

Structural Funds

Hahn: Macro-conditionality a “measure of last resort”

By Isabelle Smets | Thursday 06 October 2011

Simplification of procedures, concentration of aid, enhanced conditionality and focus on performance: Regional Policy Commissioner Johannes Hahn presented, on 6 October, the key principles that underpin the new regulatory framework for the Structural Funds for 2014-2020 (see *Europolitics* 4279 and supplement to this issue). He also had to answer a flurry of questions on the innovative measure consisting of the possibility to suspend aid if a state presents a macroeconomic imbalance or excessive deficit. The measure promises to cause a lot of ink to flow. The day before the presentation, Danuta Hübner (EPP, Poland), chair of the European Parliament's Committee on Regional Development (REGI), criticised the principle. Mercedes Bresso, president of the EU Committee of the Regions, did the same. In the wake of the commissioner's announcement, she “firmly rejected” this possibility, finding it “irritating that the Commission ignored the strong opposition of the Committee of the Regions, the European Parliament and the other concerned stakeholders” on this point.

Hahn tried to tone things down. “This should be seen as a measure of last resort,” he explained, a solution he hopes “never to have to put into practice”. “It is important to show that we are consistent in EU policies” and especially “in macroeconomic policies,” commented Employment and Social Affairs Commissioner László Andor.

Funds would only be suspended at the conclusion of a procedure whereby the Commission would first invite states with financial difficulties to adjust their operational programmes - or would adjust them itself - in order to have the programme contribute to the general recovery effort. If the state failed to react or if the problems grew worse (launch of an excessive deficit procedure) and the state failed to take appropriate remedial measures, the Commission could then decide to suspend the funds.

“There are quite a few steps” before reaching that point, insisted Hahn. Where Bresso insists on the potential collateral effects of a suspension decision on the stability of investments in countries in difficulty - “withdrawing EU funding from an already ailing economy will only make matters worse” - the commissioner sees “no contradiction” and prefers to stress the role the Structural Funds will be able to play to “put states back on the right economic track”.

Apart from this extremely sensitive point - which will no doubt spark heated debates in Council - the reforms proposed by the Commission seem likely to meet with a favourable reaction. “Many go in the right direction,” acknowledged Bresso. At the press conference, Commissioner Hahn stressed the importance of the simplification of procedures for payments to final beneficiaries and in terms of programming, with the possibility of different funds contributing to the financing of a single operational programme. This measure comes in response to a general request. Hübner has already warned that she wished to strengthen this new possibility of multi-fund co-financing “to take the logic to its limit” with multi-fund financing for projects, rather than just for operational programmes.

NEXT STEP?

Now that the regulatory proposals are on the table, negotiations can get under way. The European Parliament will be involved under the co-decision procedure (Lisbon Treaty) and the Committee of the Regions will be consulted for opinion but has the possibility to take action before the EU Court of Justice in the event of any alleged infringement of the subsidiarity principle (also under the Lisbon Treaty).

All this creates a very tight calendar for the negotiators. By way of comparison, the legislative proposals for 2007-2014 were tabled two and a half years before the official start of the programming period, so in terms of negotiating time, a bit earlier than today's proposals. It nevertheless took a real marathon in the final months before the start of the new programming period to be ready more or less on time. An identical scenario exists today, complicated by a legislative procedure that will necessarily be longer (two readings with Parliament and possibly a conciliation procedure). There is also the fact that the legislative agreement will depend first and foremost on a budget agreement, which also promises to be more complicated than ever. The institutions are optimistic, though: the calendar they set together counts on adoption of the regulations by the end of 2012. Only then will it be possible to determine what each state will receive from the future cohesion policy.

Draft proposals of 6 October

- general regulation encompassing the European Regional Development Fund (ERDF), the European Social Fund, the Cohesion Fund, the European Fund for Rural Development and the European Fisheries Fund
- ERDF regulation
- Social Fund regulation
- Cohesion Fund regulation
- regulation on territorial cooperation
- regulation on the European Grouping of Territorial Cooperation (EGTC)

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