Response of the Dutch provinces and municipalities on the conclusions of the 5th cohesion report

VNG-IPO position paper

31 January 2011
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INTRODUCTION

On 23 June 2010 the Dutch local and regional authorities, in conjunction with the Dutch government, adopted a joint position paper on the future of the European cohesion policy. This paper was filed to the European Commission as input for the debate on the future of cohesion policy after 2013, including the conclusions of the Fifth Cohesion report. The joint paper forms the basis for the response of the Dutch provinces and municipalities, united in the Association of Netherlands Provinces (IPO) and the Association of Netherlands Municipalities (VNG), on the conclusions of the Fifth Cohesion report. The joint paper will be quoted several times in the response. The texts between inverted commas come from the joint paper and reflect the opinion of the Dutch government and decentralised authorities on this issue. The texts outside inverted commas form the (supplementary) input supplied by the provinces and municipalities. This response was prepared in close collaboration with representatives of the major cities (G4, G32) and the four Dutch ERDF management authorities.

With this response IPO and VNG provide new input for the debate on the future of the cohesion policy. The Dutch provinces and municipalities consider the European cohesion policy an effective policy instrument for integral place-based development of regions and cities, which serves to efficiently contribute to the reinforcement of the socio-economic position and sustainability of regions and municipalities. Consequently, they can make a contribution to the challenges faced by the entire EU at present and in the future: the combating of the effects of the economic and financial crisis, globalisation, climate change, energy supply and demographic changes.

The Dutch provinces and municipalities therefore support the proposal of the European Commission to have the future cohesion policy encompass all regions in the EU. It is self-evident that also after 2013 the emphasis should be on the convergence of regions and member states whose development is lagging behind, but IPO and VNG wish to underscore that Europe needs all regions in order to deal with the challenges that are ahead of us. The cohesion policy is the most suitable instrument to involve regions and municipalities.

Represented below is the response of the Dutch provinces and municipalities on the questions from the consultation on the Fifth Cohesion report. The response has been broken down into the four themes of the conclusions of the Cohesion report. A reply to each question is given. For this purpose reference is made to and quotes are drawn from the Dutch position paper on the future of the cohesion policy of June 2010. Quotes have been put between inverted commas.

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1 Netherlands Position Paper on the future of Cohesion Policy. Adopted by the Minister of Economic Affairs and the representatives of the Dutch management authorities, the provinces and the municipalities (The Hague, 23 June 2010).
2 See also previous position papers on the future of the European cohesion policy of IPO and VNG on: http://www.nl-prov.eu en http://www.europadecentraal.nl.
I ENHANCING THE EUROPEAN ADDED VALUE OF COHESION POLICY

Core of IPO/VNG-response to the questions raised by the European Commission on enhancing the European added value of the cohesion policy.

In the current period the strategic approach (linking cohesion policy to the Lisbon strategy) has led to good progress on the quality and results of cohesion policy. The Netherlands is a strong proponent to enhance the European added value of cohesion policy by placing even greater emphasis on the results.

Greater focus on results is important:
• It enables us to use limited resources in a smarter and more efficient way.
• We should focus more on programme results and less on administrative requirements.
• Greater focus on the results and content of cohesion policy makes the programmes more attractive, and increases support and enthusiasm for them.

Greater focus on result-oriented policy can be achieved by:
• All structural funds contributing to achieving the goals of the Europe 2020 Strategy.
• A clear focus on a limited number of priorities by the introduction of the menu structure proposed by the Commission.
• Reducing the (administrative) burden for end beneficiaries and managing authorities by means of extensive simplification and correct accountability.
• Good and efficient use of multi-level governance.

Full response: European Commission questions and IPO/VNG response

Commission questions. How could the Europe 2020 Strategy and cohesion policy be brought closer together at EU, national and sub-national levels? Should the scope of the development and investment partnership contract go beyond cohesion policy and, if so, what should it be?

IPO/VNG response

Europe 2020 Strategy
The Netherlands would like to modernise the European budget, with a greater focus on the Europe 2020 Strategy. A better alignment between cohesion policy and Europe 2020 could benefit this process. The use of cohesion funds can supplement the use of national resources and non-financial instruments to achieve Europe 2020 goals.

As stated in the Dutch position paper of June 2010 on the Future of Cohesion Policy, the Dutch provinces and municipalities believe that “Cohesion policy should focus on contributing to sustainable growth and employment, and thus to the goals of the Europe 2020 strategy. An explicit link between cohesion policy and Europe 2020 also boosts the added value of cohesion policy, giving the funds a tighter focus and greater impact. With this in mind, the Dutch provinces and municipalities would like all types of structural funds and programmes to make a substantial contribution to achieving the goals of Europe 2020, including the future European Territorial Cooperation (ETC) programmes (Interreg).”

“In the present period, linking cohesion policy to the Lisbon strategy has proved to be a great success, with the ESF primarily contributing to the goal of employment and the ERDF primarily contributing to the goal of sustainable growth. The Netherlands favours the same division of responsibility in the period ahead.” “In choosing what Europe 2020 goals the ERDF should be used for, account must always be taken of the specific characteristics of the relevant member state and region, the regional economic infrastructure and the challenges that these things present.”

In the next period a good balance must be struck between, on the one hand, greater (European) focus, which would increase the impact of the structural funds, and on the other hand, the necessary flexibility of Member
States and regions. Cohesion policy should leave national, regional and local authorities sufficient room to choose how to implement the objectives of Europe 2020. The aim is to achieve an optimal fit between cohesion policy and national, regional and local policy, in close collaboration with actors from civil society and the various economic sectors (including trade unions, employers’ associations, businesses, and knowledge/research institutions) thereby maximising the added value of the structural funds.

Within the Europe 2020 Strategy, the National Reform Programme (NRP) provides the policy framework for the translation of the Europe 2020 goals into national goals and measures. Cohesion policy must be implemented in line with the content of the NRP. It is therefore important to guarantee the involvement of the stakeholders of cohesion policy, particularly regional and local governments and social partners.

**Strategic programming**

The Dutch provinces and municipalities consider that the structure for strategic programming used in the current period works well. It provides scope for input from all levels of government (multi-level-governance) and for the delivery of tailored solutions to meet the challenges of the individual countries and regions. The Dutch provinces and municipalities are opposed to extensive changes to the current structure: with exception to areas where there are problems or duplications in the current structure, in which case changes should be made to make it more efficient and effective.

The Dutch provinces and municipalities favour a single common strategic framework for all funds that converts the Europe 2020 Strategy goals into investment priorities at the European level. This framework replaces the current methodology of a number of different integrated guidelines to convert the Europe 2020 Strategy goals into investment priorities at the European level. The Dutch provinces and municipalities support this Commission proposal and believe that the introduction of a single integral document for all funds would contribute to a more efficient and effective structure.

**Partnership contract**

In the current period Member States create a national strategic reference framework (NSRF) at the start of the programme, which, among other things includes an analysis of the economic situation and describes the priorities for the use of structural funds (ERDO and ESF) over the seven-year period and how they contribute to achieving the Europe 2020 goals. The NSRF forms the basis for Operational Programmes (OPs).

The Dutch provinces and municipalities see several benefits of a partnership contract, particularly concerning a multiple management of the funds and the governance structure. In the past the European Commission adjusted the implementation rules several times during the introduction of the EU-programmes. In the new draft Financial Regulation the Commission is bound by obligations as well. A partnership contract will be able to reinforce this starting point. In the current programmes there is a solid partnership between local and regional authorities and the programme authorities with mandating of powers. A partnership contract provides the opportunity to anchor this governance in the programme.

This requires several adjustments of the proposal laid down in the Fifth Cohesion report. After all, several legal problems are connected to it, for example if the contractual parties disagree as to whether the contract is complied with or not. Moreover, the position of decentralised authorities in the contract is still completely vague.

The partnership contract should of course not give rise to an additional administrative burden and supervision pressure for the decentralised authorities. The start of the operational programmes should not be delayed by long and complex negotiations on the partnership contract. The Dutch provinces and municipalities therefore call upon the Commission to further explain its proposal in respect of a partnership contract and pay special attention to the position of the decentralised authorities in the contract.

The Dutch provinces and municipalities consider it vital to maintain the current governance structure for cohesion
policy. We wish to retain the existing structure of a national strategic framework that describes the priorities for which the structural funds will be used over the programme period, and what they contribute to the realisation of the Europe 2020 Strategy goals.

The Dutch provinces and municipalities consider that information already provided in one document should not be repeated in other documents. In the coming period the Dutch provinces and municipalities would like to prevent duplication between documents and reports relating to Europe 2020 and cohesion policy. If the documents and reports relating to the Europe 2020 Strategy must describe the socio-economic situation, this information should not also be required in cohesion policy documents and reports. In the Dutch experience, extra duplications arise where there is a single national Operational Programme, as in the Dutch case with the ESF and European rural development policy.

The Commission asks whether the scope of the development and investment partnership contract should go beyond cohesion policy; whether it should also cover the use of other EU policy measures and funding instruments, or describe the coordination between EU funds at national level. The Dutch provinces and municipalities are firmly in favour of better coordination between different policies and programmes. Aligning national and regional use of these funds is important, but extending the scope of the contract or the National Strategic Reference Framework (NSR) to cover other funds, such as RDP and Fisheries funds, is probably not the best way to achieve it. The great disadvantage of extending the scope in this way is that it complicates drafting of the National Strategic Reference Framework, and could even make it inoperable. Each policy area has its own dynamics, and depends on the specific circumstances, and these aspects must also be taken into account.

The European Commission can offer Member States the option of drawing up a single Strategic Reference Framework for the structural funds and policy areas, but this should not be a requirement. The Dutch provinces and municipalities can however support a requirement to identify connections with other policy areas and programmes relevant to Europe 2020, and to clarify how the funds will be used so that they complement each other, but do not overlap. This also applies to alignment with the Eighth Framework Programme, European Innovation Partnerships, innovation programmes, the Digital Agenda etc.

Commission question. How could stronger thematic concentration on the Europe 2020 priorities be achieved?

IPO/VNG response

The Dutch provinces and municipalities agree completely with the Commission that greater concentration of resources is required to build up a critical mass and make a tangible impact. The Commission proposes that each Operational Programme should focus on a small number of priorities (themes) from a menu of around 15 themes, based on the Europe 2020 Strategy priorities. For example, the Commission suggests: research and R&D; innovation; ICT; support for SMEs; sustainable energy; sustainability and climate; energy networks; sustainable transport; major infrastructure; employment and gender equality; education and training; strengthening links with the labour market; combating poverty.

The Dutch provinces and municipalities support the Commission’s approach. It regards such a menu structure, with a limited number of priorities per Operational Programme, as a good balance between focus and flexibility. The approach facilitates greater concentration and may achieve more results, while leaving sufficient flexibility to respond to specific challenges of the country or region concerned. The Dutch provinces and municipalities approves of the level and type of themes proposed by the Commission. On a side note, the Dutch provinces and municipalities believe there should be no separation between research and R&D on the one hand and innovation on the other. These should form a single theme, to promote knowledge valorisation and marketing of knowledge from the structural fund programmes. Priorities must be carefully considered and selected to tie in with the NRP and the strengths and challenges of the country and region concerned. The Commission states that certain priorities would be obligatory. The Dutch provinces and municipalities would argue for no more than one obligatory priority, since otherwise the country or region is left with too little flexibility or choice. We consider that the future
European Territorial Cooperation Programmes should contribute to the goals of the Europe 2020 Strategy and must have a clear focus. The Netherlands would therefore also like to see this menu approach applied to European Territorial Cooperation.

Commission question. How could conditionalities, incentives and results-based management make cohesion policy more effective?

IPO/VNG response

Conditionality means that the disbursement of structural funds is made dependent on the performance of Member States. The European Commission proposes two kinds of conditionality. First, macro-economic conditionality: more specifically, fulfilling obligations resulting from the Stability and Growth Pact (SGP). Second, institutional conditionality: making disbursement of structural funds dependent on fulfilling structural preconditions.

In the current period there are several forms of conditionality, including those relating to accountability for the management of EU funds. The Netherlands supports this form of conditionality and sets great store by sound financial management.

The experience of the Netherlands in the current period is that problems arise if rules are unclear, or they are changed during a programme period, and this adds to the administrative burden. The Netherlands is therefore strongly in favour of clear, transparent rules which remain unchanged during the programme period (except for purposes of simplification or to reduce the administrative burden).

Macro-economic conditionality

The Dutch provinces and municipalities do not advocate a system whereby the performance of national authorities in the field of financial-economic policy can lead to implications in the distribution of means of cohesion for regions and municipalities. If member states fail to observe their obligations under the SGP, this should according to the view of provinces and municipalities not result in the withholding or discontinuation of structural funds for the regions. The modern cohesion policy is aimed at promoting economic growth and employment in the EU. The withholding or discontinuation of payment of ERDF or ESF funds will have an adverse effect on this process and is therefore at odds with the starting points of the cohesion policy.

Institutional conditionality

The Dutch provinces and municipalities support the intention to make cohesion policy more effective and results-oriented, and stress the importance of timely and correct implementation, institutional reforms, administrative evaluation and institutional capacity. The Commission envisages achieving this through (institutional) conditionality: in other words, making structural funds dependent on removing obstacles and, for example, on the transposition of specific EU legislation, the financing of strategic EU projects, or administrative evaluation and institutional capacity, and the realisation of institutional reforms.

The Dutch provinces and municipalities oppose this conditionality for the following reasons.

- We consider that the introduction of this form of institutional conditionality will reduce the impact and efficiency of cohesion policy and increase the (administrative) burden on end beneficiaries and management authorities. The introduction of institutional conditionality creates additional conditions and requirements, which have to administered, reported and audited.
- We have reservations about the subsidiarity proposed. The Treaty on the Functioning of the European Union stipulates the EU's areas of competence. The introduction of conditionality may result in the EU (European Commission) setting requirements in areas outside its competence. For example, the EU has limited powers in the field of employment policy. The introduction of conditionality should not result in the Commission setting excessive requirements for national employment policy. This is even truer in relation to education.
- We are negative about the proportionality of the proposal. The implementation of the preconditions referred to by the Commission takes place at a different level and is carried out by actors other than those involved in
the Operational Programmes. It is neither desirable nor effective to impose heavy sanctions on those involved in the Operational Programmes for non-compliance with agreements made at a different level and by other actors.

- A key factor for the success of cohesion policy is that the resources are available over a sustained period of time, and that conditions and obligations are stable. The introduction of conditionality undermines this, and causes great uncertainty for all those involved.

The Dutch provinces and municipalities believe that there are better and more effective ways to make cohesion policy effective and results-oriented and to increase the European added value. For example, the Dutch provinces and municipalities can easily envisage that future regulations will require that sound and substantiated decisions are made concerning the use of structural funds, and that the added value of this use is properly motivated. This can also be part of the project selection process (through the selection criteria). The Dutch provinces and municipalities could agree with a requirement to draw up Smart specialisation strategies (as proposed in the Communication on Innovation Union) at local or regional or national level before ERDF funds are deployed for innovation. The Dutch provinces and municipalities consider this a useful and practical instrument to achieve the right (internal) focus and the desired results.

**Commission question.** How could cohesion policy be made more results-oriented?

**IPO/VNG response**

In addition to the points already raised to make cohesion policy more results-oriented, the Dutch provinces and municipalities would like to voice its support for the option of using tenders at programme level. Tenders can be useful in selecting the best projects and thus achieve better results in practice.

The Commission proposes the introduction of a performance reserve, whereby a limited share of the cohesion budget would be set aside, and with good performance, could be allocated at a later time. The Dutch provinces and municipalities oppose this idea. It is not desirable to attach financial consequences to the measurement of performance. There are also risks, such as consciously setting lower targets, or consciously raising the bar for the measurement of results. There is no method of measuring performance that adequately overcomes these risks.

The Dutch provinces and municipalities consider it desirable to explore the possibilities of paying on output rather than on actual costs incurred. We see no point in settling on the basis of outcome, as so many external factors play a role. Settling on the basis of output leads to the desired discussion of results and reduces the (administrative) burden for end beneficiaries and management authorities. It would also be possible, for example, to apply the ‘comply or explain’ principle: agree results in advance, and if the results are not achieved there must be a good, credible explanation. For a more result-oriented cohesion policy the result areas formulated in advance must be accountable and achievable. The desired results must be formulated with the necessary margins, and it must be possible to adapt them in the event of a midterm review of the programme. In the current period our experience with common, uniform and measurable core indicators at European level has been generally positive, but the indicators must be established before the start of the programme period, and be easily measurable, workable and justifiable. This also makes it easier to carry out evaluations at several points during the life of the programmes. A point of concern is that it remains difficult to make a good ex-ante estimate of realistic values for indicators.
II STRENGTHENING GOVERNANCE

The Dutch provinces and municipalities consider that strong governance, involving national, regional and local actors in the decision-making and implementation of the structural funds, increases the impact and added value of cohesion policy.

The governance of cohesion policy is further strengthened by:
• Involving the EU, Member States, regions and cities/urban networks on the basis of partnership and joint responsibility in the development, implementation and evaluation of the structural fund programmes.
• Involving horizontal partnerships between public authorities and economic and civil society entities in cohesion policy.

The key role of cities is guaranteed by:
• Giving the regions, cities and urban networks joint responsibility in the preparation, management and implementation of the ERDF programmes.
• Continue partnerships from the current programme period.

Territorial Cohesion and European Territorial Cooperation can be further strengthened by:
• Providing scope for functional regions
• Facilitating flexible division of programme areas in European Territorial Cooperation to take account of the specific nature and geography of regional economic developments.
• Ensuring that European Territorial Cooperation programmes contribute to the objectives of the Europe 2020 Strategy

Full response: European Commission questions and IPO/VNG response

Commission questions
How can cohesion policy take better account of the key role of urban areas and of territories with particular geographical features in development processes and of the emergence of macro-regional strategies? How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?

IPO/VNG response

The role of cities
As indicated in the Dutch position paper of June 2010 on the Future of Cohesion Policy, the Dutch provinces and municipalities consider that cities and urban networks play an important role in meeting the objectives of cohesion policy and, by extension, the objectives of the Europe 2020 Strategy. Cities are the engines of socio-economic development. For that reason, the Dutch provinces and municipalities feel strongly that there should be adequate scope for cities in the upcoming programme period. A connection should be made between local policy choices, regional programmes and national and European goals. The aim should be to achieve more synergy between European, national, regional and local policy strategies for development, growth and employment. This can be done by making regions and cities jointly responsible for implementing ERDF programmes. In the present period in the Netherlands, this shared responsibility has been given different forms in the different Operational Programmes.” These cooperative structures (partnerships) could be carried over to the next programme period to maintain effectiveness. Annex I describes the Dutch experience and a few best practices.

Cross-border cooperation
In the fifth Cohesion Report the Commission stresses that Territorial Cohesion makes greater flexibility in organising Operational Programmes possible, to reflect better the nature and geography of development processes. The Dutch provinces and municipalities set great store by this explanation of the concept of Territorial Cohesion, as thus Territorial Cohesion offers scope to work with functional regions within cohesion policy, both within and
beyond national borders. Many policy initiatives in border regions extend further than the administrative borders. Regions on either side of the border collaborate more closely on strengthening regional competitiveness. This creates functional regions where extent of the programme area is determined by the policy goals of the programme. In recent years the Dutch regions have built up considerable experience with working in functional regions extending beyond the national borders, for example in promoting innovation and establishing and expanding regional clusters. These functional regions should be further strengthened in the coming programme period, within the programmes for territorial cooperation. Annex II describes some Dutch best practices in relation to cross-border functional regions.

As indicated in the Dutch position paper of June 2010 on the Future of Cohesion Policy, the Dutch provinces and municipalities believe that “In a globalising economy, leading corporations, SMEs, knowledge/research institutions, and local and regional authorities (‘the economic meso level’) must be able to survey and take advantage of the relevant international environment. Within the parameters of ETC, there must be scope for supporting SMEs in border regions. For SMEs in particular, borders can form a barrier to the natural search for markets where the right knowledge and commercial opportunities are present. Consequently, the economic performance of SMEs is suboptimal. In view of the goals of integrating European markets and promoting innovative potential, more should be done to facilitate European cross-border cooperation benefiting SMEs.”

Furthermore, within the framework of ETC there should be more scope for concentrating on strong and promising clusters. This expressly includes supporting cross-border cooperation between and within clusters (consisting of companies and knowledge/research institutions that specialise in a particular economic sector within a particular geographic area). In determining the partnerships, both the geographical area and the thematic orientation of the clusters should be a factor. This is consistent with the abovementioned principle that ETC should have a thematic as well as a geographical component, so that partners throughout Europe can work together on a theme-by-theme basis. Multi-level governance is necessary to make transnational clusters and theme-based cooperation a success: European, national and regional support for the cluster or theme should be coordinated and used in synergy.

Finally, simplification is also an important requirement for European Territorial Cooperation. Cross-border cooperation in particular, is often very complex and management, control and other systems of the cross-border programmes should be simplified. European Territorial Cooperation often encounters the problem of an accumulation of European national rules, which increases the (administrative) burden and structural complexity. The Dutch provinces and municipalities also favour making greater use of the opportunities offered by the legal form of the European Grouping for Territorial Cooperation (EGTC).

The current lack of clarity and lengthy procedures, due not only to cohesion rules, but also for example the rules for state aid, stand in the way of private sector participation. The length of time it takes the European Commission to process state aid notifications hampers the smooth implementation of the structural fund programmes. Within European Territorial Cooperation conflicts can arise between the responsibilities ascribed to the management authority under Regulation 1083/2006 (art. 60), and those of the individual Member States for legitimate budgetary management of the funds. This appears mainly in relations with the Joint Technical Secretariat. This is administered by the managing authority, but responsibility lies with the various Member States. In practice this system generally works, but when problems arise, it is not always clear where primary responsibility lies.

As stated in the Dutch position paper of June 2010 on the Future of Cohesion Policy, the Netherlands believes that “the upcoming programming period for ETC should be guided by the following principles.

• The nature of the task in question should determine the nature of the partnership to be formed. In the current period, it is seen as problematic that the partnerships must involve partners from a particular territory. Dealing effectively with common challenges is complicated by the fact that a project must include partners from the entire EU in order to be approved. Project partners should be selected on substantive and thematic grounds.
• The governance structure of ETC must be simplified. The governance structure in the current period is too complex to respond rapidly and flexibly to joint challenges.
• The project assessment must be conducted much more quickly. In the current period the tempo of the assessment hinders participation.
• The sharing of knowledge and best practices (and their effect in the various member states) should be promoted more actively in the next period."

The Dutch provinces and municipalities believe that there are major similarities between the goals of Objective III (ETC) and the other objectives of cohesion policy. In future, in addition to the specific programmes for territorial cooperation, facilities should be made available – particularly in border regions – to use the other objectives of the structural funds for the development of cross-border projects and networks. The Dutch provinces and municipalities believe there should be a better connection between ETC and the other objectives, and a better connection between cohesion policy as a whole and initiatives like ‘regions for economic change’.

The Dutch provinces and municipalities also support linking the ETC programmes to the objectives of the Europe 2020 strategy. Such a connection to Europe 2020 will lead to a greater focus, more consistency in implementing European policy and to the engagement of regional and local government in Europe 2020. Apart from furthering the goals of Europe 2020, ETC should offer scope for the disbursement of structural funds for other objectives and challenges, where necessary for the development of the area concerned.

In linking ETS to Europe 2020 it is important that the effort made in ETS is linked to the overall Europe 2020 Strategy. It is not desirable to link it to the national goals in the National Reform Programme, as these can vary from country to country.

**Commission question.** How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?

**IPO/VNG response**

As stated in the Dutch position paper of June 2010 on the Future of Cohesion Policy, the Netherlands attaches “great importance to multi-level governance as one of the most significant aspects of EFRS. The Netherlands would define multi-level governance as policy coordination by the European Union, Member States, regions and municipalities, based on the partnership principle and shared responsibility of the governance levels concerned. This implies a shared responsibility for developing, implementing and evaluating cohesion policy and ERDF programmes. In the specific case of the ERDF, the programmes take shape by combining policy decisions at local and regional level (bottom-up) with national and European goals. Multilevel governance supports the link between European objectives and regional and local development strategies.”

Another aspect of good governance in cohesion policy is forming horizontal partnerships between public authorities and economic and civil society entities. These partnerships form an important basis for the successful implementation of the cohesion policy programmes, and can be used for other policy programmes as well. Cross-border partnerships are important for the development of European clusters and other types of cooperation across borders. A good example is the cooperation between knowledge/research institutions and companies in the Eindhoven-Louvain-Aachen triangle. Specifically for ESF, the partnership between municipalities, civil society organisations, trade unions and employers’ associations is important.
III A SIMPLIFIED AND STREAMLINDED IMPLEMENTATION SYSTEM

Commission questions. How can the audit process be simplified and how can audits by Member States and the Commission be better integrated, whilst maintaining a high level of assurance on expenditure co-financed? How could application of the proportionality principle alleviate the administrative burden in terms of management and control? Should there be specific simplification measures for territorial cooperation programmes? How can the right balance be struck between common rules for all the Funds and acknowledgement of Funds’ specificities when defining eligibility rules? How can financial discipline be ensured, while providing enough flexibility to design and implement complex programmes and projects?

IPO/VNG response

The Dutch provinces and municipalities made a number of suggestions concerning simplification in its position paper of June 2010 on the Future of Cohesion Policy. “The Netherlands proposes the following points for simplification:

- The Commission should resolve interpretation questions more quickly and more uniformly and improve access to its answers, possibly with an IT-system.
- Applying the proportionality principle: finding a better balance between potential risks and audit and control, reducing the current burden of audit and controls when a relative small amount of funding is concerned. The Netherlands supports the proposal to disburse grants of up to €50,000 on a lump sum basis over the coming period.
- The SISA principle (Single Information Single Audit) should be applied in such a way that the administrative burden is reduced for both businesses and governments.
- Simplified costs should be applied more rapidly and more easily, for example by introducing a flat rate with indirect costs of a set maximum (with no prior approval necessary), or by giving member states a choice between using standard simplified costs or using the current system of real costs.
- In the current period, a solution was found for the problems with N+2 in the first year of programming: the first year tranche was spread over the other years. We propose that the Regulations for the next programming period include the conditions for applying the same rule (only for the first year of programming).
- The current article 56 results in a considerable administrative burden. Such an article should only apply to large projects (and not at all to services). The current article 57 should not apply to innovation projects and the burden should be further reduced for small business and ESF projects.
- The partial closure procedure should be changed to ensure financial corrections can be re-used and will not be lost for the Operational programmes.”

The Dutch provinces and municipalities favour a high-trust approach combined with national accountability, and with the safeguard of an independent auditor’s report. This must also contribute to reducing the (administrative) burden for end beneficiaries and those implementing the structural fund programmes.
IV THE ARCHITECTURE OF COHESION POLICY

Commission questions. How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives? How could a new intermediate category of regions be designed to accompany regions which have not completed their process of catching up?

IPO/VNG response

The Dutch provinces and municipalities discussed the synergy between ERDF and ESF in its June 2010 position paper on the Future of Cohesion Policy:

• "Synergy must be promoted between the ERDF and ESF. Innovative projects in clusters and in fields like entrepreneurship have different aspects that can be supported through different programmes. Synergy between the programmes can lead to greater efficiency.

• In the current period, under the general regulation for ERDF or ESF, it is already possible, under strict conditions, to finance actions which fall within the scope of assistance of the other fund (article 34 of Council Regulation 1083/2006). The Netherlands proposes examining the usefulness of and need for further cooperation between the funds, as well as the conditions under which this could take place. The Netherlands proposes examining the usefulness of and need for further cooperation between the funds, as well as the conditions under which this could take place, but within the framework of a single application procedure. One way of doing this would be to use the framework of the programme that provides most of the funds for the project, supplemented by the option of allowing the funds to bill one another. This could boost the impact of more complex projects and reduce the administrative burden for applicants.

• More generally the Netherlands proposes introducing conditions for such ‘matching’ in the new Regulations, accepting the reporting system or simplified costs and cost models from the matching programme. Allowing the use of implementing structures of the other programme in this way would make it easier to combine the different programmes."

Intermediate category of regions

The Commission proposes a new intermediate category to replace the current phasing-out and phasing-in system. The Dutch provinces and municipalities would rather see a clear line drawn, and oppose the introduction of a new intermediate category.

Annex I: Best practices of the role of cities in ERDF programmes in the Netherlands.
Annex II: Best practices of functional cross-border regions.
ANNEX I
STRENGTHENING GOVERNANCE: BEST PRACTICES OF THE ROLE OF CITIES IN ERDF PROGRAMMES IN THE NETHERLANDS

Introduction
Urban development plays an important role in ERDF programmes in the Netherlands. In the 2000-2006 programme period, in addition to the regional programmes there was a separate urban component in which a number of selected cities worked on restructuring urban districts and areas in serious need of development. In the current programme period, (2007-2013) the urban component is incorporated into the four regional ERDF programmes. Provinces and cities now cooperate closely within regional programmes on enhancing the socio-economic structure. In the national strategic reference framework (NSRF) improving the climate for investment (priority III Attractive cities) is one of the three priorities for the deployment of ERDF funds. This priority recurs in all four regional programmes. However, the way cities participate varies from programme to programme.

In ‘Kansen voor West’ a third of the ERDF budget available for the programme is placed directly at the disposal of the four large cities in the form of a grant based on sub-delegation. At the same time part of the regional component of the programme is earmarked for the four large cities. In the Southern and Eastern Netherlands programmes the cities’ participation is based on agreements with the provinces. Here too, responsibility is shared, and funds are reserved in advance for investment in urban areas. In the Northern Netherlands the four largest cities are automatically involved through institutionalised administrative cooperation in the design and implementation of the programme.

In the next programme period cities and urban networks will again have to be intensively involved not just in the preparation, but also in the management and implementation of the Operational Programmes. The form of urban involvement varies between Operational Programmes, but will be based on clear agreements between the parties concerned.

Below are included, as illustration, descriptions of the way in which cities are involved in the regional programmes of the Northern and Western Netherlands.

Northern Netherlands
The Northern Netherlands Provinces (Samenwerkingsverband Noord-Nederland, abbreviated to SNN) is a unique organisation in which three provinces and four (medium-sized) cities work together on an equal footing. The Partnership is designated Management Authority (MA) for an integrated programme in which provinces and cities work together to achieve jointly formulated objectives in the Operational Programme, each recognising each other’s position in the region. This means that European funds are spent in an even-handed and effective way on the realisation of the objectives. The legal form of the Partnership is based on the Joint Arrangements Act (Wet Gemeenschappelijke Regelingen (WGR)) with an Executive Board that functions as an MA and a management committee representing both cities and provinces, which is responsible for decision-making on project proposals concerning all the OP priorities.

The Western Netherlands
The ‘Kansen voor West’ Operational Programme (OP) is an integrated programme to respond to opportunities and threats in the Western Netherlands. The four Randstad provinces and the four large cities (G4) are equal partners, who jointly established the OP and share responsibility for its implementation. Rotterdam Municipal Council fulfils the role of Management Authority on behalf of the eight partners, and as such is responsible for correct implementation of the programme.

This approach is characterised by putting regional interests at the heart of decision-making. Within this entity, attention is paid to the specific situation of the four large cities (G4) within the Western Administrative Region (Landsdeel West). A third of the ERDF budget available for the programme is placed directly at the disposal of the four large cities in the form of a grant based on sub-delegation. In terms of organisation, this translates into...
a Western Region Landsdeel programme segment and four sub-delegated programme segments for the G4. The cities and provinces are also represented in the regional steering committee and the supervisory committee.

Based on experience gained with the Objective 2 programme ‘Urban areas 2000-2006’, Kansen voor West opted for sub-delegation for the specific G4 urban programme segments. The Municipal Executive of each participating municipality is designated as the local Programme Authority for the local part of the OP. This is not the case for Rotterdam, which already serves as the MA.

For the Western Region segment of the programme another part is earmarked for use in the G4. This gives the large cities direct participation in Kansen voor West and puts them on the same footing as the Randstad provinces in enhancing the regional competitive strength of the Western Administrative Region.

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3 This is based on the establishment of intermediary bodies in accordance with article 37 (6), 42 and 59 (2) of the Structural Funds General Regulation.
ANNEX II
STRENGTHENING GOVERNANCE: BEST PRACTICES OF FUNCTIONAL CROSS-BORDER REGIONS

Limburg, North Brabant, Flanders, North Rhine-Westphalia/Zeeland, Flanders

Borders in the southern Netherlands are blurring into transnational functional regions. The Dutch Government and Provinces have agreed to create economic clusters on a European scale. In 2006-2007 the then Ministry of Economic Affairs agreed Letters of Intent (LOIs) with its German and Belgian counterparts for cooperation in the field of innovation. Subsequently the Province of Limburg took the initiative to create a region of technological excellence on its borders with Belgium and Germany. In the course of time the cities of Eindhoven, Louvain and Aachen (ELAt) joined the partnership, creating TTR-ELAt. Projects are implemented in cooperation with knowledge institutions and companies. Greatest weight is given to the key areas of Chemicals & Advanced Materials, and Health and High-Tech Systems. The action programme and governance structure for TTR-ELAt were established on 10 March 2010, and these provide the framework for cross-border actions aimed at creating a region of technological excellence and for the transnational dimension of Brainport 2020.

A successful southern Dutch region of technological excellence is now being created in the Dutch/Flemish border region of Ghent/Terneuzen with the establishment of Biobase Europe. Regional governments, the other Triple Helix partners’ and the Ministries on either side of the border have agreed to make Biobase a pilot region of European standing.

Actions in the southern regions of excellence are aimed at:
• Linking transnational networks in the established sectors to generate innovation and greater sustainability.
• Supporting business development and entrepreneurship among transnational players.
• Removing institutional barriers for entrepreneurs, (knowledge) workers and knowledge institutions.
• Lobbying and marketing of the region.

Interreg IV has already been used in the elaboration of projects in the field of research and development on new innovative products, promoting enterprise, recruiting and retaining knowledge workers and forming networks. The supporting instrument of the structural funds is essential to the ongoing development of these transnational regions.

Gelderland, Overijssel, North Rhine-Westphalia and Lower Saxony

The EUregio region of the East Netherlands-West Germany has over five million inhabitants, for whom the incidental presence of a land border is increasingly insignificant. Good infrastructural connections and the big rivers (Rhine, Waal and IJssel) form the basis for the functional EUregio that has emerged here: the area acts as a portal between the Netherlands and Germany.

The EUregio is a knowledge region with a large number of universities, colleges and knowledge institutions. The Universities of Nijmegen, Wageningen, Duisburg-Essen and the Fraunhofer Institute in Duisburg have developed close cooperative links aimed at jointly unlocking the innovation potential of knowledge institutions and the private sector. This cooperation has led to various successful spin-offs, for example in the area of micro-reactor technology and the development of allergy sensors. This places the development of national priorities such as Food, Health and Technology in an international context. Universities in this area have taken the joint initiative of establishing the International Research University Network (IRUN) with a total of nine prominent European universities. This has led to an increase in the number of students from Germany, which in turn contributes to the further internationalisation of this EUregio.

As well as institutional cooperation in the EUregio in the Eastern Netherlands there is also intensive coopera-

4 University of Ghent, Zeeland Seaport, Cargill, Terneuzen Municipal Council,
tion between public authorities. Cooperation between the Network Town of Twente and the German towns of Münster & Osnabrück (MONT) is a case in point. These towns form the urban heart of the northern part of this EU region. The aim of this urban cooperation is to strengthen the driving forces within the area and increase the visibility of the area on the European map. Public bodies, knowledge institutions and companies (the triple helix) have developed an agenda for joint action in the field of science, economics and infrastructure, with special emphasis on nanotechnology and (bio)medical technology. These activities on the part of the knowledge institutions and companies in the area are among the best in Europe. The partners make use of their high-level international connections and networks.

In the Eastern Netherlands, the above initiatives are bundled in the Triangle, in which the Technology Valley (Twente), Food Valley (Wageningen) and Health Valley (Nijmegen) work closely together. The continuation of this joint transnational approach is dependent on the continuity of the structural funds, and careful harmonisation with the application of the European framework programme for research and development.
**IPO en VNG**
The Association of Netherlands Provinces (IPO) is the framework organisation of the 12 Dutch provinces. It has an official outpost in Brussels: the House of the Dutch Provinces (HNP). From the House of the Dutch Provinces both the individual and collective interests of the provinces are represented at the European institutions in Brussels.

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The Association of Netherlands Municipalities (VNG) is the framework organisation of the Dutch municipalities. The VNG is the association of and for all people who work in the Dutch municipalities on an administrative and official level. Together with all municipalities the VNG stands for strength and quality of the local governance. The VNG has an official outpost in Brussels. In addition, the VNG collaborates with many other organisations and is a member of, among other things, the European framework of associations, the Council of European Municipalities and Regions (CEMR) and the international framework United Cities and Local Governments (UCLG).

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