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RECOMMENDATION

on the proposal for a Council regulation (EC) amending Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, concerning certain provisions relating to financial management (COM(2008)0803 – 17575/2008 – C6-0027/2009 – 2008/0233(AVC))

Committee on Regional Development

Rapporteur: Iratxe García Pérez

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission.)

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation (EC) amending Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, concerning certain provisions relating to financial management

(COM(2008)0803 – 17575/2008 – C6-0027/2009 – 2008/0233(AVC))

(Assent procedure)

The European Parliament,

- having regard to the proposal for a Council regulation (COM(2008)0803 – 17575/2008),
 - having regard to the request for assent submitted by the Council pursuant to Article 161, third paragraph, of the EC Treaty (C6-0027/2009),
 - having regard to Rule 75(1) of its Rules of Procedure,
 - having regard to the recommendation of the Committee on Regional Development and the opinions of the Committee on Budgets and the Committee on Employment and Social Affairs (A6-0127/2009),
1. Gives its assent to the proposal for a Council regulation;
 2. Instructs its President to forward its position to the Council and Commission.

EXPLANATORY STATEMENT

The European Union is being confronted with an unprecedented crisis, which hit originally the financial markets and is currently striking the real economy with negative and yet not fully predictable impacts in terms of reduction of growth and employment perspectives and increase of budget deficits, leading in some Member States to a real state of recession.

In order to assist the EU Member States and regions to overcome the current difficult circumstances, several coordinated actions are being undertaken at the national as well as at the Community level.

On 26 November 2008, reacting to a request made by the EU's Heads of State and Government, the European Commission published its Communication "A European Economic Recovery plan", listing a set of tailored measures aimed at stimulating investments and supplying the national economies, under serious budget restrictions, with additional public funding able to remobilise the national economies, boost the demand and eventually rebuild consumers' confidence in the system.

Budgetary speaking, the European Cohesion policy, with its 347 billion Euro for the period 2007-2013, of which 250 billion Euro earmarked for Lisbon-related objectives, appears as one of the most credible and efficient instrument to reach this scope.

Therefore, in line with the priorities stated in the Recovery plan and with the aim to speed up investments and consequently the implementation of the programmes, at the end of last November the Commission adopted a series of proposals aiming at introducing the appropriate changes into the existing package of Structural Funds Regulations, namely the Council Regulation No. 1083/2006 on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (General Regulation), the EP and Council Regulation No. 1080/2006 on the European Regional Development Fund (ERDF) and the EP and Council Regulation No. 1081/2006 on the European Social Fund (ESF).

As regards the amendments to the General Regulation, two priorities are pursued: on the one hand, acceleration of expenditure as to make further liquidity available for project implementation; on the other hand, simplification of rules allowing for a quicker implementation of programmes and projects.

In particular the European Commission proposes four main areas of intervention:

1. **Increasing support from EIB and EIF:** (Articles 44 and 46): in the framework of financial engineering operations the possibility of directly awarding contracts to the European investment Bank (EIB) and the European Investment Fund (EIF) is introduced. Furthermore, both institutions may provide strengthened financial support in technical activities related to project preparation and implementation.
2. **Simplifying eligibility of expenditure** (Article 56): a modification is introduced as to allow the possibility to pay overheads on a lump-sum basis. Furthermore, in-kind contributions are recognised as eligible expenditure thus contributing to reach up the co-financing share. In order to ensure common implementation of eligibility rules for

projects during the whole programming period, a retroactivity clause has been introduced in order for this article to enter into force as from 1 August 2006.

3. **Increasing pre-financing for ERDF and ESF** (Article 82): the pre-financing instalment of 2009 for EU-12 Member States is increased by 2%, whereas EU-15 Member States benefit of the introduction of a new instalment of 2.5% for the same year. Concerning the programmes under the European Territorial Objective including at least one Member State which entered the EU on or after 1 May 2004, an additional advance of 2% is introduced for 2009. The total amount of additional advances reached through this measure will be EUR 6.25 billion.
4. **Accelerating expenditure on major projects** (Article 78): with the aim to speed up payments, the option is given to submit requests for payments concerning costs incurred before the approval of the project by the Commission. Furthermore, the current maximum rate of 35% for advance payments within the framework of state aids under Article 87 of the Treaty is removed, thus allowing advances of up to 100% for state aid beneficiaries.

The European Parliament welcomes the rapid action undertaken by the Commission proposing these legislative changes, that will certainly help to tackle the negative effects of this unexpected financial crisis, but it deeply regrets that other important changes have not been envisaged. It would have been highly recommended, in particular, to make a change in article 71 (setting up of management and control systems) to grant concrete liquidity to the economic system. The proposal was to permit, only in 2009, to make interim payments when the opinion given by the Member State is without reservations, even though the Commission has made observations (expenditures which are later proved not to comply with the management and control system would be deducted from the first following application for payment)

The revision package has been conceived as a response to a temporary, though exceptionally critical, situation; nevertheless it, indeed, fully responds to a request for greater simplification of procedures and major flexibility in the application of the existing rules under the Structural Funds regulations, which has been repeatedly put forward by the European Parliament in the course of the past years.

In particular, the flexibility allowed in the distribution of the Community and national funding shares over the whole programming period will provide national economies with an immediate cash flow, essential to react to their current budget restrictions.

The proposed measures need to be approved quickly in order to answer the immediate need for liquidity within the Member States, helping beneficiaries to spend more funds and to spend them faster. The fast entering into force of the proposed changes is in fact essential to ensure their full efficiency, especially as far as the increase of the pre-financing instalments for 2009 is concerned.

The European institutions are, therefore, called to a rapid decisional process in order to ensure a quick application of the measures and the achievement of the first results in the forthcoming months, position which the European Parliament fully supports.

Nevertheless, the European Parliament would have liked to have a bigger and better implication: the urgency of the proposals and the short timetable have made impossible for the EP to present comments to the General Regulation and table amendments to the ERDF and ESF Regulations.

However, the current circumstances represent a useful training exercise, which highlight the need for a timely start of the inter-institutional dialogue on the occasion of the negotiations on the new legislative package of the Structural Funds after 2013.

Moreover, looking towards this near future, the principle of simplification of rules and procedures, of which the current proposals represent only an example, needs to be seriously pursued in order to facilitate beneficiaries in their access to and in their use of Structural funds.

Therefore, the European Parliament highly appreciates the initiative of the Council to set up an informal expert group on simplification and looks forward to be able to express its views on the first outcomes and proposals in this direction for the future.

In this context, the European Parliament asks the Council and the Commission to take full account of its recommendations and to be regularly informed on the procedures, debates and results of negotiations.

Although the current modifications are not meant to change the general scope of the cohesion policy, these critical circumstances can represent a way to adapt more rapidly the future policy to the needs and expectations of a changing world and prepare the path to the manifold challenges of the next programming period.

23.2.2009

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Regional Development

on the proposal for a Council regulation amending Regulation (EC) No 1083/2006 on the European Regional Development Fund, the European Social Fund and the Cohesion Fund concerning certain provisions relating to financial management (COM(2008)0803 – 17575/2008 – C6-0027/2009 – 2008/0233(AVC))

Rapporteur: Nathalie Griesbeck

SHORT JUSTIFICATION

1. Content of the proposal

The Commission proposal amends Regulation (EC) No 1083/2006 on the European Regional Development Fund, the European Social Fund and the Cohesion Fund concerning certain provisions relating to financial management. The measures proposed under an assent procedure are intended to tackle the financial crisis and its socio-economic repercussions by accelerating the implementation of the Structural Funds and thus generating renewed growth and job creation through the cohesion policy.

The proposal specifically concerns the following modifications:

- extending the scope of application of Article 44 relating to financial engineering instruments for the intervention of the EIB and EIF in support of Member States for the preparation and implementation of operational programmes;
- an amendment to Article 56 relating to the eligibility of expenditure with a view both to clarifying the possibility of payment of overheads on the basis of flat rates and to allowing in-kind contributions to be considered as eligible expenditure; this modification should apply retrospectively from 1 August 2006.
- dispositions relating to expenditure declarations:
 - (i) the possibility of including expenditures incurred for major projects in interim payment requests before major project approval by the Commission,

- (ii) for State aid within the meaning of Article 87 of the Treaty, raising the 35% limit currently attached to advances paid to beneficiaries by the body granting the aid up to 100%.

- an increase in the third pre-financing instalment (2009) of 2% for Structural Funds for those Member States that acceded to the European Union on or after 1 May 2004, and the creation of a third instalment (2009) of 2.5% for Structural Funds for those Member States which had acceded to the European Union before 1 May 2004; in terms of the European territorial co-operation objective, if the programme contains at least one participating Member State which acceded to the European Union on or after 1 May 2004, it is attributed an additional percentage advance of 2% in 2009. These additional resources which should be made available at the beginning of the year should be rapidly transferred to beneficiaries, taking due account of the rules of sound financial management.

2. Rapporteur's comments

The rapporteur welcomes the proposal by the Commission, as well as the other structural policy measures proposed under the recovery plan which was put forward by the Commission in response to the crisis that has hit the financial and socio-economic world and which should amount to some EUR 6.3 billion.

The rapporteur welcomes the Commission's proposals, including the EIB's involvement in the European economic recovery plan through the provision of funding or new loans and funds, and by measures to relax existing eligibility criteria with respect to financing from the European Union budget. It is, however, regrettable that no agreement has yet been reached between the Member States concerning the revision of the Multiannual Financial Framework for 2007-2013 in order to release EUR 5 billion to finance trans-European energy and broadband networks as a measure to complement the recovery plan.

The rapporteur points out that the cohesion policy accounts for 36% of the financial framework for 2007-2013 – EUR 347 billion at current prices – and is thus a key financial instrument capable of producing a leverage effect to assist economic recovery.

The rapporteur considers that the pre-financing measures laid down by the Commission can help Member States rapidly launch operational programmes. She does, however, stress that all Member States need to implement these investment policies in a uniform and coordinated manner, in order to avoid a situation where these fund management facilities, far from promoting cohesion, exacerbate existing disparities or create new ones.

In this respect, the rapporteur regrets that this cooperation does not contribute sufficiently to the establishment of a genuine common economic policy.

The rapporteur regrets that the Commission has not communicated its forecasts on the impact of this legislative amendment on the operational programmes (OPs), and wonders about the need to modify the OPs and the possible impact on their date of implementation.

The rapporteur also stresses that Member States are responsible for the proper management of the funds, under the supervision of the Commission. She also draws attention to the European Parliament's repeated requests that a national declaration relating to the implementation of Community funds (cf. point 44 of the IIA of 17 May 2006) under shared management be

introduced at the appropriate political level.

The rapporteur again expresses her concerns regarding payment delays for policies under Heading 1B (Cohesion) – given that this is supposed to be a political priority of the European Union under the financial framework for 2007-2013 – and considers that the Commission's proposal could reduce these delays, by frontloading funding.

On this topic, she also draws attention to the statements adopted by the European Parliament at the conciliation meeting of 21 November 2008 on payments and implementation of the cohesion policy, at which the European Parliament once again reiterated its request that the Member States adopt all the measures required to ensure that the cohesion policy is properly implemented.

The rapporteur also emphasises that the planned measures should seek to reduce the outstanding commitments (RAL) for this year and next, and asks the Commission to provide details on this matter. In particular, she would like the Commission to clarify the impact of this proposal on the 2009 budget and on the preparations for the 2010 budget.

Finally the rapporteur welcomes the simplification aspect of the proposal, as it has been recognised that overly rigid procedures are one of the reasons for delays in enforcing the structural policy, and there is an urgent need to simplify these.

In conclusion, given the need for urgent action at this time of crisis, the rapporteur is in favour of adopting this proposal.

The Committee on Budgets calls on the Committee on Regional Development, as the committee responsible, to propose that Parliament gives its assent.

PROCEDURE

Title	European Regional Development Fund, European Social Fund and Cohesion Fund: provisions relating to financial management
References	17575/2008 – C6-0027/2009 – COM(2008)0803 – 2008/0233(AVC)
Date of request for Parliament's assent	19.1.2009
Committee responsible	REGI
Opinion by Date announced in plenary	BUDG 3.2.2009
Drafts(wo)man Date appointed	Nathalie Griesbeck 20.9.2004
Discussed in committee	11.2.2009 23.2.2009
Date adopted	23.2.2009
Result of final vote	+: 15 -: 0 0: 0
Members present for the final vote	Richard James Ashworth, Reimer Böge, Costas Botopoulos, Göran Färm, Vicente Miguel Garcés Ramón, Nathalie Griesbeck, Catherine Guy-Quint, Jutta Haug, Anne E. Jensen, Janusz Lewandowski, Vladimír Maňka, Gérard Onesta, László Surján, Kyösti Virrankoski, Ralf Walter

11.2.2009

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Regional Development

on the proposal for a Council regulation amending Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund concerning certain provisions relating to financial management (COM(2008)0803 – 17575/2008 –C6-0027/2009 – 2008/0233(AVC))

Rapporteur: Gabriela Crețu

SHORT JUSTIFICATION

The serious economic repercussions suffered by the European economy will include the reduction of growth perspectives over the medium term and the marked slow-down in real growth in 2009 and 2010. These poor economic prospects will have considerable negative impacts on the public finances of the Member States. Moreover the basic conditions for implementing cohesion policy – which requires public match-funding in order to mobilise Structural Funds – risk being seriously disrupted.

In such a situation, certain regulatory provisions presently in force should be adapted in order to accelerate the implementation of investment projects and the making available of Community financial resources for the benefit of the Member States and the regions of the European Union.

These provisions include those relating to pre-financing, those concerning expenditure declarations and those relating to the eligibility of expenditure and financial engineering instruments.

The Commission proposal seek to ensure that Member States can fully exploit the existing scope for flexibility including, where necessary, the possibility of modifying or simplifying programmes in order to adapt them to new requirements.

The proposed modifications to Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund seek to counteract the negative effects of the economic crisis in order to accelerate in the short term the implementation of the Funds for the benefit of the real economy, notably through strengthened support to SMEs.

In order to achieve these goals the Commission propose to:

- extend the scope of application of Article 44 relating to financial engineering instruments for the intervention of the European Investment Bank (EIB) and the European Investment Fund (EIF) in support of Member States for the preparation and implementation of operational programmes;
- amend Article 56 on the eligibility of expenditure with a view to clarifying the possibility of payment of overheads on the basis of flat rates and to introduce the possibility of in-kind contributions being considered as eligible expenditure at the time of establishing – or contributing to – funds;
- modify the dispositions relating to expenditure declarations: (i) for major projects with the removal of the prohibition from including incurred expenditures for such projects in interim payment requests before major project approval by the Commission and (ii) for State Aids within the meaning of Article 87 of the Treaty through the removal of the 35 % limit hitherto attaching to advances paid to beneficiaries by the body granting the aid, thus permitting advance payments of up to 100 %, other conditions remaining unchanged;
- increase in the third pre-financing instalment (2009) of 2 % for Structural Funds for those Member States that acceded to the European Union on or after 1 May 2004, the creation of a third instalment (2009) of 2,5 % for Structural Funds for all those Member States which had acceded to the European Union as constituted before 1 May 2004; in terms of the territorial co-operation objective, if the programme contains at least one participating Member State which acceded to the European Union on or after 1 May 2004, it is attributed an additional percentage advance of 2% in 2009.

The Committee on Employment and Social Affairs calls on the Committee on Regional Development, as the committee responsible, to propose that Parliament gives its assent.

PROCEDURE

Title	European Regional Development Fund, European Social Fund and Cohesion Fund: provisions relating to financial management	
References	17575/2008 – C6-0027/2009 – COM(2008)0803 – 2008/0233(AVC)	
Date of request for Parliament's assent	19.1.2009	
Committee responsible	REGI	
Opinion by Date announced in plenary	EMPL 3.2.2009	
Drafts(wo)man Date appointed	Gabriela Crețu 2.12.2008	
Discussed in committee	26.1.2009	10.2.2009
Date adopted	11.2.2009	
Result of final vote	+: 43	–: 0
	0: 0	
Members present for the final vote	Jan Andersson, Edit Bauer, Iles Braghetto, Philip Bushill-Matthews, Milan Cabrnoch, Alejandro Cercas, Ole Christensen, Luigi Cocilovo, Jean Louis Cottigny, Jan Cremers, Harald Ettl, Richard Falbr, Carlo Fatuzzo, Ilda Figueiredo, Joel Hasse Ferreira, Stephen Hughes, Karin Jöns, Ona Juknevičienė, Jean Lambert, Bernard Lehideux, Elisabeth Lynne, Thomas Mann, Jiří Maštálka, Maria Matsouka, Elisabeth Morin, Csaba Óry, Siiri Oviir, Marie Panayotopoulos-Cassiotou, Pier Antonio Panzeri, Rovana Plumb, Elisabeth Schroedter, José Albino Silva Peneda, Jean Spautz, Gabriele Stauner, Ewa Tomaszewska, Anne Van Lancker, Gabriele Zimmer	
Substitute(s) present for the final vote	Gabriela Crețu, Jamila Madeira, Adrian Manole, Ria Oomen-Ruijten, Csaba Sógor, Patrizia Toia	

PROCEDURE

Title	European Regional Development Fund, European Social Fund and Cohesion Fund: provisions relating to financial management	
References	17575/2008 – C6-0027/2009 – COM(2008)0803 – 2008/0233(AVC)	
Date of request for Parliament's assent	19.1.2009	
Committee responsible Date announced in plenary	REGI 3.2.2009	
Committee(s) asked for opinion(s) Date announced in plenary	BUDG 3.2.2009	EMPL 3.2.2009
Rapporteur(s) Date appointed	Iratxe García Pérez 19.1.2009	
Discussed in committee	19.1.2009	12.2.2009
Date adopted	9.3.2009	
Result of final vote	+	33
	-	1
	0	0
Members present for the final vote	Emmanouil Angelakas, Stavros Arnaoutakis, Elspeth Attwooll, Jean Marie Beaupuy, Rolf Berend, Jana Bobošíková, Victor Boştinaru, Gerardo Galeote, Iratxe García Pérez, Monica Giuntini, Ambroise Guellec, Pedro Guerreiro, Marian Harkin, Jim Higgins, Mieczysław Edmund Janowski, Evgeni Kirilov, Constanze Angela Krehl, Florencio Luque Aguilar, Jamila Madeira, Sérgio Marques, Yiannakis Matsis, Iosif Matula, Markus Pieper, Wojciech Roszkowski, Elisabeth Schroedter, Catherine Stihler, Margie Sudre, Kyriacos Triantaphyllides, Lambert van Nistelrooij, Oldřich Vlasák	
Substitute(s) present for the final vote	Domenico Antonio Basile, Jan Březina, Den Dover, Ramona Nicole Mănescu, Samuli Pohjamo, Christa Prets, László Surján	
Date tabled	11.3.2009	