy challenges and Budgetary means of the Enlarged Union 2007-2013. This document, also known as the 'Financial Perspectives', was published on 10 February 2004.

The document outlines the main spending priorities for the EU of 25 Member States and includes details of the new 'financial framework', which is the spending that will be required from each of the Member States to achieve these priorities. The three spending priorities are:

sustainable development;

giving full content to European citizenship; and

the EU as a global partner.

2. The 3rd Cohesion Report

The Third Progress Report on Economic and Social Cohesion (the Cohesion Report) was produced by the European Commission on 18 February 2004. The report recommends how the resources outlined in the Financial Perspectives paper should be used in order to narrow the economic gaps between Member States.

In short, the Cohesion Report recommends that the range of actions supported by Cohesion Policy should be limited. The future structure of the framework will be grouped around three priorities – 'convergence', 'regional competitiveness and employment', and 'European territorial co-operation':

Convergence

The enlargement process will bring about a huge increase in the disparities within the Union, requiring adjustments to the current programmes in order to reduce these.

The priority for these programmes will be those regions whose per capita GDP is less than 75% of the average GDP of the enlarged Union of 25 states.

There will also be temporary support for those regions where per capita GDP would have been below 75% of the Community average as calculated for the Union of 15 – the so-called 'statistical affect regions'. The Commission makes it clear, however, that this support will end in 2013 and there will be no further phasing out period.

All 'convergence' programmes would be supported by three funds, compared with the current six; the

European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. The report states that each of these Funds would have resources to finance technical assistance.

Regional competitiveness and employment

For areas outside the least developed Member States and regions, the Commission proposes a two-fold approach:

through regional programmes, the Funds would help regions and the regional authorities to anticipate and promote economic change in industrial, rural and urban areas by strengthening their competitiveness and attractiveness, taking into account existing economic, social and territorial disparities;

through national programmes, the Funds would help people to anticipate and to adapt to economic change, in line with the policy priorities of full employment, quality and productivity at work, and social inclusion.

The regional programmes would be provided through ERDF only, and would distinguish between those regions that are not covered by the convergence programmes or the ‘phasing in’ support, and those regions that are currently eligible for Objective 1 but which do not qualify as ‘statistical affect’ regions.

The national programmes would focus on three policy priorities: i) increasing the adaptability of workers and enterprises, ii) attracting more people to employment and preventing early exit from the labour market, and iii) increasing the employment potential of people who face greater difficulties in accessing the labour market and retaining their job, such as people with disabilities, ethnic minorities and migrants. The single funding source for this would be ESF.

European territorial co-operation

The Commission proposes to create a new objective, to further the integration of the Union by supporting co-operation at cross-border, transitional and interregional level. This would be financed by the ERDF, and would focus on integrated programmes managed by a single authority.

The Commission recognises that all regions could be concerned by cross-border co-operation. It therefore intends to create a new legal instrument in the form of a European co-operation structure ("Cross-border regional authority") to help all Member States, regions and local authorities to better manage cross-border programmes and projects.

The Commission will also introduce a New Neighbourhood instrument in the context of the European Neighbourhood Strategy. This would operate on both sides of the external borders of the enlarged Union, with the aim of promoting sustainable economic and social development, and building on past experience of partnership, multi-annual programming and co-financing.

For regions with geographical handicaps, such as mountainous, remote or sparsely populated regions, the allocation of resources should take account of this by using territorial criteria. It will be up to the Member State to take account of the specificities of these regions when targeting resources.

Other significant changes proposed in the Cohesion Report are:

- The current instruments for rural development policy will be grouped in one single instrument under the Common Agricultural Policy (CAP).
- LEADER+ will be integrated into the mainstream CAP.

Delivery

- In the interests of simplification, the Commission proposes that each Member State prepares a policy document on its development strategy, which would be negotiated with the Commission and used to build the framework for the thematic and regional programmes. Programme complements will be abandoned, as will management by measure. There will also be one fund per programme.
- The existing payment system will be maintained, with the exception of the removal of the 'measure' level. National rules will largely determine eligibility of expenditure, except in VAT, technical assistance and passive interests).
- Below certain thresholds, the Member State will have the option of using its national control systems for the programmes concerned (proportionality).
- Additionality will remain a key principle, but will only need to be verified by the Commission within the 'convergence' objective. In the 'regional competitiveness and employment' and 'European territorial co-operation' programmes, Member States will be responsible for ensuring that additionality applies.

As outlined in the Financial Perspectives paper, the Commission proposes to allocate a sum equivalent to 0.41% of the GNI of the EU-27 from 2007 in support of the three priorities of the reformed cohesion policy. The share of this among each priority would be:

- around 78% for the 'convergence' priority (less developed regions, cohesion fund and 'statistical affect' regions), with the emphasis on help to the twelve new states;
- around 18% for the 'regional competitiveness and employment' priority;
- around 4% for the 'territorial co-operation' priority.
- The Cohesion Report stated that the Commission would bring forward draft regulations in summer 2004, which will be negotiated over a 12 to 18 month period and subject to a majority vote of the European Council.

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