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Part I

COMMISSION STAFF WORKING DOCUMENT

Elements for a Common Strategic Framework 2014 to 2020

the European Regional Development Fund
the European Social Fund,
the Cohesion Fund,
the European Agricultural Fund for Rural Development and
the European Maritime and Fisheries Fund

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This staff working document has been drawn up on the basis of the proposals for regulations adopted by the European Commission on 6 October 2011, 12 October 2011 and 2 December 2011. It does not prejudge the final nature of the acts, nor the content of any delegated or implementing acts that may be prepared by the Commission.

1. INTRODUCTION

Europe needs to put its economy back on a sustainable growth path. This requires a combination of budgetary consolidation, structural reforms, and environmentally sustainable growth-enhancing investments.

The European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) pursue complementary policy objectives and their management is shared between the Member States and the Commission. They are the main source of investment at EU level to help Member States to restore and increase growth and ensure a job rich recovery while ensuring sustainable development, in line with Europe 2020 objectives.

The Treaty on the Functioning of the European Union (TFEU) assigns clear objectives to these instruments. The Commission considers that they can be more effectively pursued if the five Funds are better coordinated to avoid overlaps and maximise synergies, integrated fully into the economic governance of the European Union, and contribute to the delivery of Europe 2020 by engaging national, regional and local stakeholders.

This is why the Commission has proposed a Common Provisions Regulation for all five Funds. The proposal provides for much closer coordination of the funds to achieve:

- concentration of resources on the objectives of Europe 2020 through a common set of thematic objectives to which the funds will contribute;
- simplification through more coherent planning and implementation arrangements;
- a reinforced focus on results through a performance framework and reserve;
- harmonisation of eligibility rules and an extension of simplified cost options to reduce the administrative burden for beneficiaries and managing authorities.

Furthermore, the proposal foresees the adoption of Partnership Contracts which will set out the commitments of the partners at national and regional level. These contracts will be linked to the objectives of the Europe 2020 Strategy and the National Reform Programmes. They will set out "an integrated approach for territorial development supported by all CSF Funds".[1]

In order to facilitate the development of Partnership Contracts and programmes, the proposal foresees the adoption of a Common Strategic Framework (CSF). The CSF should increase coherence between policy commitments made in the context of Europe 2020 and investment on the ground. It should encourage integration by setting out how the funds can work together. It will provide a source of strategic direction to be translated by Member States and regions into the programming of the CSF Funds in the context of their specific needs, opportunities and challenges.

[1] COM(2011) 500/II final, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'A Budget For Europe 2020 - Part II - Policy Fiches', p. 5.

The purpose of this Staff Working Document is to set out the main elements of the CSF as a basis for discussion with the European Parliament and the Council. These include:

- for each of the thematic objectives set out in the proposal for the Common Provisions Regulation,
    - the main Europe 2020 targets and policy objectives that should be addressed by Member States in their Partnership Contracts, closely linked to their National Reform Programmes,
    - and key actions, corresponding to investment priorities and Union priorities, which are expected to generate the greatest impact on growth, jobs and sustainability during implementation of the programmes;[2]
- the linkages with the governance process of the European Semester;
- the coordination and integration of the CSF Funds;
- horizontal principles and policy objectives for the implementation of the CSF Funds;
- the development of Partnership Contracts and programmes to address the territorial challenges of smart, sustainable and inclusive growth;
- priorities for cooperation activities.

The document addresses each of these elements in the following sections.

2. THEMATIC OBJECTIVES AND KEY ACTIONS

In June 2010, the European Council adopted the Europe 2020 Strategy with the aim of stimulating smart, sustainable and inclusive growth. The strategy spells out EU headline targets for research and innovation, climate change and energy, employment, education and poverty reduction for 2020, to be translated into national targets. The Europe 2020 Integrated Guidelines[3] and seven flagship initiatives set out in more detail the path towards sustainable and job-creating growth.[4] However, in order to maximise the contribution of the CSF Funds, this strategy needs to be further developed within national and regional contexts. In this way, economic, social and territorial cohesion can be at the heart of the Europe 2020 strategy

[2] The proposal for Common Provisions Regulations establishes a hierarchy of objectives in which thematic objectives, based on Europe 2020, are common to all five CSF Funds. These are translated into investment priorities (ERDF, ESF, CF) and Union priorities (EAFRD and EMFF) specific to each Fund (and set out in the proposals for the ERDF, ESF, CF, EAFRD and EMFF regulations. Each programme should describe the actions to deliver the investment priorities and Union priorities for each of the CSF Funds. Programmes should take into account those key actions which are expected to generate the greatest impact on growth, jobs and sustainability in the specific context of a Member State or region.

[3] Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and the Union (OJ L 191, 23.07.2010, p. 28) and Council decision of 21 October 2010 on guidelines for the employment policies of the Member States (OJ L 308, 24.11.2010, p. 46).

[4] 'Digital agenda for Europe', 'Innovation Union', 'Youth on the move', 'Resource efficient Europe', 'An industrial policy for the globalisation era', 'An agenda for new skills and jobs' and 'European platform against poverty'.

ensuring that all energies and capacities are mobilised and focused on the pursuit of the strategy's priorities.

The proposal for the Common Provision Regulation identifies eleven thematic objectives. By identifying the main goals of Europe 2020 to be addressed by the CSF Funds and the range of key actions that could be carried out together under these thematic objectives, the CSF can provide further guidance on how the CSF Funds can most effectively target growth in the Partnership Contracts and programmes:

- the ERDF will contribute to all thematic objectives and focus on areas of investment linked to the context in which firms operate (infrastructure, business services, support for business, innovation, ICT and research) and to the provision of services to citizens in certain areas (energy, on-line services, education, health, social and research infrastructures, accessibility, quality of the environment). The Cohesion Fund will focus on improving the environment, sustainable development and TEN-T;

- the ESF will be programmed under four thematic objectives: employment and labour mobility; education, skills and lifelong learning; promoting social inclusion and combating poverty as well as administrative capacity building. Actions supported by the ESF will, however, also contribute to the other thematic objectives;

- the EAFRD's six priorities will target smart, sustainable and inclusive growth in the agricultural, food and forestry sectors and in rural areas as a whole. They cover knowledge transfer and innovation, the competitiveness of agriculture, management of natural resources and climate action, and the inclusive development of rural areas;

- the EMFF priorities, in line with the Common Fisheries Policy reform, will focus on the viability and competitiveness of fisheries and aquaculture, while at the same time supporting their environmental sustainability. The EMFF will promote social cohesion and job creation in fisheries dependent communities, in particular through diversification into other maritime sectors, as well as action in the field of Integrated Maritime Policy.

Annex I sets out in an integrated manner for each of the thematic objectives the main goals to be addressed, the key actions for each CSF Fund and corresponding general implementation principles to ensure effective and efficient use of the funds.

3. COHERENCE AND CONSISTENCY WITH EU ECONOMIC GOVERNANCE

The Europe 2020 strategy constitutes the policy framework for the European Union in the current decade: its five headline targets define where the EU wants to be in 2020 and the Integrated Guidelines set out the policy orientations for the medium-term. In order to deliver results, stronger economic governance has been put in place. It translates the Europe 2020 thematic priorities and targets into an annual cycle of multilateral surveillance centred on national reporting and country specific recommendations.

In January 2011, the first European Semester on policy coordination was launched with the presentation of the Annual Growth Survey (AGS). Every year the AGS identifies the priority actions for the European Union, including growth-enhancing measures, for the following twelve months in the context of the overall Europe 2020 strategy consistent with its longer term priorities. Each Spring, the Member States present National Reform Programmes

(NRPs) outlining policy measures to address the AGS policy priorities and Euro Plus Pact commitments in order to boost growth and jobs and reach national targets set in relation to European headline targets. Stability and Convergence Programmes (SGP) ensure sound public finances. On the basis of a detailed assessment of the NRPs and SGPs, the Commission proposes country-specific recommendations (CSRs) which are then endorsed by the June European Council. The CSRs should then feed into the economic and budgetary decisions in the second half of the year and in the NRPs the following year.

The country-specific recommendations relevant to the CSF Funds are those of a long-term nature, reflecting deep underlying structural challenges that need to be addressed by multi-annual investment strategies. Some of the recommendations will be regulatory in character. However, others will be of direct relevance to the areas of intervention of the CSF Funds requiring a combination of regulation and budgetary decisions, including public investment.

Examples of relevant country specific recommendations

- Recommendations linked to the Broad Economic Policy Guidelines concern growth-enhancing measures defined in National Reform Programmes: in particular those related to research and innovation, to ICT infrastructure and services; enhancing the capacity of SMEs to grow and internationalise, including enhanced access to non-bank funding; new sources of growth such as low-carbon technologies, energy efficiency or renewable energies; support for waste and water management and price-setting schemes and the sustainable exploitation and management of natural resources; to the setting up of multiannual plans for investment in railway, infrastructures; and health systems reform.

- Recommendations based on the Employment Guidelines, in particular those to increase the effectiveness of active labour market policies and to improve the capacity of the Public Employment Services, to promote gender equality and foster a better work balance, to better integrate vulnerable groups on the labour market, to improve educational outcomes, to adapt skills to labour market needs, to adopt and implement comprehensive lifelong learning strategies, to tackle early school leaving and improve access to education.

The CSF Funds have a central role to play in supporting the measures outlined by the country-specific recommendations to bring about necessary structural change and address gaps in relation to the Europe 2020 headline targets. In particular, the Commission has highlighted in the 2012 Annual Growth Survey that Member States should give particular attention to prioritising growth-friendly expenditure, such as spending on education, research, innovation and energy and ensuring the efficiency of such spending. Particular attention should also be paid to maintaining or reinforcing the coverage and effectiveness of employment services and active labour market policies, with a focus on youth unemployment, and to facilitating the access of SMEs to finance.

In preparing their Partnership Contracts, the Member States and regions need to programme the CSF Funds taking into account the most recent relevant country-specific recommendations issued by the Council on the basis of Articles 121(2) and 148(4) TFEU and reflecting their National Reform Programmes. Member States should also take into account Council recommendations based on the Stability and Growth Pact. Each Member State should set out in the partnership contract how different EU and national funding streams contribute to addressing the challenges identified by the country-specific recommendations concerned.

The global context in which the CSF Funds operate can change and new priorities may emerge, so the programming mechanisms of the CSF Funds need to be flexible enough to refocus financial resources to address these new critical challenges. The Commission proposal foresees that where there are relevant changes in the Union Strategy for Smart, Sustainable

and Inclusive Growth, the Common Strategic Framework and the Partnership Contracts can be revised. Furthermore, the Commission may request a Member State to review and propose amendments to its Partnership Contract and relevant programmes to support the implementation of a country-specific recommendation.

4. REINFORCING COORDINATION AND INTEGRATION

In its proposals for a Multiannual Financial Framework, the Commission has set out an ambitious agenda to simplify and rationalise the EU budget.[5] In line with this approach, it has proposed in the Common Provisions Regulation a framework to ensure greater cross-sector consistency and coordination as well as to encourage potential synergies. These rationalisation measures should facilitate the submission and the processing of applications for financial assistance and reduce the administrative burden for applicants and beneficiaries of the CSF Funds. At the same time, it has sought greater harmonisation of rules within both the Financial Regulation and between sector-specific regulations to promote simplification and coordination.

4.1. Coordination mechanisms among the CSF Funds

The basis for coordination between the CSF Funds is provided through a common delivery framework established in the proposal for the Common Provisions Regulation. Delegated and implementing acts will further enhance coordination and consistency between the CSF Funds. The integration of the CSF Funds in each Member State's Partnership Contract provides a framework for close coordination to ensure that interventions financed create synergies and that streamlining leads to a reduction of administrative cost and administrative burden on the ground.

It is essential that Member States ensure that all ministries and managing authorities responsible for the implementation of the CSF funds work closely together in the preparation, implementation, monitoring and evaluation of the Partnership Contract and programmes. The Partnership Contracts should set out the arrangements for ensuring this coordination and the concrete measures that will be taken to maintain this coordination throughout the programming period. Such coordination should include:

- the identification of areas of intervention where the CSF Funds can work together in a complementary manner to achieve the thematic objectives set out in the proposed Common Provisions Regulation. This can be achieved by close coordination of programming under different monofund programmes. Alternatively, Member States have the option to prepare and implement multifund programmes combining the ERDF, ESF and the Cohesion Fund in a single programme;

- the involvement by managing authorities responsible for one of the CSF Funds of other managing authorities and relevant ministries in the development of support schemes to ensure synergies and avoid overlaps;

- the establishment, where appropriate, of joint monitoring committees for programmes implementing CSF Funds, and the development of other joint management and control arrangements to facilitate coordination between authorities responsible for the implementation of CSF Funds;

[5] COM(2012) 42 final, 'A Simplification Agenda for the MFF 2014-2020'.

– greater use of joint eGovernance solutions aimed at applicants and beneficiaries and "one-stop shops" for advice on possibilities of support from all CSF Funds can contribute greatly to reducing the administrative burden for beneficiaries.

4.2. Coordination mechanisms for the CSF Funds with other EU policies and instruments

It is imperative to ensure the consistency of actions financed from the CSF Funds with other EU policies. The EAFRD and the EMFF in particular are essential parts of the overall policy framework for the common agricultural policy, the common fisheries policy and the integrated maritime policy. Furthermore, investment from all the CSF Funds can directly support the achievement of objectives established under other Union policies in areas such as environment, climate action, education and employment, but also indirectly in areas such as the single market. Member States should ensure consistency at programming and implementation stages between interventions supported by the CSF Funds and the objectives of these policies.

In many areas, more than one EU instrument can provide resources to support the achievement of Europe 2020 objectives. These instruments may be under shared management with the Member States in areas such as justice and home affairs, but also under direct management of the Commission, such as the Connecting Europe Facility in the field of infrastructure, Horizon 2020 in the area of research and innovation, the Erasmus for All programme in the field of education and training, the Leonardo da Vinci programme for vocational education and training, the Programme for Social Change and Innovation in the area of employment and social inclusion or the LIFE programme in the areas of environment and climate action. In these policy domains, it is important that Member States and regions identify and exploit complementarities between different Union instruments at national and regional level, both in the phase of planning and during implementation.

They should establish structures that facilitate the strategic identification of priorities for the different instruments and structures for coordination at national level. Such structures should also seek to avoid duplication of effort and identify areas where additional financial support is needed. These structures should be set out in the Partnership Contract, and where appropriate, in programmes.

Member States should also make full use of the possibility to integrate support from different instruments to support individual operations. This has been facilitated by the harmonisation of rules applied to different Union instruments at EU level. Furthermore, it will be particularly important that national and regional authorities responsible for the implementation of the CSF Funds work closely with those responsible for implementing other national instruments to deliver coherent and streamlined funding opportunities for beneficiaries.

The scope for complementarity between the CSF Funds and other Union policies and instruments is set out in greater detail in Annex I under each of the thematic objectives.

4.3. Encouraging integrated approaches to the delivery of the CSF Funds

The Common Provisions Regulation proposes a number of mechanisms to encourage integrated approaches to programming, to achieve coordination and synergies during implementation. Member States should set out in their Partnership Contracts and programmes how they intend to make use of these to achieve integration.

In order to promote integrated approaches to territorial development, the proposal for a Common Provisions Regulation provides for two mechanisms to facilitate the development of local and sub-regional approaches. These are Community Led Local Development and Integrated Territorial Investments for the ERDF, ESF and Cohesion Fund. Both seek to engage regional and local actors and local communities in the implementation of programmes.

Community-led local development

Community-led local development (based on the experience of LEADER under rural development) can complement and enhance the delivery of public policies for all CSF Funds. It aims at increasing effectiveness and efficiency of territorial development strategies by delegating decision-making and implementation to a local partnership of public, private and civil society actors. Community-led local development should be implemented in the context of a strategic approach followed by public policy-makers, to ensure that the 'bottom-up' definition of local needs takes account of priorities set at a higher level. Member States will therefore have to define the approach to community-led local development across the CSF Funds and should include references to community-led local development in the Partnership Contracts. The Partnership Contract should detail the main challenges that Member States intend to tackle, setting out the main objectives and priorities and indicate the types of territories where this approach should be implemented and which specific role will be attributed to the local action groups in its delivery. In addition, they should indicate how the CSF Funds will be used together and explain the role envisaged for the different Funds in different types of territories (rural, urban etc.). Under the EAFRD, LEADER will continue to be a compulsory element in each rural development programme.

Integrated territorial investments for the ERDF, ESF and Cohesion Fund

An Integrated Territorial Investment (ITI) is an instrument which provides for integrated delivery arrangements for investments under more than one priority axis of one or more operational programmes. Funding from several priority axes and programmes can be bundled into an integrated investment strategy for a certain territory or functional area. This can take the form of an integrated strategy for urban development, but also for inter-municipal cooperation in specific territories. It allows the managing authorities to delegate the implementation of parts of different priority axes to one body (a local authority) to ensure that investments are undertaken in a complementary manner. Within an ITI certain components can be implemented through community-led local development, combining the two approaches.

The proposed Common Provisions Regulation also introduces new mechanisms to encourage the development of integrated operations. This allows the joint implementation by a single beneficiary of a number of projects from different sources within the CSF Funds, and in certain cases from other EU instruments.

Integrated Operations

Unlike the current period, an operation may receive support from one or more CSF Funds and from other Union instruments. This is subject to the condition that an expenditure item is not funded twice under the CSF Funds or other Union instrument. This would allow, for example, a single operation to receive support from both the ERDF and the ESF, or the ERDF and Horizon 2020.

Joint Action Plans

A Joint Action Plan is a new type of integrated operation implemented through a result based approach in order to achieve specific objectives jointly agreed between the Member State and the Commission. It comprises a group of projects which are carried out under the responsibility of a designated beneficiary. In practice the financial management of the Joint Action Plan will be exclusively based on the outputs and the results it seeks to achieve. The Joint Action Plan may be funded by the ESF and the ERDF. However, it may not be used to support infrastructure. It may be part of one or several operational programmes and thus may constitute a useful instrument to foster better integration of the different Funds towards a common objective.

5. HORIZONTAL PRINCIPLES AND POLICY OBJECTIVES

The proposal for the Common Provisions Regulation contains horizontal provisions and policy objectives which apply to the implementation of the CSF funds.

Promotion of equality between men and women and non-discrimination

Member States should pursue the objective of equality between men and women as set out in Article 8 of the TFEU and ensure its mainstreaming in the preparation, implementation, monitoring and evaluation of actions under all the CSF Funds. ERDF, ESF and Cohesion Fund programmes should explicitly specify the expected contribution of these Funds to gender equality, by setting out in detail objectives and instruments. Gender analysis should be included in the analysis of the objectives of the intervention. The participation of the relevant bodies responsible for promoting gender equality in the partnership should be ensured. It is strongly recommended to organise permanent structures or explicitly assign a function to existing structures to advise on gender equality in order to provide the necessary expertise in the preparation, monitoring and evaluation of the CSF Funds.

Monitoring systems and data collection are also essential to provide a clear picture of how programmes are meeting gender equality objectives. In this respect, rather than a general requirement to address these issues in all evaluation activities, it is recommended that managing authorities, in conjunction with the monitoring committees, should undertake either general self-assessment exercises, specific evaluation studies or a structured reflection focusing on the application of the gender mainstreaming principle. The composition of the monitoring committees should be gender balanced and should include a gender expertise/responsibility function.

Member States should take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation[6] as well as to ensure accessibility during the preparation and implementation of programmes and operations co-financed by the CSF Funds and describe explicitly the actions to take into account this principle in the programmes.

[6] This does not prevent any Member State from maintaining or adopting positive actions to prevent or compensate for disadvantages linked to any of these grounds (Art. 5 of Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin (OJ, L 180, 19.07.2000, p. 22) and Art. 7 of Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation (OJ L 303, 2.12.2000, p. 16).

The opinion issued by the equality bodies on the programmes for the ESF, ERDF and Cohesion Fund aims to ensure that all necessary provisions are in place. In addition, the involvement of equality bodies or other organisations active in combating discrimination is strongly recommended in order to provide the necessary expertise in the preparation, monitoring and evaluation of the Funds.

All programmes will need to combat discrimination and promote equal opportunities as well as to ensure accessibility for persons with disabilities during their preparation and implementation. Accessibility should be a characteristic of all products and services offered to the public and co-financed by the CSF Funds. In particular, accessibility to the built environment, transport and information and communication, including new technologies, should be required by the Managing Authorities. Besides the principle of mainstreaming, Member States will need to put in place positive actions to be supported by the ESF to promote equal opportunities.

Sustainable development

Sustainable development requires compliance with the environmental *acquis.* Since the CSF Funds are the major source of EU funding for the environment, the Funds also need to contribute substantially to environmental enhancement, and at least 20% of the EU budget in the period 2014-2020 should be allocated to climate change objectives. It is therefore essential that Member States provide timely and comprehensive information on the amount of climate related expenditure in accordance with the methodology set out in the Common Provisions Regulation. Member States should track biodiversity-related expenditure based on the proposed reporting arrangements.

To ensure the horizontal integration of sustainable development, the polluter pays principle as set out in Article 192 of the Treaty on the Functioning of the European Union implies that those who cause environmental damage should bear the costs of avoiding it or compensating for it. As a general rule, this means that funding should not be used to meet the costs of complying with existing legislation. The polluter pays principle should be systematically applied across programmes and projects. The polluter pays principle also applies to funding provided for potentially environmentally harmful activities, particularly the financing of infrastructure. In such cases, funding should be provided only if user charging and the internalisation of externalities do not cover the cost of the investment and the cost of any harm caused. At the same time it should be shown that overall the investment results in net social benefits.

In certain cases it may not be possible to apply the user pays and polluter pays principles, or it may only be possible to apply it partially:

– if the cost of measures to protect the environment are deemed disproportionate for the public authorities of Member States, the Treaty on the Functioning of the European Union provides for financial support from the Cohesion Fund;

– if the source of pollution or the user of natural resources is the general population, it may not be possible in low-income regions to cover the entire cost of avoiding environmental damage or the cost of producing the resource by charging users (for example, in the case of waste water treatment or waste where EU legislation allows for social aspects to be taken into consideration);

– if the polluters cannot be identified and legal liability for environmental damage cannot be assigned to the polluter or other stakeholders (for example, contaminated land where contamination cannot be clearly assigned to the polluter)[7].

Support from the EAFRD can be provided to land managers where mandatory environmental requirements create area-specific disadvantages.

Investments made with the support of the CSF-Funds should be resilient to the impact of climate change and natural disasters (increased risks of flooding, heat waves, extreme weather events, etc.).

6. MEETING THE TERRITORIAL CHALLENGES OF SMART, SUSTAINABLE AND INCLUSIVE GROWTH

The major societal challenges faced by the European Union today - globalisation, demographic change, environmental degradation, migration, climate change and energy use as well as the need to cope with the economic and social consequences of the crisis - will have different impacts in different regions.[8] The capacity of Member States and regions to achieve smart, sustainable and inclusive growth depends on their specific development potential and their assets in terms of human, physical and natural capital, knowledge, institutions and networks. This in turn requires that programmes under the CSF Funds reflect the diversity of European regions, whether in terms of employment and labour market characteristics, commuting patterns, population ageing and demographic shifts, cultural, landscape and heritage features, climate change vulnerabilities and impacts, land use and resource constraints, institutional and governance arrangements, connectivity or accessibility, and linkages between rural and urban areas. Member States and regions should therefore take into account five elements when designing their Partnership Contracts and programmes:

– the first element is an analysis of the Member State's or region's development potential and capacity, particularly in relation to the key challenges identified in Europe 2020, the National Reform Programmes and the relevant country-specific recommendations. This requires the responsible authorities to undertake a detailed analysis of national, regional and local characteristics;

– the second element, building directly on the first element, is an assessment of the major challenges to be addressed by the region or Member State. Central to this process is the identification of the bottlenecks and missing links, innovation gaps, including the lack of planning and implementation capacity that inhibit the long-term potential for growth and jobs. This will highlight the possible fields and activities for policy prioritisation, intervention and concentration;

– many of the societal and environmental challenges faced by EU regions and Member States transcend administrative boundaries and national borders. The third element, therefore, requires consideration of the cross-sectoral, cross-jurisdictional or even cross-border coordination challenges, particularly in the context of macro-regional and sea-basin strategies;

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[7] See in particular paragraph 132 in the Community guidelines on state aid for environmental protection (OJ C 82, 1.4.2008, pp. 1-33).

[8] Commission Staff Working Document, 'Regions 2020 — An assessment of future challenges for EU regions', November 2008.

– fourthly, in many cases, an integrated approach linking Europe 2020 with regional and local actors will require improved coordination across different territorial levels and sources of funding. The Partnership Contract will be a key element in developing such an approach;

– the fifth element involves developing a Partnership Contract and programmes based on the thematic objectives set out in the proposal for the Common Provisions Regulation to deliver results. The specific objectives of each programme should therefore be expressed by appropriate result indicators to capture the changes that the programme is intended to facilitate.

The development of Partnership Contracts and programmes which take into account these elements will allow Member States and regions to build on the European Union's diversity in a manner appropriately tailored to local challenges, knowledge and possibilities. Such an approach will provide a solid basis to identify how the CSF Funds can best operate together to unlock the potential to achieve smart, sustainable and inclusive growth.

The Lisbon Treaty has added territorial cohesion to the principles of economic and social cohesion, and it is clear that geographic or demographic features can intensify development problems[9]. This overall approach to promoting smart, sustainable and inclusive growth will therefore have to reflect the role of cities, rural areas, fisheries and coastal areas, areas facing specific geographical or demographic problems. It will also have to take account of the specific challenges of the outermost regions, the northernmost regions with a very low population density and of island, cross-border or mountain regions, as explicitly recognised by the Lisbon Treaty. Finally, territorial cohesion also means addressing urban-rural linkages, in terms of access to affordable, quality infrastructures and services, and problems in regions with a high concentration of socially marginalised communities.

7. PRIORITIES FOR COOPERATION ACTIVITIES

The challenges faced by regions and Member States often cut across national and regional boundaries. An effective response requires joint, cooperative action and sharing of knowledge at the appropriate territorial level. This action should be supported by both the ERDF and the ESF. Where macro-regional and sea basin strategies have been put in place, all the CSF funds should support their implementation.

In order to ensure the effective contribution of European territorial cooperation programmes to the objectives of the Europe 2020 strategy and to avoid the fragmentation of the available funding, it is necessary to concentrate ERDF resources and ensure coordination with other EU-funded programmes. Particular attention should be dedicated to addressing the cross-border challenges confronting outermost regions and sparsely populated areas.

In order to enhance the effectiveness of policies supported by the ESF through mutual learning, it is important to promote transnational cooperation between partners at national and/or regional level.

[9] COM(2010) 642 final, Communication from the Commission, 'Conclusions of the fifth report on economic, social and territorial cohesion: the future of cohesion policy', p. 7.

Annex II sets out in greater detail the areas which should be the focus of territorial cooperation activities.