Structural policy - What are we talking about?

The European Union's regional policy is based on financial solidarity inasmuch as part of Member States' -contributions- to the Community budget goes to the less prosperous regions and social groups. For the 2000-2006 period, these transfers will account for one third of the Community budget, or €213 billion:

- €195 billion will be spent by the four Structural Funds (the European Regional Development Fund, the European Social Fund, the Financial Instrument for Fisheries Guidance and the Guidance Section of the European Agricultural Guidance and Guarantee Fund);
- €18 billion will be spent by the Cohesion Fund.

The Structural Funds concentrate on clearly **defined priorities**:

- 70% of the funding goes to regions whose development is lagging behind. They are home to 22% of the population of the Union **(Objective 1)**;
- 11.5% of the funding assists economic and social conversion in areas experiencing structural difficulties. 18% of the population of the Union lives in such areas **(Objective 2)**;
- 12.3% of the funding promotes the modernisation of training systems and the creation of employment **(Objective 3)** outside the Objective 1 regions where such measures form part of the strategies for catching up.

There are also four **Community Initiatives** seeking common solutions to specific problems. They spend 5.35% of the funding for the Structural Funds on:

- cross-border, transnational and interregional cooperation **(Interreg III)**;
- sustainable development of cities and declining urban areas **(Urban II)**;
- rural development through local initiatives **(Leader +)**;
- combating inequalities and discrimination in access to the labour market **(Equal)**.

There is a special allocation of funds for the adjustment of fisheries structures outside the Objective 1 regions (0.5%).

There are also provisions for innovative actions to promote and experiment with new ideas on development (0.51%).

The Structural Funds finance multi-annual programmes which constitute development strategies drawn up in a **partnership** associating the regions, the Member States and the European Commission taking into account **guidelines** laid down by the Commission which apply throughout the Union. They act on economic and social structures to:

- develop infrastructure, such as transport and energy;
- extend telecommunications services;
- help firms and provide training workers;
- disseminate the tools and know-how of the information society.

Development initiatives financed by the Structural Funds must meet the specific needs identified on the ground by regions or Member States. They form part of an approach to development which respects the environment and promotes equal opportunities. Implementation is decentralised, which means that it is mainly the responsibility of the national and regional authorities.

One particular fund, **the Cohesion Fund**, provides direct finance for specific projects relating to environmental and transport infrastructure in Spain, Greece, Ireland and Portugal, as these are still inadequate. **The Instrument for Structural Policies for pre-Accession** (ISPA) provides assistance along the same lines to the ten central and eastern European countries which have applied for Union membership.

Irrespective of the type of assistance, these instruments complement but do not replace national efforts.

The Structural Funds

At present, four Structural Funds allow the European Union to grant financial assistance to resolve structural economic and social problems :

- the European Regional Development Funds (ERDF), whose principal objective is to promote economic and social cohesion within the European Union through the reduction of imbalances between regions or social groups;

- the European Social Fund (ESF), the main financial instrument allowing the Union to realize the strategic objectives of its employment policy;

- the European Agricultural Guidance and Guarantee Fund (EAGGF - Guidance Section), which contributes to the structural reform of the agriculture sector and to the development of rural areas;

- the Financial Instrument for Fisheries Guidance (FIFG), the specific Fund for the structural reform of the fisheries sector.

	Objective 1	Outside Objective 1 regions	Objective 2	Objective 3	Interreg III	Urban II	Leader +	Equal
ERDF	X		X		X	X		
ESF	X		X	X				X
EAGGF	X	X					X	
FIFG	X	X						

The European Regional Development Fund

ERDF resources are mainly used to cofinance:

- productive investment leading to the creation or maintenance of jobs;
- infrastructure;
- local development initiatives and the business activities of small and medium-sized enterprises.

In practice, all development areas are covered: transport, communication technologies, energy, the environment, research and innovation, social infrastructure, training, urban redevelopment and the conversion of industrial sites, rural development, the fishing industry, tourism and culture.
Whether you are an ordinary citizen, the director of a company, a member of a local development association or a local official, perhaps you have a project which might benefit from ERDF support? If so, you may wish to consult the summaries of the regional programmes currently being implemented.

2000-2006 : The European Social Fund (ESF)

The European Social Fund aims to prevent and combat unemployment, as well as developing human resources and promoting integration into the labour market.

ESF : fields of application

- Occupational integration of the long-term unemployed
- Occupational integration of young unemployed persons
- Occupational integration of persons excluded from the labour market
- Promoting equal opportunities for all in accessing the labour market, through the EQUAL Initiative
- Specific actions to improve women's access to the labour market
- Improving education and training systems
- Promoting a skilled workforce
- Boosting human potential in the field of research and development

2000-2006 : The European Agricultural Guidance and Guarantee Fund (EAGGF)

The EAGGF is composed of two sections, the Guidance section and the Guarantee section. Within the framework of European economic and social cohesion policy, the EAGGF supports rural development and the improvement of agricultural structures.

EAGGF: fields of application

- Investment in agricultural holdings (modernisation, reduction in production costs, product quality, the environment, etc.)
- Aid for the setting up of young farmers and vocational training
- Aid for early retirement
- Compensation for less-favoured areas
- Agri-environmental measures
- Processing and marketing of agricultural products
- Development and optimal utilisation of forests
- Development of rural areas through the provision of services, support for the local economy, encouragement for tourism and craft activities, etc.

In Objective 1 regions, these measures are financed by the EAGGF- Guidance section, with the exception of compensatory allowances, aid for early retirement, agri-environmental measures, and measures for the development of forests, which are financed by the EAGGF-Guarantee section. Outside of Objective 1 areas, all measures are financed by the EAGGF-Guarantee section.

2000-2006 : Financial instrument for Fisheries Guidance (FIFG)

The FIFG aims to contribute to achieving a sustainable balance between fishery resources and their exploitation. It also seeks to strengthen the competitiveness of the sector and the development of areas dependent upon it.

FIFG : fields of application

- adjustment of the fishing effort
- fleet modernisation
- aquaculture development
- protection of marine areas
- fishing port facilities
- processing and marketing of fishery products
- product promotion

How do the Structural Funds work ?

Funding from the European Regional Development Fund (ERDF) and other Structural Funds comes in the form of non-reimbursable assistance.

The financial assistance is channeled through development programmes, which are packages of measures that are eligible for support.

As soon as an agreement on the programme has been reached by the Commission and the Member State authorities, European money becomes available to meet the programme's aims. One of two financing mechanisms is used:

- **the Operational Programme**: an individual programme that arises out of the Community support framework
- **the Single Programming Document**: that combines the development strategy together with the programmes to be supported in a single agreement.

Practically speaking, however, the result is the same: European co-financing is made available to development projects that respond to national priorities agreed upon between the Member State and the European Commission.

Since the 1999 reform, the projects and measures financed by the programme budget are detailed in an additional document, the programming supplement, which is drawn up by the programme managers (or managing authorities) appointed by each Member State. The managing authority also selects the projects. It is this body therefore that the economic and social actors should contact if they wish to benefit from Structural Fund support.

The Cohesion Fund (does not belong to the Structural funds)

The Cohesion Fund finances projects designed to improve the environment and develop transport infrastructure in Member States whose per capita GNP is below 90% of the Community average. In this way it contributes to sustainable development in the Member States concerned as well as strengthening cohesion in the European Union.

- Why was the Cohesion Fund set up?

The Member States qualifying for the period 2000-06 are the same as for 1993-99: Ireland, Greece, Spain and Portugal. The progress made by each of these countries will be reviewed before the end of 2003 and the socio-economic indicators used will be updated to see whether they still qualify for assistance.
The Cohesion Fund budget for 2000-06 amounts to EUR 18 billion.

i. Who is eligible?

Member States whose GDP is less than 90% of the Community average and who are following a programme of economic convergence are entitled to assistance from the Cohesion Fund. Four countries currently meet those conditions: Ireland, Greece, Spain and Portugal.

If a beneficiary State fails to comply with its convergence programme for economic and monetary union (stability and growth pact), the funding granted to it is liable to be suspended.

ii. Under what conditions?

Cohesion Fund support is conditional. If a beneficiary State is running an excessive public deficit (more than 3% of its GDP), no new projects are approved until the deficit has been brought back under control.

The maximum rate of aid granted by the Cohesion Fund varies between 80% and 85% of expenditure. This rate may be reduced in accordance with the "polluter pays" principle or where a given project generates revenue.

All projects must comply with the Treaty and with Community legislation in force, in particular the rules on competition, the environment and the award of public contracts.

Projects are selected and implemented by the country concerned, which is also responsible for management and financial monitoring. However, projects are also regularly monitored by the Commission.

iii. How big is the budget?

The total Cohesion Fund budget for 2000-06 amounts to EUR 18 billion (1999 prices). It went up from EUR 1.5 billion in 1993 to more than EUR 2.6 billion in 1999 (1992 prices). The annual installments take account of the rate of inflation so that, in real terms, the Cohesion Fund resources maintain their value.

Année	2000	2001	2002	2003	2004	2005	2006
Montant	2615	2615	2615	2615	2515	2515	2510

iv. How is it divided?

The percentage of the budget allotted to each of the eligible Member States was fixed by the European Council in Berlin (March 1999) as follows:

- Greece: 16-18.0%
- Ireland: 2-6%
- Portugal: 16-18%
- Spain: 61-63.5%

v. For what kinds of projects?

Projects must belong to one of two categories:

a. Environment projects, i.e. projects which help to achieve the objectives of the Community's environmental policy. These objectives are defined in the Treaty:

- preserving, protecting and improving the quality of the environment
- protecting human health
- assuring prudent and rational use of natural resources.

In accordance with the Directives on the environment in force today, the Fund gives priority to drinking-water supply, treatment of waste water and disposal of solid waste. Reafforestation, erosion control and nature conservation measures are also eligible.

b. Transport infrastructure projects, i.e. projects to establish or develop transport infrastructure within the Trans-European Transport Network (TEN), or projects providing access to the TEN.

There has to be an appropriate funding balance between transport infrastructure projects and environment projects; the Commission has chosen to split the funds 50-50 between the two categories.