Agenda 2000: Cohesion Fund (amend. Regulation (EC) No 1164/94)

1998/0104(AVC) - 21/06/1999 - Final act

PURPOSE : Recasting of the Council Regulation governing the Cohesion Fund. COMMUNITY MEASURES : Council Regulation 1264/1999/EC amending Regulation 1164/94/EC establishing a Cohesion Fund. CONTENT : This new Regulation does not radically modify the basic principles which underlie the Cohesion Fund. Eligibility will still be restricted to Member States whose capita gross national product (GNP) is less than 90% of the Community's average and which have a programme designed to achieve the conditions of economic convergence. The 4 following countries are eligible to benefit from the Cohesion Fund : Greece, Spain, Portugal and Ireland. The Cohesion Fund aims to strengthen the economic and social cohesion of the Community through the balanced financing of projects, technically and financially independent project stages, and groups of projects forming a coherent whole, in the field of the environment and trans-European transport infrastructure networks. The Cohesion Fund also finances preliminary studies related to such projects and their implementation, as well as technical support measures, such as comparative studies, impact studies, monitoring and, since the entry into force of Regulation 1264/99/EC, publicity and information campaigns. On the other hand, changes have been introduced regarding the following points : 1) macro-economic conditionality: besides the economic convergence criterion of 90% of the Community average, the Regulation requires Member States eligible for the Fund to respect the Stability and Growth Pact adopted by the Amsterdam European Council of 17 June 1997. Exceeding the above GNP threshold renders Member States ineligible with regard to new projects or new project stages. This is why the new Regulation makes provisions for a mid-term review before the end of 2003, based on per capita GNP. If this review establishes that a Member State is no longer eligible, financial support from the Cohesion Fund will stop. Furthermore, changes in terms of conditionality allow the Commission to alert the Council if a Member State does not fulfil the obligations of the stability and convergence programmes in respect of the excessive government debt criterion, but suspension of financing until the deficit effectively returns to 3% is not applied. Exceptionally, in the case of projects directly affecting more than one Member State, the Council may decide to defer suspension of financing; 2) available resources : Regulation 1264/99/EC states that the total resources available for commitments in the period 2000-2006 will be EUR 18 billion at 1999 prices. For the first time, an indicative allocation of the total resources of the Fund is given : - Spain : 61% - 63.5% of the total, - Greece : 16% - 18% of the total, - Ireland : 2% - 6% of the total, - Portugal : 16% - 18% of the total. This distribution takes into account objective criteria such as, population, per capita GNP taking into account of the improvement in national prosperity attained over the previousperiod, and surface area; it shall also take into account of other socio-economic factors such as deficiencies in the transport infrastructure. The new Regulation states that the total annual receipts of these Member States from the Cohesion Fund, in combination with the assistance provided under the Structural Funds, may not exceed 4% of their GDP. It is worth noting that in the event of a Member State becoming ineligible, resources for the Cohesion Fund will be reduced accordingly (and not redistributed throughout the other Member States); 3) other means of private complementary finance: to achieve this, the Commission shall support beneficiary Member States' efforts to maximise the leverage of Fund resources by encouraging greater use of private sources of funding; 4) the rate of assistance : the Cohesion Fund covers between 80% and 85% of public or equivalent expenditure on projects. However, from 1 January 2000, this rate may be reduced to take account of any revenue generated by the project and of any application of the "polluter-pays" principle (in particular instances, preliminary studies and technical support measures may be financed exceptionally at 100% of the total cost); 5) financial control: the Regulation requires Member States to take responsibilty in the first instance for the financial control of projects. In order to ensure that the Fund is used in accordance with the principle of sound financial management, they must check that financed projects are managed correctly, prevent irregularities, and recover any amounts lost as a result of irregularities. They must also cooperate with the Commission by providing it with details of measures

taken and internal management and control arrangements set up, and by helping it to gain access to national control documents. It is foreseen that the Council, acting on a proposal from the Commission and on the basis of the assent procedure, must re-examine the Regulation by 31.12.2006. ENTRY INTO FORCE : 01.01.2000.