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COMMUNICATION FROM THE COMMISSION

**The Future of Community Initiatives
under the Structural Funds**

Green Paper

The Future of Community Initiatives under the Structural Funds

I INTRODUCTION

1. An important innovation introduced by the reform of the Structural Funds in 1988 enabled the Commission, on its own initiative, "to propose to the Member States that they submit applications for assistance in respect of measures of significant interest to the Community" not covered by Member States' development plans⁽¹⁾. "Measures of significant interest to the Community" were more closely defined only in the Regional Fund regulation⁽²⁾ which directs Commission initiatives under the ERDF towards problems associated with the implementation of other Community policies, the application of Community policies at regional level and problems common to certain categories of regions.
2. No amount was specified for the resources which could be devoted to Community initiatives, but it was clear at least for the ERDF that this could not exceed 15% of the total⁽³⁾ and that the bulk of the Funds were to be disbursed through Community Support Frameworks, negotiated on the basis of the Member States' plans.
3. The Structural Funds are the principal means through which the Community expresses solidarity with its weaker regions and those in need of particular assistance. They are at their most effective in fulfilling this role when the measures funded respond to locally generated ideas and translate into additional and tangible action on the ground, bringing the Community closer to its citizens. While this type of action is not the exclusive domain of Community initiatives, it is nevertheless particularly through these initiatives that the cohesion effort of the Community has become better appreciated and understood at a decentralised level. Community initiatives, by allowing the Community to make a specific and focussed response to problems which threaten the livelihood of its citizens, or frustrate their ability to break into the virtuous circle of rising prosperity offered by the Internal Market, give the Community reality and relevance on the ground.
4. More specifically, Community initiatives provide flexibility and offer special possibilities for cooperation and innovation:
 - first, Community initiatives can encompass measures which extend beyond national borders. The CSFs are generally confined to measures within an individual Member State or region. Community initiatives thus provide a framework for encouraging transnational cooperation and the pooling of know-how in areas of shared concern;

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(1) Article 11 of Regulation 4253/88 (Coordination)

(2) Article 3.2 of Regulation 4254/88 (ERDF)

(3) *idem*

- second, Community initiatives are an essential feature in structural policies with a genuine Community dimension, in contrast to Community financial instruments simply supporting national policies. They provide a specific means by which Community interests and priorities can be reflected in the allocation of Community resources, supplementing the essentially Member State-initiated priorities in the Community Support Frameworks and giving additional emphasis to the pursuit of Community goals;
 - third, under the new system of multi-annual budgeting and programming, needs arise during the programme period, which it is not possible to foresee at the planning stage and which call for a special effort from the Community. Such efforts need to be capable of being closely targeted and relatively quickly mounted. They are particularly important for giving additional help to areas and workers suffering acutely from the process of industrial change;
 - fourth, Community initiatives contribute to innovation by experimenting with new approaches. If successful, these may become part of mainstream CSF funding later.
5. The way in which the Commission and the Member States implemented Community initiatives in the 1989-93 planning period is described and analysed in part II of this paper. There is a consensus among the Institutions (see part III) that Community initiatives should continue to account for part of Structural Fund interventions in the period covered by the new financial perspective agreed at Edinburgh, 1994-99.
 6. One of the lessons of the first period was the need for the Member States to know at an earlier stage what themes and priorities the Commission intended to cover under Community initiatives. The Commission responded by announcing, at the time of putting forward its proposals for modifications to the Structural Funds regulations, its intention to publish a Green Paper or consultative document on the future of Community initiatives.
 7. The present Green Paper is therefore intended to encourage a wide debate about the priorities which need to be tackled by Community initiatives during the coming period. A number of options and possible priorities are put forward in this Green Paper as the Commission's contribution to the debate. However, as will be clear from the text which follows, the Commission itself is still at a preliminary stage in defining the approach to follow.

The debate should be based upon the lessons which can be drawn from experience in the first phase, while taking account of the present challenges facing the Community. Circumstances are evidently very different from 1989:

- the internal market is now in place. An effort will be needed to ensure industry benefits fully from this;
- there is now a serious economic downturn with 17 million unemployed, and a crisis in public finances which restricts public investment in particular;
- not only the weaker regions and the traditional sectors are feeling the pressure of competition and economic and social change; increasingly the stronger regions and the heartland of Community industry feel vulnerable;
- the political landscape of Europe has fundamentally changed with the developments in central and eastern Europe and with the Community preparing to admit new Members.

In short, the needs are even greater and more diverse than before. Obviously Community initiatives cannot address all of them. Choices will need to be made if Community initiatives are to be sufficiently concentrated and to have genuine added value in terms of their development impact. Unless a degree of consensus is established on those choices and on the reasons underlying them, future action risks becoming too dispersed to be effective.

8. As the Commission is seeking a wide debate, it is inviting not only the Member States, the European Parliament, and the Economic and Social Committee to participate, but equally local and regional authorities, development agencies, the economic and social partners and other interested parties. The Commission therefore intends to give this Green Paper a wide circulation. The Commission would welcome observations on the Green Paper before the end of September 1993. It is hoped that this timetable will allow the Committee of Regions to express an opinion too. The Commission will then evaluate the outcome of the consultation, and propose draft guidelines for Community initiatives, in time for these proposals to be taken into account in the definition of the Community Support Frameworks governing the Community's Structural interventions from 1994 onwards.

II COMMUNITY INITIATIVES 1989-93: A FIRST, POSITIVE EXPERIENCE

Initial Financial Decisions

9. The Commission's first decision concerning specific Community initiatives was taken on 22 November 1989, which was after the adoption of all the Objective 1 Community Support Frameworks (CSFs), except that for Greece. It had been necessary, when deciding earlier the resources available for the CSF negotiations, to determine the overall amount to be set aside for Community initiatives.
10. The Commission took the view that an amount of 1.7 billion Ecu already allocated to Community programmes, namely STAR (telecommunications), VALOREN (renewable energy), RESIDER (conversion of iron and steel areas) and RENAVAL (conversion of shipbuilding areas), was to be considered as part of the sum allocated to Community initiatives. The Commission decided to set aside a further amount of 3.8 billion Ecu for new Community initiatives and this was subsequently increased by a further 0.3 billion Ecu. The total of 5.8 billion Ecu represented nearly 10% of the overall amount of 60.3 billion Ecu allocated to the funds (at 1989 prices).

Decisions in principle to launch initiatives

11. The bulk of Community initiatives were decided in principle by the Commission in two packages.

The first package was decided on 22 November 1989 and comprised:

million Ecu
(1989 prices)

ENVIREG	500	environment in the regions
INTERREG	700	cross-border co-operation
RECHAR	300	diversification of coal-mining areas
REGIS	200	the outermost regions
STRIDE	400	regional research and development

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The second package was decided on 2 May 1990:

million Ecu
(1989 prices)

REGEN	300	energy networks
TELEMATIQUE	200	advanced services related to telecommunications
PRISMA	100	business services linked to the Single Market
INTERREG	100	cross-border cooperation
EUROFORM	300	new types of qualifications
NOW	120	equal opportunities for women in the labour market
HORIZON	180	access to the labour market for handicapped and minority groups
LEADER	400	Rural development

	1 700	

The further 0.3 billion Ecu available for Community initiatives was allocated to RETEX, KONVER and an increase in the amount for the NOW and HORIZON initiatives.

Following these initial decisions, at the time when programmes presented by Member States were adopted, some adjustments to the above amounts were made. The figures given in the annex reflect these adjustments and are in today's prices.

Method of Launching

- The decision in principle was followed in each case by the adoption of draft guidelines by the Commission. These were then the subject of consultation, including an opinion from the relevant Advisory Committee(s) of Member States' representatives set up under the Regulations and an opinion from the European Parliament, as well as from the Economic and Social Committee. The Commission then adopted definitive guidelines and published them in the Official Journal. The period between the decision of principle and publication in the Official Journal varied between 6 and 10 months. Member States were invited to submit programmes within 6 months of the Official Journal publication. Programmes were agreed by the Commission on average within a further 6 months.

Description of existing initiatives

- A short description of each initiative is given in the annex to this paper. In the near future it is intended to publish a supplement which presents for each initiative the principal characteristics of the actions being funded.

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Positive features to be consolidated in the next phase

14. Programmes under most initiatives only came into operation in the middle of the planning period and it is too early to draw firm conclusions from ex post evaluations of their impact. Evaluation is in hand and the results will help in the preparation of future programmes. Nevertheless, some lessons can already be learned.
15. Despite the small size of many of the programmes implementing Community initiatives, they have nevertheless tended to be one of the more locally appreciated elements of the Community's structural interventions. This is particularly true of INTERREG, LEADER, NOW and HORIZON. Community initiatives have aroused interest, generated ideas and provided a framework for cooperation to an extent out of all proportion to the resources involved. A combination of factors is responsible for this: the innovative character of the initiative (INTERREG, PRISMA), the involvement of people at, for example, the most local level (LEADER), the targeting of particular groups (NOW, HORIZON), the link with other developments and policies (ENVIREG, STRIDE) and so on. Interest is also enhanced by the fact that Community initiatives provide programmes which are genuinely additional in relation to Member States' own efforts.
16. The manner in which the Community's structural policies are perceived is important: in the main beneficiary regions, they are the outward sign of the Community's commitment to cohesion. Elsewhere the Funds help to demonstrate the Community's concern with the specific development and conversion problems that can arise there too. Application of the partnership principle means the direct involvement of regional and local interests and brings the Community closer to its citizens.
17. In general the additionality of Community initiatives has been ensured, despite the difficulty of some Member States in finding their national contribution. Moreover, the initiatives have provided an opportunity to test innovative approaches. Particular examples are innovative projects in the field of vocational training (EUROFORM) and business services related to industrial quality standards (PRISMA).
18. The specific experience of trans-national cooperation which characterises several Community initiatives is of particular value in strengthening the exchange of experience and know-how, which has been of real benefit especially to the less-favoured regions. In addition, establishing networks of international co-operation within LEADER, INTERREG, EUROFORM, NOW, HORIZON has been very fruitful despite difficulties in stimulating this type of cooperation within the Structural Funds. By encouraging co-operation and the exchange of know-how between those in different Member States who have the same problems to deal with, a more efficient approach to policy-making is obtained. This

approach of networking and transnational cooperation, which is one of the main forms of added value of Community initiatives, should feature within a number of the themes identified later in this document as a possible framework for future initiatives.

19. Some of the initiatives in the present phase e.g. PRISMA, clearly have as one of their main objectives the reinforcement of the Single Market. Assistance to measures for the completion of the internal market should continue to be part of the aims of future initiatives. This should particularly be the case for initiatives benefiting Objective 1 regions.
20. Where the impact of an existing initiative derives in particular from the innovatory nature of the measures supported, it may be necessary to examine whether, given the experience obtained during the present period, it is useful in all cases to continue these actions in the framework of Community initiatives. Some of these actions could be integrated into Community Support Frameworks as their practical implementation becomes more straightforward. (Examples: STAR, TELEMATIQUE, ENVIREG). Other more complex actions and in particular those which imply interregional or transnational cooperation would seem to require a continued effort particularly in the Objective 1 regions. Innovatory actions will, of course, remain an essential feature of Community initiatives.

Factors to be taken into account in the next phase

21. The experience of the implementation of Community initiatives in the period 1989-1993 has brought out some problems which reduced their efficiency. In particular, the Commission accepted in its proposals for Structural Funds financing after 1993 (COM(92)2000) and in its Mid-Term Review (COM(92)84) that there had been too many separate Community initiatives in the 1989-93 period, bearing in mind the resources available, and that the result had been an unwelcome number of very small operational programmes. These involved a disproportionate administrative effort for the amount of action generated on the ground. The Commission is thus already committed to introducing a smaller number of initiatives than before.
22. As indicated in the Introduction, a difficulty that arose for the Member States was that Community initiatives were launched after they had completed their own planning process. The subsequent addition of programmes under Community initiatives was seen by some Member States as distorting spending priorities. The Commission believes that the adjustment of priorities is legitimate and even necessary, especially where circumstances change or where a different emphasis is given to a particular priority at national and Community levels. It is nevertheless recognised that the coherence of the planning and programming process requires that the priorities for Community initiatives and the outline for the allocation of resources should be established in parallel with the

CSF process. Hence the publication of this Green Paper and the timetable for concluding the consultations on it set out in the Introduction.

23. The implementation on the ground of Community initiatives began in practice in the middle of the present programming period. This is in the first place because decisions of principle were taken later than those concerning CSFs and were then followed by further delays as programmes were prepared.

This late start led to a restricted period for implementation limited to two to three years, which is evidently very challenging, particularly for innovative actions. There is, therefore, much to be gained from a launching of the majority of initiatives at the very beginning of the next programming period starting in 1994.

24. The allocation of the Community initiative resources in 1990 meant that there was very little margin to react to problems which emerged at a later stage, namely the increasing competitive pressures on the Community's textile and clothing industry and the welcome but unexpected rundown in defence spending in the wake of events in Eastern Europe and the Soviet Union. It was only possible to cover these problems in a limited way in 1993. This experience points to holding some resources for Community initiatives in reserve.
25. The Community's capacity to bring to bear Structural Funds' assistance is limited by the rules governing geographical eligibility. Many of the areas most dependent on defence-related industry or military installations, for example, fall outside the regions eligible for assistance under Objectives 1, 2 and 5b. Under present rules, the ERDF actions exclude almost entirely expenditure outside eligible areas, while the ESF's actions outside the assisted regions are limited to those in support of young people entering the labour market and of the long-term unemployed or those threatened with long-term unemployment. These rules also made it difficult to provide for balanced cross-border cooperation programmes under INTERREG where some of the border areas concerned were eligible and other adjoining areas were not.

While the principle of concentration has been reaffirmed at all levels, including by the European Council at Edinburgh, greater flexibility is warranted. This is why the Commission has proposed in its modified Fund regulations that in addition to what will be possible under Objectives 3 and 4, a limited amount of Community initiatives resources should be able to be spent outside eligible areas.

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III PRINCIPLES UNDERLYING FUTURE COMMUNITY INITIATIVES

Political context

26. The conclusions of the European Council at Edinburgh include the following guidance for future policy on Community initiatives:

"The allocation for Community initiatives should be between 5 and 10% of total resources committed under the Structural Funds. They should mainly promote cross-border, transnational and inter-regional cooperation and assistance for the outermost regions, in accordance with the principle of subsidiarity."

The total resources of the Funds for 1994-99, as determined at Edinburgh, are 141 billion ECU (1992 prices) which would mean a Community initiatives envelope of between 7 and 14 billion ECU. Within the Funds' total, the Edinburgh European Council also identified an amount for the Objective 1 regions as a whole and, within that, an amount for the four beneficiaries of the Cohesion Fund. It also stipulated that commitments under Objectives 2, 3/4 and 5b should broadly maintain their present proportions relative to each other. The implementation of future Community initiatives will need to take account of these financial parameters.

27. As part of its proposals for amending the Structural Fund regulations, the Commission has now formally proposed that 10% of all Structural Fund resources be allocated to Community initiatives and confirmed its wish to introduce a limited geographical flexibility for these initiatives in the next phase.
28. The European Parliament has also recently expressed its views on Community initiatives in its reaction to the Mid-Term Review. On the basis of the David report, the Parliament adopted a resolution on 22 January 1993⁽¹⁾ in which it gave the following guidelines for the future:

- a link with the new problems which have resulted from international developments, especially in Central and Eastern Europe;
- priority for the development of human resources and for the fight against unemployment and social exclusion;
- recognition of the need to anticipate the process of industrial change and the evolution of production systems;
- solidarity towards islands and the ultra-peripheral regions;

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(1) OJ C 42 p. 211 of 15 January 1993.

- an effort to take into account environmental preoccupations, with a view to achieving sustainable economic development;
- extension of inter-regional cooperation.

In its resolution number 11/93 of 10 March on the 1994 Preliminary Draft budget, the Parliament took the view that 10% of Fund resources for Community initiatives was an "absolute minimum".

General principles

29. Bearing in mind the rationale for Community initiatives set out in the introduction and in the light of experience up to now, the following general principles should influence the elaboration of Community initiatives:
- (a) it is clear that the guiding principles underlying Structural policies (concentration, programming, additionality and partnership) which were confirmed at the Edinburgh European Council, apply to Community initiatives;
 - (b) Community initiatives should be coherent with other Community policies. Structural Fund support should help eligible regions take advantage of the Single Market;
 - (c) to help ensure the greater coherence of the planning process, the broad priorities should be established and the Community initiatives required to meet these should be decided in principle, together with indicative financial allocations accounting for perhaps three quarters of the total resources available, before any of the CSFs are adopted;
 - (d) the remaining amount should be kept in reserve for subsequent allocation to respond to unforeseen problems or to meet increased needs;
 - (e) because of the limited resources, Community initiatives, like Structural Policies generally, should concentrate on a limited number of priorities. It is important to translate the priorities into a coherent framework whereby the limited number of themes correspond to overall Community priorities and to the Objectives of the Structural Funds. Activities should be identified as offering added value if conducted at the Community level, in accordance with the principle of subsidiarity;
 - (f) where they correspond to the themes identified and in the interests of keeping the administrative burden to a minimum, some existing initiatives should be extended, although not in all cases for the full six year period; moreover, a simplified approach to the management of initiatives should be sought;

- (g) initiatives launched by the Commission and the detailed guidelines governing their implementation should continue to be the subject of opinions of the relevant Advisory Committees of Representatives of the Member States; of the European Parliament; the Economic and Social Committee and the Committee of the Regions, but the procedures should be such as to allow rapid adoption and implementation;
- (h) where appropriate, an integrated approach involving the different Structural Funds should be pursued. Moreover, where Community initiatives share complementary aims, this should be reflected in a coherent approach;
- (i) transnational and inter-regional cooperation is a method of work which should be a feature of many of the initiatives in the next phase.

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IV TOWARDS A FRAMEWORK FOR FUTURE COMMUNITY INITIATIVES

30. As noted above, many problems and priorities exist which could justify support from Community initiatives, but it is necessary to make choices and adopt a focussed approach. While not wishing to pre-empt the debate on the appropriate framework, the Commission wishes to initiate that debate by suggesting the following structure, which pulls together a number of identifiable priorities. The following themes could therefore provide a framework for the various initiatives:
- i. cross-border, transnational and inter-regional cooperation and networks;
 - ii. rural development;
 - iii. outermost regions;
 - iv. employment and the development of human resources;
 - v. the management of industrial change.
- i. Cross-border, transnational and inter-regional cooperation and networks
31. The continuation of the type of activities pursued under INTERREG is the subject of a broad consensus. For too long, many border areas within the Community have lived back to back with a low degree of economic and social integration. The first INTERREG initiative has helped develop joint approaches to development between border regions. This is now all the more important in the context of the completion of the Single Market and in advance of full Economic and Monetary Union. INTERREG will not by itself bring about complete integration. Differences in fiscal and legal systems and in social provisions will continue to influence relations between border regions. But INTERREG can bring the regions and their peoples closer together. The INTERREG initiative also ensures a high level of additionality of Community and national expenditure.
32. The Commission takes the view, as far as cooperation on internal borders is concerned, that this is not served by a series of disjointed projects on either side of the border and that emphasis should continue to be given to measures which create and develop lasting frameworks for cooperative action in support of economic development. The participation of regional and local authorities and other local partners including those representing SMEs in devising and implementing such measures is clearly very important for their success.

33. Under INTERREG, a wide range of investments could be covered, including infrastructure and other types of measures promoting cooperation. The Commission was particularly keen to promote the latter category. Cross-border infrastructure remains, however, a high priority. Transport infrastructures will be aided from the Cohesion Fund (for the four Member States concerned), by the specific budget line for trans-European networks and from the EFTA Financial Mechanism, not to mention by the Structural Funds through the CSFs. They are also a priority for the European Investment Bank, following the decision taken in the context of the growth initiative at Edinburgh. There are however cross-border transport links, such as missing-links or bottlenecks, which are important for the development of the border regions concerned. These should be eligible for assistance from INTERREG.

Similarly, telecommunications, telematics and energy infrastructures should in principle be eligible. Cross-border communications and cooperation are essential for the effective functioning of the internal market and the opening up to the rest of the Community of insular and isolated regions.

Finally, there is the need for retraining assistance in cases where economic activities connected to the existence of a border are in a process of change, particularly the customs sector following completion of the Single Market. Under the first INTERREG initiative, a disappointing lack of priority was given to the problems of customs agents and agencies, despite the Commission's encouragement to the Member States to include such measures in their programmes. Given the continuing nature of these problems, it would be appropriate to support such actions.

34. Assistance with investments in physical infrastructures may be hampered by the limits of eligibility, whether defined under the Funds' Objectives, or for the specific purpose of INTERREG, or by the Community's external frontier. The Community needs to retain the necessary flexibility, without the generalised extension of eligible areas and without distorting the fair overall allocation of resources, so that artificial constraints on financing are avoided.
35. As to the definition of areas eligible for INTERREG internal border cooperation programmes, as already mentioned, the Commission considers that this should take in all border areas, regardless of whether the areas concerned (examined at the NUTS III level) are eligible under Objective 1, 2 or 5b. It has incorporated the necessary element of flexibility in its proposed changes to Article 11 of the Funds' Coordination regulation⁽¹⁾ which is currently under discussion in the Parliament and the Council.

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(1) Regulation 4253/88

36. It has been suggested that eligibility for INTERREG should also be extended to internal border areas separated by the sea. Up to now, this has only been granted in the case of cooperation between Kent and Nord-Pas de Calais and between Corsica and Sardinia. There are evident difficulties in making these exceptions the general rule. It would be hard to establish clear criteria to determine which cases should be included or excluded; and admitting too many such areas would inevitably result in a dilution of effort. The Commission would prefer to maintain the general rule that maritime borders do not qualify, while being prepared to examine specific cases, especially where this would be of benefit to Objective 1 regions, to determine whether genuine cross-border cooperation possibilities exist.
37. At the external borders, special problems arise where eligible areas are islands, which is particularly the case in the Aegean Sea. These areas should continue to be helped through INTERREG, with attention being given to the specific difficulties faced by the islands, which have been recognised by the Commission in its report of December 1992 on the Aegean islands⁽¹⁾.

Also at the external borders, there are legal difficulties in spending Structural Funds outside the Community territory, even where direct economic advantage would arise for the adjoining Community region. Coordination between INTERREG and external financial instruments such as PHARE, where there is mutual interest in cross-border cooperation, would provide a solution to this constraint though it has been difficult to achieve this to date. The Parliament has earmarked 15 Million ECU of PHARE funds for such projects in 1993. It is hoped that some positive lessons may emerge from this. It seems clear, however, that without further improvements in the coordination of INTERREG and the external financial instrument such as PHARE, the effectiveness of cross-border cooperation at the Community's external borders will be constrained. Where it takes place, cooperation on external borders should not, of course, be confined exclusively to infrastructure links.

38. It has been suggested that the scope of INTERREG might be extended to more general inter-regional cooperation between areas which are not adjoining. Indeed, the Commission itself raised this question at the Conference it held on inter-regional cooperation in December 1992; and the term "inter-regional cooperation" is explicitly mentioned in the Edinburgh conclusions. The Commission is strongly in favour of cooperation between regions which have common problems or common interests, or which see other reasons for sharing efforts and experience. It provides financial support for such cooperation in accordance with Article 10 of the ERDF Regulation⁽²⁾.
39. While the Commission is generally supportive of inter-regional cooperation between regional and local authorities, it remains to be entirely convinced that such cooperation should be a priority for INTERREG. Such cooperation rarely involves physical projects. It concerns principally the transfer of ideas and experience. The amounts of money required are not large compared to the co-financing of physical investment projects.

(1) COM(92)569 final of 23 December 1992

(2) Regulation 4254/88

