



CONFERENCE DES REGIONS PERIPHERIQUES MARITIMES D'EUROPE
CONFERENCE OF PERIPHERAL MARITIME REGIONS OF EUROPE

6, rue Saint-Martin 35700 RENNES - F
Tel. : + 33 (0)2 99 35 40 50 - Fax : + 33 (0)2 99 35 09 19
e.mail : secretariat@crpm.org - web : www.crpm.org

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OPINION OF THE CPMR POLITICAL BUREAU
(approved by the CPMR Political Bureau in Galati- 24 June 2005)

COHESION: MORE VITAL THAN EVER

After the events that have taken place in Europe in the last two months (adoption of the Constitutional Treaty by 11 Member States – Austria, Belgium, Germany Greece, Hungary, Italy, Latvia, Lithuania, Slovenia, Slovakia and Spain - rejection in France and the Netherlands, and the failure of negotiations on the financial perspectives), the CPMR Political Bureau met on 24 June in one of the future Member States, Romania, at the invitation of the Presidents of the counties of Galati and Tulcea. On this occasion, the CPMR renewed its support for Romania's and Bulgaria's entry into the Union within the planned timeframe. The Bureau meeting was mainly devoted to an assessment of the crisis facing the Union and its consequences for the regions.

The Bureau would like to express sincere compliments and thanks to Jean-Claude Juncker, Prime Minister of Luxembourg and current president of the Council, for the efforts made, until the very end, to avoid the situation in which Europe finds itself today. Thanks are also due to the new Member States which, contrary to their interests, made concessions in order to reach an agreement. Lastly, the European Parliament and its special temporary committee should also be thanked. Throughout the first half of this year, they continued to be the bearers of a genuine project to promote European solidarity.

The context in which these negotiations will now be continued has radically changed. Nobody knows on which basis they will resume. Some declarations sadly suggest that the preparatory work undertaken by the European Commission since 2000, which entailed in-depth consultations with all stakeholders over the last five years, will be undone with the stroke of a pen. The meeting of 16 and 17 June 2005 regrettably illustrates only too clearly the Union's paralysis when it relies too exclusively on intergovernmental mechanisms to the detriment of the general European interest embodied by the European Commission and Parliament.

In this climate of uncertainty and retreat into national self-interest, the CPMR Political Bureau, on behalf of its 150 member regions and the 175 million people which they represent, believes that it is important to emphasise some fundamental elements which should be taken into consideration in any future agreement on the Union's financial perspectives.

1. Firstly, the CPMR deplors the Council's inability to conclude an agreement by a date which would, for the first time ever, have made it possible to enter into effective commitments regarding jointly-agreed resources as from 1 January 2007. The resulting delays in implementation will not be the fault of the beneficiaries!

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2. It was with a great sense of insight and realism that the European Commission proposed, on 17 February 2004, a budget based on the figure of 1.14% of the Union's Gross National Revenue. It is clear that this percentage in itself falls short of the ambition required for the integration of twelve new members, if it is to be hoped that they are to make progress at the rate that Spain, Ireland, Greece and Portugal did before them. Rapid progress is a pre-requisite for bringing an end to the process of competitive dumping, which is such a prominent issue for public opinion in the EU 15. **If negotiations are going to be started again from scratch, those concerned should not refrain from bearing in mind that there is a margin for manoeuvre up to 1.24% of the Union's Gross National Revenue. This would constitute a strong message of solidarity towards both the new members and the least well-off among the older Member States.**

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3. On the other hand, in spite of its merits, the latest proposal put forward by the Luxembourg Presidency as a last attempt to conclude an agreement appears inadequate for meeting current and future challenges. Although it does not call the European Commission's proposed architecture into question, it distorts its balance by cutting back excessively on non-agricultural policies. During the last day of their meeting, the Heads of State and Government who had united in calling for future EU budgets not to exceed 1% of the Union's Gross National Revenue indeed illustrated that the closer one gets to this level, the more the divisions between them become apparent.

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4. It is necessary to review the entire budget in order to consider cohesion policy and the solidarity within the regions of Europe. It is evident that no new ambition concerning expenditure can really emerge without the development of a new and fair basis for EU budget receipts.

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5. Research, major infrastructure projects, external action and cohesion are among the policies which have progressively been sacrificed by the Presidency's successive proposals to date. One after the other, and all together, they have been traded-away in order to please the net contributors, who, in spite of everything, were incapable of concluding an agreement. The CPMR again asserts that all of these policies are absolutely vital for ensuring the success of the European venture and for enhancing the Union's global in the 21st century.

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6. Concerning cohesion policy, the CPMR has noticed that the European Commission's initial proposals have been progressively undermined during the negotiations. (Cf. Annex 1).

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7. This having been said, the **Third Progress Report on Cohesion** confirms that there is a general increase in territorial disparities in light of the Lisbon strategy. (Cf. Annex 2)

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8. In view of the draft Community Strategic Guidelines, it might be feared that the need for territorial cohesion is being forgotten. (Cf. Annex 3)

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9. The failure of the negotiations provides an opportunity to reflect upon the shape of future regional policy (Cf. Annex 4). Six priorities must prevail if Europe's territorial divide is to be narrowed:

- 1) Funds should continue to be divided fairly between the different objectives.
- 2) Funds available under the regional competitiveness and employment objective should be concentrated in the least competitive territories.
- 3) The "economic diversification" part of rural development policy should be transferred back to regional policy.
- 4) The ERDF budget should be ring-fenced.
- 5) Transnational and interregional cooperation should be reinforced as proposed by the European Commission.
- 6) The Community Strategic Guidelines for the 2007-2013 should be made binding again.

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10. However, these common-sense guidelines should not be undermined by a complete review of the notions of competitiveness and solidarity on which the negotiations, which were based on the European Commission's proposals, have been founded to date. As during the preparatory discussions in 2003, there have unfortunately been new calls to do away with the Union's territorial dimension. They question the benefits of a regional policy which, after previous enlargements and in face of the constant need to adapt to globalisation, has demonstrated the virtues of a decentralised approach. **Nothing, bearing in mind other types of approach tried out in recent years, justifies the trial cohesion policy is subjected to in terms of its efficiency:** the implementation of the Lisbon Strategy via open intergovernmental coordination has demonstrated the latter's limits, and even failure. The Heads of State and Government had to acknowledge this when they met in the spring. **The peripheral and maritime regions would like to encourage the next six-month Presidencies to give cohesion, competitiveness and employment policy a large place in all the proposals they will have to make. They encourage the European Commission to make more detailed proposals on this matter, in order to promote territorial fairness and the participation of all territories in efforts to achieve the Union's objectives.**

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11. Lastly, at a time when many of our fellow citizens are having doubts about a Union which is too distant from their concerns, where the questions raised are far-reaching and require an overall reflection on what European integration means, **the CPMR Political Bureau can only insist that the forthcoming negotiation arrangements should not be restricted to intergovernmental circles. Mechanisms should be established, both at European level and within each Member State, to enable the regions and their inhabitants to be stakeholders in this common venture. It invites**

the European Commission, Parliament and Council – particularly through its six-monthly Presidencies – to display an innovative and audacious vision in this regard. In particular, the Member States should demonstrate their commitment to the elements of progress they embraced in the draft Constitutional Treaty, both concerning the role of the regions and the cities in the Europe’s institutional edifice and the assertion of the principle of territorial cohesion. In one way or another, these improvements must be put into practice as rapidly as possible. Any cession of efforts made by sub-state tiers of government would accentuate even further the isolation and loss of legitimacy of the over-restricted circles who work to further European integration.

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12. This is why the CPMR Political Bureau acknowledges the British Presidency’s intention to open a far-reaching debate on the most appropriate European policies for ensuring the Union’s modernisation, while respecting the specific nature of its model, and to this end, requests in particular that regional policy be taken into account accordingly in the light of the conclusions of the third report on cohesion. The Political Bureau asserts its desire and availability to participate in this debate. It gives its President a mandate for early contacts. It invites the British Presidency to contribute to the debate which the CPMR will organise at its next General Assembly on the subject of the future of European integration and the role of the regions in this process.

**THE CONSISTENCY OF THE PROPOSALS CONTAINED IN THE THIRD REPORT
HAS BEEN PROGRESSIVELY UNDERMINED DURING THE COURSE OF THE
BUDGET NEGOTIATIONS**

A rapid preliminary budget analysis of the latest negotiating box¹ of the Luxembourg Presidency reveals the extent to which the different levels of budget intensity per capita could lead to a situation where the most competitive European regions end up being the only category of winners. Regarding the main objectives, the elements we have at our disposal notably enable us to make the following comparisons between the 2000-2006 and the post- 2007 periods:

- The cohesion fund has been strengthened to such an extent that it is progressively replacing the regional approach. This undoubtedly seems to indicate that national strategies are being encouraged to the detriment of regional ones.
- There is an overall decrease in the intensity of Objective 1, bearing in mind that the latest proposals had apparently introduced a 15% reduction in intensity for EU 15 Objective 1 and a 6% reduction for regions from the newest Member States. As a comparison, it should be remembered that Objective 1 regions on average received 220 euros per capita during the 1994-1999 period.
- The Regional Competitiveness and Employment Objective has suffered the most during the latest negotiations, ending up with an intensity of less than 18 euros per capita – an amount which may be considerably reduced for the ERDF alone. We will come back to this point.

VOLUMES IN CONSTANT EUROS (2004 PRICES) PER YEAR AND PER CAPITA

		2000 - 2006	2007-2013
Cohesion fund	EU 15	42.63	
	EU 10*	38.19	
	EU 25		71.25
Objective 1 / Convergence	EU 15	213.80	
	EU 10*	68.14	
	EU 25		208.50
Objective 2 / Competitiveness and Employment	EU 15	22.67	
	<i>of which ERDF (obj. 2)</i>	57.04%	?
	<i>of which ESF (obj. 2+3)</i>	42.96%	?
	EU 10*	47.20	
	EU 25		17.83
UPR		180.00	?

* calculated for 2004/2006

These figures illustrate only too clearly that there are far too many different types of exceptions and gifts, which is contrary to all logical reasoning. What was the use of commissioning so much

¹ The basis for calculating the figures contained in this negotiating box is set out in Fiches no. 29 REV 1 and 92 circulated by the Commission.

scientific research on the European territory of it was ultimately necessary to end up with such a long list of budgetary exceptions, coupled with totally bizarre territorial criteria? It is hard to perceive the different territorial situations amidst this jumble, which is totally incomprehensible for the ordinary person. If the European project was not in such a parlous state, one might be tempted to laugh about it. Nevertheless, we can make the following observations.

1/ Ultraperipheral regions and phasing in/phasing out territories continue to suffer the sharpest reductions

Before being able to assess the latest measures aiming to provide ultraperipheral regions (UPRs) with 30 extra euros per capita, they would, on average, lose 15% to 40% of their 2000-2006 budget allocation. The financial intensity devoted to phasing in and phasing out regions has regularly been reduced during the negotiations. Their situation is indeed much less favourable than for the phasing out regions of the current period. This notion has become increasingly common, even though it responds to real transition needs. If too little consideration is given to the matter, many of these regions could end up being convergence Objective regions after 2013.

2/ Rich and competitive regions have in theory had a considerable increase in their budgets

If we compare the amounts of the current programming period with those resulting from a strict application of the criteria of the latest negotiating box, it can be seen that this would lead to a considerable increase in the regional budgets of the most competitive regions, from about 2 to 10 euros per capita at the moment, to a little over 17 euros per capita in the future.

OBJECTIVE 2 + PHASING OUT BUDGETS IN MILLIONS OF EUROS (CONSTANT EUROS 2004)

		2000/2006 programming period			2007/2013 negotiating box
		Volume price 99 (?)	Volume price 2004	Per capita/year	Per capita/year
UK	Greater London	259.89	284.58	5.52	17.27
	Eastern Scotland	250.54	274.34	20.63	19.10
FR	Ile de France	142.3	155.82	2.01	17.51
	Nord Pas de Calais	607.4	665.10	23.69	19.71
IT	Lombardia	200.387	219.42	3.46	17.69
	Marche	125.282	137.18	13.24	19.62
ES	Madrid	394.9	432.42	11.25	17.71
	Pais Vasco	587.6	643.42	44.19	19.70

source 2000/2006: Inforegio – Programme summaries and negotiating box - Luxembourg Presidency -15 June

On the other hand, funds for the most peripheral regions would be reduced by half or even by much more in certain cases. The reason for this is simple. The criteria proposed by the Luxembourg Presidency make very few territorial distinctions. Employment levels, unemployment rates and education levels, coupled with a population criteria accounting for 50% of the total weighting, lead to an overall evening out of the regional amounts per capita. The 5% accorded to population density and the slight corrective element of regional GDP have no major impact on the data.

In our mind, the fact that the Member States are then left to apply these criteria in different ways does not constitute an adequate guarantee. The CPMR asks the British Presidency to give a greater territorial dimension to the next round of negotiations. This would notably entail the inclusion of

regional GDP as the principal variable to be considered when allocating funds, even if it means making the richest regions ineligible for ERDF funding so that the principle of concentration is respected. The CPMR will refine its proposals in the coming months.

In parallel to this considerable theoretical gain for competitive European regions, regions in all other types of situation would be distinct losers.

3/ Territories with a permanent handicap: whose is being duped?

Territories suffering from severe and permanent handicaps (islands, mountain regions and regions with a low population density) are in principle the number one beneficiaries of the emergence of the territorial cohesion concept and, more precisely, of the statement in Article III.220 of the Treaty that they should be given “particular attention”. However, they would have been within their rights to hope for more far-reaching arrangements in their favour. Nothing of the sort has come about.

However, taking up some of the CPMR’s proposals, the European Commission proposed, in Article 52 of the draft General Regulation on the Structural Funds, that territories with permanent handicaps should be able to have a 5% higher level of co-funding under the Regional Competitiveness and Employment Objective. This proposal was furthermore supported by the European Parliament, which even proposed that there should be a 10% increase in the level of co-funding for territories cumulating several handicaps.

In practice, this measure will only have a symbolic effect, because, in the meantime, the Regional Competitiveness and Employment Objective budget will have been reduced to the smallest share (37 billion euros instead of 48 billion).

If funding is reduced so much, it is unlikely that the possibility of applying higher levels of co-funding would constitute a sufficient incentive, especially because community legislation in no way obliges Member States to give priority to combating geographical or demographic handicaps. It should be noted that, at most, the supplementary arrangements of the Luxembourg Presidency’s negotiating box provide for an allowance of 30 euros per capita/year for the UPRs and for the northernmost territories covered by the Sweden and Finland accession treaties.

This therefore constitutes a pure and simple trade-off aiming to safeguard acquired rights, because at no time has there been talk of extending such arrangements to other EU territories with a low population density, or, even more importantly, to islands or mountain areas, whose difficulties have nonetheless been emphasised by various Commission studies and by the Third Report on Social and Economic Cohesion.

THE THIRD PROGRESS REPORT ON COHESION CONFIRMS OUR FEARS ABOUT THE DEVELOPMENT OF THE EU TERRITORY

1/ Analysis confirming a general increase in disparities in light of the Lisbon strategy

The result of the analysis on the EU territory and its disparities is most certainly one area where real continuity can be observed. The Third Progress Report on Cohesion published by the Commission in May 2005 has done the necessary task of updating data, but it also helps to refine our understanding of regional development disparities, when considered from the point of view of the Lisbon strategy. Two main observations concerning previous analyses should be emphasised:

- Firstly, regional development disparities in the EU 25 continue to grow in 22 out of 25 countries (only Austria, Italy and Spain escape the trend). In view of the persistence of this phenomenon, there are doubts about how far those states which support renationalisation of regional policy can really strive to achieve a better balance. Similarly, the non-respect of the additionality principle by most of the states which support renationalisation of regional policy only serves to deepen our scepticism concerning the national strategies which will be proposed. However, if the political will existed, a shared competence between all levels of governance would certainly help to respond to the challenge of making Europe fairer for its citizens.
- Secondly, analysis of European disparities in terms of the main Lisbon criteria has the merit of offering an even more dynamic insight into the problem. Over and above the analysis of past trends, this represents a challenge in terms of possible future scenarios which the Commission invites us to respond to. Accordingly, the classification of the regions in terms of their performance vis-à-vis ten criteria corresponding to the Lisbon objectives gives a more dynamic vision of the considerable gaps which persist between territories. **In the absence of social redistribution mechanisms at EU level, regional policy is the only policy which really help to reduce these disparities.**

While one can only praise the added value of these analyses, it should however be noted that there is a relatively worrying change of discourse in the report. References to the Union's territorial dimension have almost completely disappeared. Has the focus on the Lisbon strategy already led to the stigmatisation of the territorial cohesion concept, even within DG Regio?

2/ Analyses to be borne in mind during negotiations between Member States and regions concerning the implementation of the Community Strategic Guidelines (CSG) at national level

In this context, how far can we be sure that the other level of partnership, which obliges each Member State to come together with its regions, will respect the need for fairness and a territorial approach, notably and above all within the Regional Competitiveness and Employment Objective?

In certain federal or centralised states which already have a strong tradition of ensuring fairness between territories, the regions may hope to become involved in constructive dialogue, in accordance with the spirit of regional policy and the draft Constitutional Treaty. In Member States where regions have a sizeable influence on negotiations, the discussions – even between regions in the same countries – risk becoming difficult; such is the importance of the issues at stake. The results may well be even more complex in those Member States which are easily tempted into national and sectoral use of EU funds.

On this point, **the key question is whether the European Commission can impose a real territorial approach for the implementation of the CSGs**, at a time when it is suffering as a result of the retreat from the European project. If the allocation keys proposed by the Luxembourg Presidency can be modified within each Member State, the temptation to start using the same criteria again, in order to ensure that a particular and most useful European framework is “respected”, is a scenario which cannot be ignored. What influence will the European Commission be able to have in face of attempts to recover regional policy funds for purely sectoral and national objectives?

The regions should therefore be urged to be as careful as possible during the negotiations. It will be essential to undertake a specific analysis of the different negotiation arrangements in each country. The CPMR will work on this matter.

ARE THE COMMUNITY STRATEGIC GUIDELINES (CSG) A FRONT FOR THE RENATIONALISATION OF REGIONAL POLICY?

1/ A strategy which reduces cohesion and is no longer territorial

For three programming periods, actions eligible for funding under regional policy have been promoting the competitiveness of territories and therefore the competitiveness of Europe as a whole. Aside from supporting necessary infrastructure projects in the transport and environment field, the ERDF and the ESF have been pursuing this objective for several years. The Commission again demonstrates this by stressing that most of the EU funds were devoted to this issue during the first three years of the 2000-2006 programming period. In Objective 1 regions, almost 50% of funds provide support for competitiveness, and the figure is as high as 60% in Objective 2 regions and even more in countries such as Denmark, Finland and the United Kingdom. The Lisbon strategy was not essential for this objective to be taken into account. It was no doubt required on the margins after 1999, to ensure that action became more focused. But the time for swimming pools, which have for so long been cited as an extreme example of misuse of funds by uninformed detractors, has long passed.

Has the Lisbon strategy not just become a marketing concept, which is opportunistically being used to re-focus territorially-based measures on horizontal themes? We have a right to believe this when we see how little impact the Lisbon strategy has had on the way the Member States implement national policy, or on their enthusiasm for subheading 1a, which has become sacrificed in the EU budget. In its time, the Kok report also provided part of the answer.

The Community Strategic Guidelines lose part of their meaning when they emphasise a number of common strategic issues with no clearly established territorial priorities. To prove this point, one only needs to have a brief look at the three priorities.

- *1) Improving the attractiveness of regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential.*

The first community strategic guideline broadly aims to make everywhere more attractive and accessible by presuming that each territory is able to offer high-level services in an improved environment. It is difficult to believe that this priority is well-adapted to the reality of different European territorial situations. Which cities and regions are being referred to? What are their territorial characteristics? What issues are they faced with? What types of accessibility are being talked about? What are their expected leverage effects? What services are being referred to? On the basis of what level of weakness in the territories? To preserve what type of fragile environment? With which priorities adapted to the main weaknesses of the European territory? On the basis of which shared observations?

These are but a few of the questions which continue to go unanswered. At the same time, the sharp cuts in ERDF funds will certainly make it impossible to undertake all of these measures for the whole of the Union's territory. If the word "subsidiarity" has to be the answer to these questions, we find it hard to see what the added value of such a European strategy can be, other than to hide a real trend towards renationalisation. In no way do we believe that the single reference to differences in support between convergence regions and other regions is sufficient.

The same type of observation can be made for the other two priorities:

- *2) Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies;*
- *3) Creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.*

We have no profound disagreements with these two proposals – who indeed could have? Since the first oil crisis thirty years ago, any responsible politician or analyst should be able to propose such policies. On the contrary, it is the absence of any territorial delivery mechanisms aiming to encourage the Member States and the regions to use European funds to tackle their principal competitive weaknesses which leaves us perplexed.

For example, is the objective to encourage growth of the knowledge economy in the major European capitals? Is that the holy added value of the Lisbon strategy? Is the objective to create more jobs everywhere with the support of European funds, or to target those territories which are most affected by international competition? If it is only a matter of creating more jobs in an indeterminate manner, how can this regional policy provide added value with regard to national or regional employment policies? Where is the traditional added value of regional policy?

After having lost any binding character, the CSG could have at least set out a minimum set of territorial priorities, notably for the Regional Competitiveness and Employment Objective, which concerns 65% of the EU's population. The only territorial focus included in CSG concerns priority 4. This is almost exclusively focused on territorial cooperation, which continues to constitute a highly limited vision of Europe's complex territorial reality. The importance of the territorial cohesion concept should have been made evident in the first three chapters, and not relegated to a few sentences at the end of this document.

The CSG therefore seem to be making the mistake of returning to the conclusions of the Sapir report through the front door of the budget negotiations. This has not been via subheading 1a, as one might have expected, but rather via subheading 1b, which makes no reference territorial delivery mechanisms.

At least the postponement of the budget negotiations leaves further time to give these guidelines their necessary territorial dimension.

2/ Consistency with national priorities suffers as a result of the Treaty being blocked

Soon after the adoption of the Third Report on Cohesion, it was planned that all national strategies would be included as annexes to this European strategy, in order to demonstrate the consistency of the approach. If this had happened, we could probably have been less severe about the strategy which is currently being proposed. The non-territorialisation of European issues could have been compensated by developing implementation arrangements tailored to national and regional contexts, which would be contractually binding for the different levels of governance. It has to be said that this is currently far from being the case.

Further to pressures from several Member States, this provision has simply been removed. Some people might say that this is due to the climate of failure which is partly due to the non-ratification of the Treaty in France and the Netherlands and the consequent temptation to retreat into national self-interest. However, well before the results of the first referenda, certain countries had already

started to wield their veto against any community approach to regional development, thereby using this provision to make up for previous failed attempts at renationalisation.

In view of the current state of the European project, we are left perplexed by this totally schizophrenic attitude, which denies the reality of the situation in Europe, while simultaneously appealing to citizens to give their support. Have the Member States already forgotten that the draft Treaty which they adopted in Rome in 2004 included the concept of territorial cohesion and an enhanced role for regional and local authorities?

3/ A sacrificed Gothenburg strategy: future generations will not be appreciative

Following publication of the Third Report on Cohesion, there was an idea that the Gothenburg and Lisbon strategies should be integrated as the main planks on which the CSG should be developed. It has to be said that such ambitions have had to be considerably reduced and we can only fear that the foreseeable reduction of the share of the ERDF will not help matters.

If incentives of a fiscal nature (such as eco-taxes) are rejected, then cohesion policy instruments are the only things (with the exception of the creation of a market for emission rights in the framework of the Kyoto Protocol) that can still be used to promote the sustainable development model advocated by the EU.

The financial perspectives being proposed to us will not permit:

- sufficient efforts to upgrade environmental protection infrastructure;
- a shift in the balance between different modes of transport;
- the promotion of renewable energies.

The drastic reduction of cooperation measures, notably transnational ones, furthermore constitutes a major barrier to the creation of a new development model. It is also an obstacle to the pursuit of necessary exchanges and joint work between territories belonging to areas confronted with identical challenges.

THE FAILURE OF THE NEGOTIATIONS RAISES DOUBTS ABOUT THE FUTURE SHAPE OF REGIONAL POLICY

The failure of the Council's negotiations sheds light in what the future may hold, thus making it possible to anticipate the negative implications for the 2007-2013 period. This failure should now be turned into an opportunity to go back to the drawing board regarding a certain number of policies.

1/ Unacceptable future possibilities

We believe that five underlying elements are particularly unacceptable for the future programming period:

- **a) The far too large contribution of ultraperipheral regions, EU 15 Objective 1 regions and phasing in/phasing out territories to the financing of the enlargements.** The new cohesion Member States and their regions are entirely justified in calling for a high concentration of cohesion funds. However, a direct consequence of the general decrease in the budget is to transfer the decrease to subheading 1b on the weakest EU 15 territories. **Such a change is unacceptable and can only widen the Union's territorial divide.**
- **b) The total absence of a guarantee that Regional Competitiveness and Employment Objective funds will be concentrated on those territories which are most in difficulty:**
 - new forms of industrial crises linked to the consequences of globalisation,
 - continued decline of a several rural areas,
 - ongoing vulnerability of territories with a permanent handicap,

Some Member States have already identified a possibility to use these funds to co-finance national policies which are devoid of any territorial dimension.

Such a development is equally unacceptable and it would only accentuate the divide between successful territories and those faced with failure due to the globalisation of the economy. This divide notably constitutes one of the fundamental reasons why the draft Treaty has been rejected in certain territories of the Union.

- **C) The pre-announced end of rural development.** Among the proposals contained in the Third Report on Cohesion, there was an agreement to take part of the 0.45% of the Union's GDP devoted to rural development and its economic diversification within the Common Agricultural Policy and its second pillar. This represented about 0.04% of EU GDP, or 35 billion euros. This is why the future regional policy budget was set at 0.41% of EU GDP instead of 0.45%. What is the situation now?
 - The share of the second pillar is constantly being reduced, and it is currently down to a level of 74 billion euros.

Even more serious is the fact that the safety net for economic diversification measures, which initially should have been 15%, has fallen to 8%, notably further to pressure by the agricultural lobby on the European Parliament.

- No provision is in place to guarantee that socio-economic diversification measures will be targeted, as before, on the most vulnerable rural areas.

In conclusion, the 35 billion euros for the 2000-2006 period have been reduced to 6 billion euros, with no guarantee of delivery at territorial level.

• **d) The sacrifice of the ERDF to the benefit of the ESF**

The Third Report on Cohesion and the European Commission's proposals on the financial perspectives permitted a balanced division of funds between the ERDF and the ESF within the Regional Competitiveness and Employment Objective, in accordance with practice during previous programming periods. Neither the substance nor the form of this balance had ever been brought into doubt. It represented a good balance between preventative structural measures on one hand, and employment and training measures on the other hand. This guaranteed balance in the Member States is now totally in doubt, with the ESF being the principal winner. **The community approach for managing funds is being rejected, and regional development is being sacrificed, both in terms of its competitiveness dimension and in terms of its sustainable development dimension.**

• **e) Dismemberment of territorial cooperation to the detriment of transnational and interregional cooperation**

The European Commission had proposed a sharp increase in funds devoted to territorial cooperation, notably due to the success of the Interreg III programme and the statistical increase in the eligible population further to the enlargements. The successive decreases during the intergovernmental negotiations have reduced the proposal from 13,2 billion euros to 7.5 euros. Transnational cooperation has consequently gone down from 0.5 euros per capita for the 2000-2006 period to just 0.3 euros per capita for the post-2007 period (35% in constant euros). Interregional cooperation and networks have also suffered a 5% increase, which will probably be even greater once the definitive amounts for interregional cooperation are known (in other words, excluding networks). At the same time, the cross-border element continues to grow. This has been the case for internal EU 12 borders during four successive programming periods. **This unequal treatment of the three strands of territorial cooperation is hardly acceptable for regions which are not concerned by cross-border cooperation.**

BUDGET IN CONSTANT EUROS (2004 PRICES)

	2000 - 2006		2007- 2013		% change
	Volume	Per capita/year *	Volume	Per capita/year **	
Cross-border total	3 605.00	1.36	5 775.00	1.83	60.19
<i>Neighbourhood sub-total</i>			1 443.75		
<i>Internal sub-total</i>	3 605.00	1.36	4 331.25	1.37	20.15
Transnational	1 373.00	0.52	1 425.00	0.45	3.79
<i>Neighbourhood sub-total</i>			356.25		
<i>Internal sub-total I</i>	1 373.00	0.52	1 068.75	0.34	-22.16
Interregional/networks	316.00	0.12	300.00	0.09	-5.06
TOTAL	5 294.00	2.00	7 500.00	2.37	41.67

* calculated on the basis of EU 15

** calculated on the basis of EU 25