Cohesion Fund

2004/0166(AVC) - 14/07/2004 - Initial legislative proposal

PURPOSE : to specify the tasks of the Cohesion Fund, and its specific application, in particular regarding the conditionality of assistance and the fields of intervention of the Fund.

PROPOSED ACT : Council Regulation.

CONTENT : this proposal has been drafted as part of the cohesion legislative package. The package consists of a general Regulation (**AVC/2004/0163**), a Regulation for the European Social Fund (ESF) (**COD/2004/0165**), the European Regional and Development Fund (ERDF) (**COD/2004/0167**) as well as an entirely new proposal creating the framework for a cross-border authority to manage cooperation programmes (EGCC) (**COD/2004/0168**).

To recall, the Cohesion Fund is enshrined in article 161, paragraph 2, of the treaty, with the objective of contributing financially to interventions in the field of the environment and the trans-European networks.

Regulation 1164/94/EC established the Cohesion Fund, and, for the first time, provided a framework for its implementation. This regulation was subsequently complemented by Regulations 1264/99/EC and 1265 /99/EC.

Following the Union's enlargement on May 1st 2004, the Cohesion Fund applies to the 10 new Member States until the end of 2006, as well as to the three Member States eligible at the end of the 2000-2006 period (Greece, Portugal and Spain).

It is envisaged that the Cohesion Fund contributes to the convergence of less developed Member States and regions through financial participation in the operational programmes of this convergence objective.

Under the reform of the implementation system of cohesion policy, Cohesion Fund interventions are integrated into the multi-annual programming of the structural funds, including major projects. The reform was announced in the third cohesion report, which was adopted by the Commission in February 2004. While maintaining the fundamental principles which underlie the value of the policy (multi-annual programming, partnership, evaluation, shared management), this reform provides a balance between an increased strategic component, and a simplification of the implementation system. Simplification notably occurs through the reduction in the number of funds, simplified programming, a clarification of the roles of the Commission and the Member States in terms of financial management and control, and by adapting the implementation modalities to reflect the intensity of the community contribution.

An extension of the domains of intervention is justified by the accession of new Member States on May 1 2004, all of which are eligible to the Cohesion Fund, and which face new and important financing needs. Thus the Cohesion Fund can also finance actions in support of sustainable development, where these have a clear environmental dimension, such as energy efficiency or renewable energy. Beyond the trans-European transport networks, this also allows for financing of rail, navigable maritime and river waterways, multi-modal transport actions and their inter-operability, road and air traffic management, clean urban transport, and communal transport. This extension of the domain of interventions is in accordance with the corresponding provisions in the treaty, and is in line with the priorities decided by the European Council in Lisbon (March 2000) and Gothenburg (June 2001).

The new architecture proposed for Cohesion Policy provides for simpler programming, greater flexibility, less administrative burden and a renewed Cohesion Fund.

Member States benefiting from the Cohesion Fund must conform to the conditions set out in the treaty regarding convergence programmes and those regarding excessive deficits for the Member States participating in economic and monetary union. Assistance under the Cohesion Fund is conditional upon the satisfaction of these conditions. If the Council decides, on the basis of a Commission proposal, that an excessive deficit exists and that the Member State concerned has not taken effective action, the payment will be suspended, effective from January 1 of the following year. The suspension ceases, when the Council decides, on the same basis, that the Member State concerned has taken the measures necessary to allow a return to a situation that is in accordance with the Treaty and with the Council decisions.

For further information concerning the financial implications of this measure, please refer to the financial statement.