



## THE BASQUE GOVERNMENT'S POSITION ON THE FUTURE REFORM OF EU REGIONAL POLICY (2007-2013)

### I.- THE NON-RENATIONALISATION OF EU REGIONAL POLICY.

Certain States have shown themselves favourable to the renationalisation of Regional Policy, i.e. that Community actions should be displaced by exclusively national funding when it comes to financing regions that are not included in Objective 1. In this way the structural funds would be focused on less developed regions (Objective 1), bearing in mind the eminently poor nature of the majority of the new regions that will enter the EU from 2004. As regards renationalisation, we would point out that economic inequalities on a European scale mainly occur at the regional level. If the figures at national level are added the differences between regions tend to fade away owing to the concentration of wealth in certain areas. It is therefore necessary to give a regional dimension to Cohesion Policy.

Taking into account the significant cutback in resources that this initiative represents for the interests of Euskadi, we find it essential to request that the Commission specify the future funding of Objectives 2 and 3 as soon as possible. We present the figures that Euskadi has received from the Structural Funds to show the seriousness of this budget cutback:

**1989-1993:** On the basis of Objectives 2 and 5b Euskadi received approximately **393.33 million ECUs** from the EU (information on the sum corresponding to the Basque Autonomous Community based on horizontal Objectives 3, 4 and 5a is not available, nor the sum from Community initiatives).

**1994-1999:** Euskadi receives a total of **1388 million Ecus** from the EU on the basis of regional objectives 2 and 5b, horizontal objectives 3, 4 and 5a, Community initiatives and the Cohesion Fund.

**2000-2006:** During this period Euskadi will receive approximately **916.84 million Euros**, not including the amount from Community initiatives or the Cohesion Fund (information not available).

The lack of future Objectives 2 and 3 represents a serious threat to Euskadi, meaning an unprecedented budget cutback that could hamper the development of its competitiveness and the socio-economic regeneration of areas that are immersed in industrial restructuring processes.

## II.- EU REGIONAL POLICY AND THE COMMON AGRICULTURAL POLICY (CAP).

It is considered a priority to coordinate the new Regional Policy with the CAP, and in particular that the future of the 2nd pillar of the CAP should be clarified, i.e. Rural Development Policy, in that the new CAP will involve major changes in the territorial balance of rural areas that should be dealt with using new approaches in structural and rural development policies.

## III.- OBJECTIVE 1.

Euskadi supports the concentration of resources in the least developed regions.

The current selection criteria (GDP per capita) seems to be the most suitable because, by definition, it is the best indicator of the level of production of a regional economy, it is statistically solid, and comparable regional figures are usually available over a reasonable period of time. Other corrective criteria could be admissible, such as remote location and low population density.

It seems fair to us that the regions affected by the statistical effect should receive phasing out within the framework of Objective 1.

## IV.- NEW OBJECTIVE 2.

Euskadi is asking for a new **regional dimension** Objective 2, with a delimitation of areas in which certain characteristics combine and which require action, i.e. areas based on territorial priorities, and also the establishment of thematic priorities that implement the guidelines of the Lisbon Summit.

The presentation by the Commission of a 'menu' establishing the themes and areas to be dealt with seems correct to us, although we consider that the menu should not be left open. Some themes and areas should be assumed necessarily and others as options.

We consider it important to promote and give a voice to organisations that work within the framework of specific types of area on a European level: mountainous areas, islands, very remote areas, etc.

In this sense, we understand that the following need to be taken into account:

### ***a) Territorial priorities:***

**-The industrial regeneration of degraded urban areas,** because despite the fact that they are close to the average European income level many of these regions have some areas (mainly old industrial centres) with high levels of unemployment and urban planning problems.

**-Strategic rural areas.-** These would be defined on the basis of their necessary preservation (both physical and socio-economic) against the growth of urban areas and infrastructures (areas in closer contact with densely populated areas of the country), their marginal nature and situation of decline (areas farthest from the main axes and population centres of the

CAPV), their strategic value in terms of the environment, protection of natural resources and risks.

**-Mountain areas.-** The new Objective 2 should cover mountain areas given that they are subject to particular limitations. In our case, over 80% of our rural territory is mountainous. It does not seem correct to us to include mountain areas in terms of the accessibility of the menu proposed by the Regional DG of the Commission, rather that they should be included on the basis of environmental characteristics (landscape, water reserves and other natural resources, biodiversity, etc.), vulnerability in the face of natural hazards (erosion, landslides, floods, etc.), and their function as a cultural and linguistic refuge, etc. We consider that Member States/Regions need to have room for manoeuvre in the adaptation of the delimitation proposed by the Commission.

**-Fishing-dependent areas that are in a crisis situation.-** The Reform of the European Community's Structural Policy for the Fishing Industry envisages a drastic reconversion of the sector over the next few years. We consider that it will be essential to allocate considerable economic resources (not just the Fisheries Promotion Institute but also FEDER) to finance accompanying measures that offset the negative effects of this reconversion policy that will shortly occur in fishing-dependent areas.

-Euskadi also requests the **specific treatment of the relations between rural and urban spaces**, given the strong interweaving and interpenetration of these two types of areas in our Autonomous Community. The future orientation of EU structural policy and other policies that have a strong impact on a territorial level should be closely coordinated, avoiding problems of isolation and marginalization of rural areas arising from the pressure of other uses, mainly urban and infrastructures.

### ***b) Thematic priorities:***

In line with the guidelines of the Lisbon Summit aimed at strengthening competitiveness, this principle could be articulated in the future Structural Funds through the establishment of thematic areas that are separate from regional aid. This means a more flexible approach to key elements that have an effect on competitiveness such as transport, R&D, lifelong education or the development of the Information Society. An intervention of this nature would help to concentrate resources in key factors for regional development, in areas that suffer specific problems.

The thematic priorities would be the following:

**-Development of the Information Society.**

**-Priorities in relation to employment**, especially the development of active policies for employment.

**-Priorities in social policy**, and in particular social insertion.

## **V.- APPLICATION OF THE PRINCIPLE OF SUBSIDIARITY IN THE SELECTION OF AREAS AND THEMES WHERE THE STRUCTURAL FUNDS WILL BE ALLOCATED.**

We request a high profile of participation by the Regions in EU Regional Policy and, naturally, in the selection of areas and themes. This is one of the most obvious scenarios for the application of the principle of subsidiarity. A stance that marginalizes the Regions from the design and application of Regional Policy does not seem to be logical.

In the case of the Basque Autonomous Community, its full powers and functions in areas such as rural and agricultural policy, fisheries, territorial planning, the environment, employment, etc., back up its claims for direct participation in everything to do with Regional Policy.

The principle of subsidiarity applied at a regional level should be established as an obligatory guideline at EU level. On this basis, Euskadi requests the modification of Article 5 of the Treaty Establishing the European Community to include the 'Region' within the institutional framework of the principle of subsidiarity. This principle should also be established at regional level in the Community regulations governing the Structural Funds in the future period.

## **VI.- SELECTION CRITERIA FOR AREAS.**

Euskadi considers that the selection criteria for areas should be established by the Commission and be binding on both Member States and Regions, and requests the inclusion of these criteria in Community Regulations governing Structural Funds. On the basis of the principle of subsidiarity, the Basque Autonomous Community should have certain room for manoeuvre to prioritise its actions in the areas in which it wishes to act preferentially.

## **VII.- A REGIONAL FRAMEWORK AS OPPOSED TO A STATE FRAMEWORK.**

The regional dimension should be the basis for future criteria for subsidies, both in Objective 1 and in Objective 2. In this sense, regional bodies are the ideal channels for receiving and managing European aid, given that they are close to the ground and are familiar with the socio-economic reality of their areas.

Given the proposal by the Regional DG of the Commission on the establishment of a state-level framework for the European Strategy for Employment and Fisheries Policy, the Department in the Basque Government that manages the ESF and the Fisheries Promotion Institute express their total disagreement with the proposal.

The Department that manages the ESF alleges that the State framework for the European Employment Strategy is an insufficient framework because although the Basque Autonomous Community has not had powers and functions in the area of employment transferred to it to date, we understand that the matter is the exclusive competence of the Autonomous Communities and should be fully handed over (not just the management of the policies but also the powers for planning the strategy and evaluating it, functions that the State has reserved for itself so far). The only transfer that the Spanish State has made so far to the Autonomous Communities in the area of employment is the management of programmes, but leaving the regions without the powers to plan their own employment policies.

For its part, the Department that manages Fishes Promotion Institute matters defends a regional framework for Fisheries that is exclusively managed by the Basque Country, given that our Autonomous Community has exclusive powers and functions in this area.

## VIII.- CROSS-BORDER AND INTER-REGIONAL CO-OPERATION

Euskadi supports the cross-border structures that are defended by the Regional DG that will enable, in our case, the coordination of policies at a EuroRegion level (with the French Basque Country, the Pyrenees, the Atlantic Arc, etc.).

## IX.- SIMPLIFICATION OF MANAGEMENT.

Euskadi makes two specific requests to the Commission:

### ***a) The simplification of the administrative management of European programmes:***

The rules for managing funds are complex and over-elaborate and are unsuitable for the specific characteristics of the regions. Community Regulations should establish general principles, with the regions dealing with the legislative implementation.

Euskadi requests that the management and control regulations should be the same for all the Structural Funds.

Operational programmes should be on a regional scale, with the consequent disappearance of multi-regional programmes.

In addition to the above, the financial treatment of regional programmes should be given on the basis of single regional programmes that bring together all the measures envisaged, if possible simplifying and coordinating the different funds that are currently available.

### ***b) The satisfactory application of the principle of subsidiarity in the case of the Regions:***

The only direct interlocutor recognised by the Commission is the Central Government, even in areas that are the exclusive competence of Euskadi. This is the main point, from which the following requests emerge:

- That the Autonomous Communities should be recognised as ***Management Authorities*** by the Commission. This means direct dealings between the Regions and the Commission in areas that they have powers and functions and, therefore, their direct intervention in the negotiation of programmes with the Commission. This does not happen at present because only the Central Government intervenes.
- That the Autonomous Communities should be recognised as ***Paymaster Authorities*** in their own powers and functions. As a result, the Structural Funds would be put at the direct disposal of the Autonomous Communities without going through the Central Government beforehand. This would mean avoiding delays in the payment of advances and also the principal of the aid, so the Autonomous Communities would not have to advance the funds from their own regional budget.
- Participation of the Autonomous Communities in the preparation of Community Regulations on Structural Funds, and also in all the programming phases: the preparation of strategies, the design of programmes, decisions on programmes and their implementation (only the Department of Agriculture intervenes in all the programming phases, the rest of the managing Departments only intervene in the implementation phase).

## X.- FINANCIAL RESOURCES.

Euskadi considers that it is necessary to go above the threshold of 0.45% of GDP that is allocated to EU Regional Policy, because otherwise the credibility of the future policy for 2007-2013 would be compromised following the incorporation of the 25 Applicant Countries. The arguments on which this request are based are the following:

- ❑ The enlargement means the entry into the EU of 25 Applicant Countries with a GDP very much lower than that of the current 15 Member States. This means a major financial effort to attend not only these countries (with much more serious structural problems than those of the present EU) but also the Regions of the current Member States, with regional and territorial differences that are often very considerable.
- ❑ Furthermore, as a response to the territorial implications that the new CAP will create if certain foreseeable circumstances (abandonment of agriculture and livestock in areas of low profitability) occur that largely coincide with the more sensitive areas in social and environmental terms (mountainous areas, islands, areas of natural risk, etc.). This will involve higher budget allocation to territorial and cohesion policies, together with rural development, that should go hand in hand.
- ❑ Furthermore, new social demands for the quality of the environment and the landscape, access to territory, installations and quality of life, etc. will require considerable investments in rural communities, and these will be increasingly large.

## XI.- POLICIES ON COMPETITIVENESS AND REGIONAL POLICY.

Euskadi requests being able to continue to gain access to the State aid envisaged in section a) of paragraph 3 of article 87 of the Treaty Establishing the European Community from 2007 onwards, and manifests itself against the possibility of the Commission restricting the access of Objective 2 areas to this State aid.

It also requests the raising of the maximum threshold contained in the *minimis* provisions.

## XII.- COHESION FUND.

Euskadi requests its participation in the selection of projects financed by the **Cohesion Fund**, particularly as our Autonomous Community has powers and functions in the areas financed by this fund.

Furthermore, the Second Cohesion Report by the European Commission shows that the application of this Fund on a national level means that regional differences increase and that an excessive concentration takes place in the most prosperous towns/cities and their surrounding areas. The Commission should reflect on the continuance of State (not regional) application of this fund.

We are in favour of Cohesion Fund resources being distributed on the basis of purely objective criteria, as currently happens with the Structural Funds. We agree with the Commission that the need to maintain objectivity will be even more important following the enlargement of the EU.