



CONCLUSIONS OF THE "FIFTH REPORT ON ECONOMIC,  
SOCIAL AND TERRITORIAL COHESION"  
BY THE EUROPEAN COMMISSION  
[COM (2010) 642 final of 9 November 2010]

## STATEMENT BY AUSTRIA

Austrian Conference on Spatial Planning  
resolution of 15 February 2011  
[written procedure with file number 1.35 - 195/11]

### Courtesy Translation

The Austrian Conference on Spatial Planning (ÖROK) is an organisation of the Bund, the Länder, Cities and Municipalities with the involvement of the Economic and Social partners to co-ordinate issues of spatial development policy and regional / EU cohesion policy.

**Communication of the EU Commission of 9 November 2010 on the future of cohesion policy  
(Conclusions on the Fifth Cohesion Report):**

**Statement by Austria**

**1. Core issues at stake in Austria's view:**

1. Austria welcomes the proposal of the Commission to extend eligibility for cohesion policy to **all EU regions** in the future. In Member States with high economic strength, measures should focus on the creation of significant added value for the EU (e.g. climate protection, structural adjustments to expected climate changes, innovation, integration, social dimension, demographic change) and be aligned with the EU 2020 strategy.
2. Austria welcomes a stronger focus by cohesion policy **on clear EU value added** and the alignment of cohesion policy with the **EU2020 strategy**, taking the respective national and regional contexts into account. Strengthening the social dimension of cohesion policy and a mutual alignment of cohesion policy with rural development are absolutely necessary in Austria's opinion. However, this requires mutual consideration when designing the processes for the implementation, steering and support of these strategies with due regard to the institutional framework conditions (as regards cohesion policy: multi-annual planning, complex programming content, multi-level governance with the inclusion of the regional and local levels in a partnership).
3. According to the proposals of the Commission, "territorial aspects (of cross-border, transnational and inter-regional) cooperation" are to continue to be promoted within the scope of cohesion policy. Austria welcomes this, but points out that proposals are lacking as to how this might be executed more effectively and efficiently than in the past under the specific framework conditions of the programmes with the involvement of several or even all 27 Member States. The current legal framework supports neither the consistent strategic orientation or harmonization of financial management and accounting of projects and programmes. Coordination of Member States is extremely expensive, time-consuming and prone to errors. Austria proposes creating a **separate legal framework for cooperation programmes** to enable efficient management.
4. The legal and institutional framework conditions (including all conditionalities) for granting EU funds within the scope of cohesion policy programmes as well as other incentive systems must be feasible in practice and conform to the principle of **proportionality**.
5. Unstable legal and institutional framework conditions are a primary source of errors and irregularities for programme execution; therefore, the **continuity of proven management and control systems** is an important contribution to the avoidance of errors. The proposals of the EC to change the EU budget rules are aimed at making the current system of EU agricultural subsidies the only management model for the shared administration of funds. This would require complete restructuring in Austria of the procedures for the management of the Structural Funds that have been commended as exemplary throughout the EU. Therefore, Austria rejects the relevant proposals of the EC. It must be possible to keep well-functioning national models in place.

## 2. Increasing the EU added value of cohesion policy

### 2.1 Strengthening strategic programming

Austria **welcomes** the sharper focus of cohesion policy on substantial **EU added value** and its closer **alignment with the goals of the EU2020 strategy** as well as an improved coordination of the National Reform Programmes with the cohesion policy strategies of the Member States. This could contribute to communicating to citizens more clearly than in the past what Europe stands for and what Europe's priorities are.

Greater coordination of the EU2020 strategy and cohesion policy requires not only thematic coherence, but also a better **harmonisation of timing procedures** (regarding the duration of programmes, reporting intervals aligned with the EU2020 governance cycle, etc.). It is necessary to ensure that the dates and deadlines to be met are feasible in **practice**.

Austria advocates including not only cohesion policy but **all EU policies with a structural policy impact** (including Rural Development and RTDI policy) in this strategic alignment at both the EU level (joint strategic framework) as well as at the national level (development and investment partnerships).

Generally, from an Austrian standpoint, there is no objection to periodic **political debate at the EU level**. However, such a debate would only make sense if the **appropriate event formats** were selected – with the inclusion of the regional level – that would actually make it possible for a larger number of persons with very diverse areas of expertise and institutional competencies to conduct material political discussions. In Austria's view, it is not considered purposeful to set up separate Council formats.

### 2.2 Increasing thematic concentration

We **welcome** a greater thematic focus on cohesion policy: Nonetheless, the following aspects have to be taken into account:

1. Priorities must be **meaningful** not only generally at the EU level, but also in the specific **context** of the Member States and regions (which measures can be implemented and where and to which extent to achieve the EU goals). What is in ample supply and where do unused potentials and available resources still exist?);
2. In those Member States in which the EU funds are used only to a limited extent, it is a good idea to concentrate these funds primarily on innovation measures. The starting point should be a **broad innovation concept** such as the one outlined in the Communication of the Commission of 6 October 2010 "Flagship Initiative under the Europe 2020 Strategy – Innovation Union".
3. The costs of the diverse types of measures (infrastructure investments, business investments, training and consulting, etc.) vary and, therefore, are able to actually absorb the subsidies offered to widely varying extents. Furthermore, experience in Europe has shown that the capacity to tap the funds made available decreases, the more selective and discerning the selection criteria for the use of the funds is. This is to be taken into account when allocating the funds to the individual Member States and assessing their thematic priorities. Therefore, Austria proposes to limit the allocation of funds throughout the EU in a manner that avoids dilution of the ambitious objectives.

### 2.3 Strengthening performance through conditionality and incentives

Austria generally **supports** the idea that **EU funds** should only be granted on the condition that the Member States and regions verifiably establish, at the start of programming or within a

reasonable period, the **framework** conditions required to ensure the **effectiveness** of interventions or eliminate evident barriers to implementation (internal conditionality for cohesion policy). This can – and should – prevent the funds from dissipating without any effect. This would also help to avoid negative environmental impacts of the measures subsidised. These conditionalities have to be limited to the immediate measures, however, and in each case within a reasonable relation to the type of measure and amount of funds made available (principle of **proportionality**).

**Financial sanctions** (external conditionality) for breaches of the Stability and Growth Pact by individual Member States should not be imposed at the expense of cohesion policy, but rather all **EU funds** available to Member States should be considered. Any funds becoming available due to financial sanctions should be credited to the Member States and should not flow into an EU-wide budget reserve.

A reform of the practical implementation of the **additionality principle** would also be a good idea in Austria's opinion. However, the Commission is requested to provide further information on how it believes the proposed alignment with macroeconomic data from the Stability and Convergence Programmes might in fact be implemented. Basically, Austria believes that in all Member States mandatory national co-financing using public funds would be the procedure that involves the least additional costs for realizing the additionality principle.

To this end though, it would be sensible to reduce the - in some cases - very high **upper limits for EU co-financing**. Co-financing rates of 75% to 85% in relation to total spending (excluding the mandatory financial share of national government funds) offer only a very minor incentive for accountability of Member States. In Austria's view, an upper limit to EU co-financing of 75% of government expenditure (i.e. minimum share contributed by national governments of 25%) seems viable also for the economically weakest Member States and regions. As regards a greater differentiation of co-financing rates to reflect the level of economic development, EU added value, type of action and beneficiaries as proposed by the Commission, Austria's believes that **sufficient differentiation** is already possible **at present**. In this case, no need for change is recognized.

Austria is still **sceptical** of the old idea of a **performance reserve** as a performance incentive for methodological reasons. Even though this idea may be quite convincing theoretically, experience has proven it very difficult to implement in a manner that is both practical and consistent combines expert methods under the concrete administrative and political framework conditions (also see following Section). In any case, Austria rejects any exercise in bureaucracy without any actual recognizable added value.

## **2.4 Improving evaluation, performance and results**

Austria is in favour of improving evaluation and supports measurable outcome indicators if these are actually **feasible in practice** and coherent for the attainment of the objectives EU2020. A differentiation by fund is in any case requisite. In the light of the experiences made in practice, at this point a warning against unrealistic expectations is necessary for the following reasons:

1. For many of the objectives – at the regional or even local level of the ERDF programmes – no suitable (or even: quantitative) indicators are available. The statistical indicators available are often supplied with a lag of several years and/or do not validly reflect the facts of the matter being investigated at the regional or even local level and/or a valid compilation of data involves unreasonably high expenses for a beneficiary and/or programme manager (e.g. high-quality evaluations by experts for a subsidy of only EUR 10,000 for SMEs).

2. Frequently, the effects (including unexpected ancillary or consequential effects) of complex interventions cannot even be reliably separated from other influences. Moreover, due to the complex effects of the relations complexity of effects, the outcome (if at all) it is often identifiable only in the long term when the actions funded have long since been completed. Usually, on the one hand, evaluations during the programming period under these framework conditions are often too late to be able to meaningfully correct the direction of the interventions, and on the other, too early to be able to recognize any significant impacts of the programme.

An assessment of the effects of a programme under these conditions – even if the persons involved in the evaluation have a lot of experience and a high level of expert knowledge – is characterized by substantial uncertainty. The results are certainly **not** reliable enough to be **linked to formal incentives or sanctions** (e.g. performance reserve – see above). In the past years, Austria has developed proposals for methods for ex ante evaluation at least at the pilot project level and has experimented with learning formats to support the persons and the external experts involved in the programme in reflecting on its implementation. These experiences will gladly be contributed at the EU level as well.

## **2.5 New financial instruments**

Austria has **reservations** as regards the proposals of the Commission to widen subsidy schemes within the framework of cohesion policy to include repayable financing. Austria has not identified any specific demand in this context, at least up to now. Moreover, monitoring payment flows in the case of guarantees and loans and other potential repayable financial instruments (investments, etc.) involves higher expenses than providing subsidies. The proposal of the Commission is taken note of as an option for those Member States that consider repayable financing helpful for their purposes. Austria rejects any **obligation** to use such financial instruments.

## **3. Strengthening governance**

### **3.1 Territorial cohesion as a third dimension**

The concept of “territorial cohesion” was published by the Commission in a Green Paper in October 2008. Austria ascertains that the proposals of the Commission on the future of cohesion policy only cover part of the broad spectrum of the relevant aspects of this topic.

The position adopted in February 2009 by the Austrian Conference on Spatial Planning (ÖROK) on “Territorial Cohesion (TC)” summarizes the core messages in the following brief statements:

- TC is a **process** (and not a status)
- TC means exploiting territorial **potentials**
- TC requires close **cooperation** within and between regions
- TC requires consideration of **external effects**
- TC is **more than EU cohesion policy**
- TC at the EU level requires **coordination between the Directorates General** of the Commission
- TC at the EU level requires a **differentiation of the role of the Commission** (formally in legislation and in the administration of subsidies; informally as a partner for network coordination and the transfer of information)
- TC at the EU level means that the Commission must focus on **EU-wide and transnational demands**
- TC must be more than a top-down **analysis with EU-wide standard indicators**

**All regions** have their **special geographic features** that need to be considered in the conception and assessment of policies.

Austria **supports** the proposal of the Commission to include the **urban dimension** in the strategy documents at the EU and national levels as well as in the individual programmes to better establish economic, social and territorial cohesion. To support integrated regional development, a modern regional economic and employment policy must endeavour to consider the manifold **interrelations** between (smaller and larger) urban centres and their narrower and extended catchment areas beyond the administrative borders in the strategies and assistance programmes.

Austria is very pleased that the need to take special territorial features into account (e.g. in mountainous, structurally weak rural regions or border regions) in the interventions of cohesion policy has been specifically recognized by the Commission.

Austria generally **welcomes** the possibility to flexibly define **geographic demarcations** and the **organisation of the management** of the programmes for each programming priority irrespective of any existing institutional borders. However, it must be pointed out that the creation of a new management organisation is very expensive and therefore feasible only in the case of programmes as of a certain volume of funds.

Austria believes that the approach of **macroregional strategies** developed in the past few years for the Baltic Sea and Danube regions as pilot projects is a possibility to give the concept of “territorial cohesion” a concrete content. Austria shares the opinion that it would be a disadvantage for the strategic approach to confine such strategies to individual EU assistance programmes. However, in Austria’s opinion the macro-regional strategies seem suitable for providing essential elements also for a strategic – necessarily cross-border - framework of transnational cooperation programmes. On the other hand, strategic perspectives developed within the framework of current transnational programmes in place up to now as well as other relevant international agreements applicable to the regions concerned could make it easier to develop macro-regional strategies for other parts of Europe – e.g. Alpine space.

### **3.2 Reinforcing partnership**

Austria shares the view that to achieve the strategic goals, it is **necessary** to include the **principal actors in partnerships** at the local, regional, national and EU level in the strategic planning and in the debates on implementation. Many years of experience in Austria have shown that such inclusion in a partnership will only be fruitful and work efficiently if **suitable working formats** are developed.

**Cross-sectoral local development approaches** should be strengthened and expanded in Austria’s opinion. **Inefficient parallel structures** are to be **avoided**. For this reason, all related assistance schemes of the diverse EU funds need to be better aligned. Furthermore, priority should be given to achieving a better coordination of all funds at the national and EU levels (see Section 2.1.).

## **4. Streamlined and simpler delivery system**

### **4.1 Financial management**

### **4.2 Reducing administrative expenses**

### **4.4 Financial control**

From an Austrian standpoint, the most important contribution to simplification and greater reliability is securing a stable legal and institutional framework for the administration and control of the programmes. This applies, on the one hand, to the framework conditions at the EU level, and on the other, at the national level in those Member States in which existing administration and control systems and eligibility rules (including flat rates and standard unit costs) have already proven reliable and largely function smoothly.

For this reason, Austria **resolutely rejects** the proposals of the Commission to again revise the relevant EU rules – as already mentioned in the draft version of the amendment to the **EU budget regulation** of June 2010:

- The draft regulation includes changes, which **do not** have any **recognizable added value** merits (neither greater reliability nor lower administrative expenses: e.g. accreditation procedure and the annual management declaration).
- The draft budget regulation is guided exclusively by the requirements of the **annual** management of the EU budget and does not take into account the specific requirements of **multiannual** programmes and projects.
- The **timeframes** for audits and summary reports are completely **unrealistic**. Introducing these to cohesion policy would force Austria to carry out a complete (and expensive) overhaul of a currently decentralized system that runs very smoothly in the area of ERDF in order to be able to comply with the requirements to a reasonable degree.
- The extremely short times defined would permit more or less reliable audits and reports only for standardized routine assistance schemes. In the case of programmes with **complex measures** and very **diverse types of projects**, it would be feasible to comply with deadlines by drastically lowering auditing standards. Austria does not believe that giving up adequate audits or restricting cohesion policy to standardized routine assistance schemes is a policy in line with the interests of Europe.

On the contrary, functioning management and auditing systems should be left unchanged as far as possible.

The proposals of the Commission are not at all applicable in practice to **cooperation programmes that involve several Member States**.

Changes to the legal framework (including the implementing rules) are welcomed only if such changes serve to make use of existing potentials to **further simplify the management and control system**. Additional measures could be taken to standardize and simplify the eligibility rules for all EU policies (e.g. uniform flat rates for billing overheads of R&D projects for financing under operational programmes of cohesion policy as well as for research framework programmes).

The principle of **proportionality** must be given greater attention than up to now in all legal provisions concerning the management and control system.

With respect to all changes to the legal framework, the Commission should present the drafts in an early stage and prepare these in a manner that promises the timely conclusion of negotiations.

Austria doubts that reimbursing **EU funds based on output and outcome indicators** (instead of spending reports/input data) will contribute to reducing the administrative burden – insofar as this would be permissible under budget laws. Both in the case of output data as well of input data, data collection at the project level is time-consuming and according to the proportionality principle reasonable only up to a certain limit. The measurement of funding and the assessment of appropriateness can probably only be conducted on the basis of a rough

estimate of costs at the least (if applicable, in a simplified form of flat rates approved by Austria as permitted by EU legislation and already in use in some cases) and not solely on results. As output and outcome data can only be collected at a great expense in some cases and it is hard to maintain objectivity (and therefore hard to check) unlike expenditures, this would create new disputes between beneficiaries, administrative and audit bodies at the audit and programming levels but also between Member States, the Commission, Parliament and the European Court of Auditors at the EU level. Some outcome indicators can only be meaningfully collected after a project ends. Even if were desirable to pay less attention to inputs in programme management and more to results - we fail to see any approach that aims to simplifying programme management.

### **4.3 Financial discipline**

To secure budgetary discipline, Austria advocates the use in the future of **Version N+2 rule valid since 2010** – with regulation (EU) No. 539/2010 having been created afterwards – (no automatic decommitment for the first year of the programming period; for the purpose of applying the N+2 rule: distribution of the funds allocated to the first year of the programming period to the subsequent years) **uniformly** to all programmes.

## **5. The architecture of cohesion policy**

### **5.1 Proposals by the Commission**

Austria welcomes the proposal of the Commission to extend eligibility for cohesion policy to **all EU regions** in the future, with measures that yield high value added for the EU (e.g. climate protection, structural adjustments to expected climate changes, integration, social dimension, demographic change) concentrating in those countries with high economic output and aligned with the EU 2020 strategy.

Austria advocates allocating the funds of the EU cohesion policy the same as up to now **according to the economic performance** of Member States. As experience has shown that an excessive allocation of funds cannot be absorbed, the **upper limits** should be defined in the future with respect to national GDP (capping) and reduced versus currently valid caps pursuant to Annex II, par. 7 of Regulation (EC) No. 1083/2006).

The introduction of a separate **intermediate category of regional eligibility is welcomed** (as replacement for the currently valid phasing-out/in rules). The resources set aside for this purpose should, however, be limited EU-wide in regard to their amount.

Austria supports the efforts to provide greater visibility for assistance schemes in the area of human resources and the interventions of the ESF as equal policy areas within the framework of cohesion policy.

### **5.2 Separate legal framework for cooperation programmes with the participation of several Member States**

It is undisputed throughout the EU that the assistance schemes for cooperation of citizens, companies, regions and civil society institutions from different Member States (until 2006: Community Initiative INTERREG, since 2007: Objective “European Territorial Cooperation” – ETC) within the scope of EU cohesion policy delivers, at least potentially, especially high EU added value. The three strands – cross-border (cooperation between border regions), transnational, EU-wide network programmes – have proven effective. Therefore, Austria

advocates **prioritising** such **cooperation programmes** within the framework of EU cohesion policy in the future as well.

However, it is just as indisputable (but due to the relatively low volume of funds for this programme it has always been overlooked by both the Commission – also in its last Communication – as well as by most Member States) that these programmes, in which the participation of several Member States is mandatory, do not fit into the hierarchical architecture of the cohesion policy: Commission > Member States > Programme. This is true for programme strategies that cannot be a subset of a specific national overall strategy as well as for the management and control system which is not the responsibility of an individual Member State. The ambitious approaches that the Commission conceived for the INTERREG programming period 2000 to 2006 (lead partner principle, separate programme account, strengthening of programme management) to overcome the narrow horizons of the Member States and the resultant deficiencies in cooperation - essentially continued in the period 2007 to 2013 - have resulted in a hybrid system that has gotten stuck half way between Member State accountability and a genuine cross-border endeavour and this has proven extremely impractical for all parties involved: The management bodies, Member States and Lead Partners are only able to fulfil their responsibilities at unreasonably high coordination expenses and with substantial financial and legal risks. As participation in cooperation projects without the risk of failure is possible only for extremely professionally-run institutions with specifically qualified personnel, the group of potential beneficiaries (and therefore the EU added value) of this programming strand has become very limited.

Therefore, Austria advocates creating a **specifically defined legal framework** for **cooperation programmes with the participation of several Member States**. This framework must contain the following **core elements** in order to be credible:

1. It must also be specifically stated in the EU legal framework that **programme strategies** (as often is the case in practice already) are to be designed to involve more than one Member State. The EU added value to be supported shall consist in any case – apart from the objectives of Strategy EU2020 – also in the genuine cross-border nature of the projects to be funded. This should, if required, include cross-border issues of security policy. If they exist, macro-regional strategies should be taken into consideration (especially in the case of transnational cooperation programmes). Programme strategies must be drafted in partnerships by the involved Member States and regions and these must support implementation.
2. To avoid the current imbalances in funding and to prevent the Member States from adhering to an approach of participation by quotas, **EU funds** (without routing via national allocations) should be **allocated directly to the individual programmes**.
3. **Programme management and control** (first level control and audit) should be the responsibility of well-performing programming secretariats or audit bodies and handled according to uniform EU-wide procedures and standards. Eligibility rules, forms for applications and the settlement of accounts, reporting forms, (specimen) agreements between project partners, etc. as well as the financial control (first level control and audit) should be made uniform throughout the EU – using the best practice models developed in the past years in specific programmes. A uniform legal framework must guarantee that the legal relations between all involved parties (at the level of individual projects: project partners, managing authority, audit authority; at the programme level: managing authority, certifying authority, audit bodies, Member States participating in programmes) including any liability they must assume are subject to clear rules. As far as possible, the laws applicable to public procurement and to state aid should also be standardized for all cooperation programmes.