European Commission
Regional Policy Directorate-General

The Future of Cohesion Policy

Fact File

- a **general presentation** of the issues involved in reforming our cohesion policy

- **10 questions and answers** going into more depth on:
  - the issues facing cohesion policy (questions 1 to 4)
  - the current debate on the various aspects of cohesion policy (questions 5 to 7, and 10)
  - the budgetary aspects (questions 8 and 9)

- **4 thematic sheets** with graphics.

http://europa.eu.int/inforegio

October 2003

GENERAL PRESENTATION

A reunified Europe with twenty-five Member States will face greater economic, social and territorial disparities at both national and regional level. Significant financial support will be needed to reinforce the potential of countries and regions for growth and competitiveness, so that the Union can be strong enough to cope with global competition and meet the expectations of the citizen in the street.

The role of our policy on economic, social and territorial cohesion is to help meet this challenge by reducing disparities and acting as a catalyst for the economic, social and territorial development of the Union.

At the European Council meetings in Lisbon and Gothenburg, the heads of state and government made a political commitment to strengthening the competitiveness of the European Union. The Structural Funds are already encouraging sustainable development, growth and convergence. Cohesion policy has a claim to be one of the most effective instruments for achieving the ambitious goals of Lisbon and Gothenburg and for encouraging the spirit of initiative in the regions.

Employment, rural development, the environment, the trans-European networks, research, the knowledge-based society ... cohesion policy is contributing in very large measure to implementing the other policies of the Union.

Our cohesion policy is up-to-date and fully in line with the ideal of solidarity underpinning the European model of society, and as such is the only instrument empowering Europe's countries, regions and economic and social partners to plan their development over the longer term – seven years is the length of the current programming period.

The governance of the cohesion policy, based as it is on clear and shared responsibilities between the Member States and the European Commission, involves subsidiarity and bringing decision-making closer to where things are happening.

Cohesion policy is constantly evolving and new guidelines will soon be laid down for a number of years to come. The challenge is to plot a course between budget constraints and the need for solidarity and lay down a path for the future of a policy which is now more necessary than ever. After all, the balanced development of the Union as a whole is in the interests of everybody, rich countries and less prosperous ones. When a country or region advances, the Union itself advances.

The Future of the Cohesion Policy
Ten Questions and Answers

1. *What are the main challenges facing the Union?*

Europe and its regions face three major challenges:

- a significant widening of disparities in the enlarged Union;
- an acceleration of economic restructuring as a result of globalisation;
- the impact of the technology revolution, the development of a knowledge-based economy and society, and an ageing population.

The economic and social disparities after enlargement represent an unprecedented challenge:

§ The development 'gap' between rich and poor regions will double.

§ The present-day Objective 1 regions, i.e. those lagging behind in their development, have a per capita GDP in the range of 60% to 75% of the Community average. Tomorrow, the GDP of most regions in the new Member States will lie between 30% and 40% of the average.

§ Currently, 48 regions in the present Member States have a per capita GDP of less than 75% of the Community average (the threshold to qualify for Objective 1 status). Tomorrow, 67 regions will have a per capita GDP below this threshold.

§ 18 regions in the present Member States, which are currently regarded as lagging behind in their development, will find their per capita GDP rising above the 75% threshold in an enlarged Union – a purely statistical effect due to the arrival of relatively less well-off new countries – before they have managed to catch up their lag.

§ Today, four Member States (i.e. Greece, Ireland, Spain and Portugal) are eligible for support from the Cohesion Fund. In 2004, all ten new countries will be eligible for the Cohesion Fund.

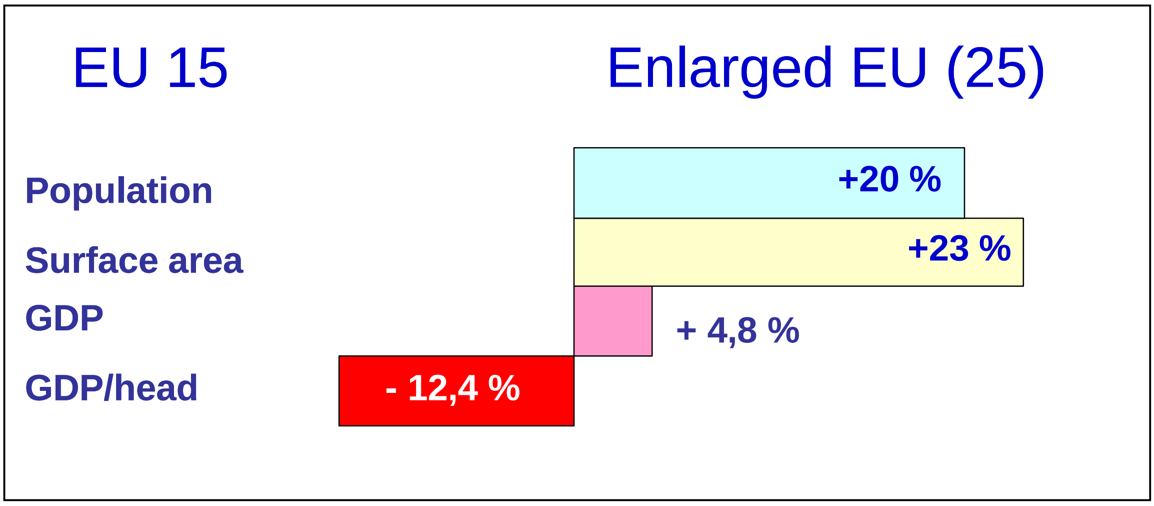
Our cohesion policy addresses these challenges with a 'European' solution:

- The Union is financially helping the poorest regions and those confronted with severe structural problems – unemployment and social exclusion;

- Cohesion policy is concrete, based on solidarity and devised in partnership with those affected by it;

- Cohesion policy is contributing to growth, competitiveness, innovation and sustainable development.

Enlargement: major challenges



2. Why does the Union need a regional policy? In the enlarged Union, would a national approach not be more relevant? Would it not be simpler to make budget transfers directly to the Member States which need them? Should we not confine ourselves to helping the poorest regions?

- **The Union needs a regional policy** because the impact of globalisation is regional and local and action has to be taken at that level in order to strengthen the competitiveness of Europe and contribute to sustainable growth for everyone. The regions can be repositories of under-used resources and should be contributing more to growth in Europe.

> Regional policy has been written into the Treaty. The goal there is "reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas." The draft European Constitution does not detract from these goals. In fact, it stresses the territorial dimension of cohesion policy in Article III-116. The policy is in future to have the goal of "economic, social and territorial cohesion".

- **Nationalising the policy would mean cutting back**. The danger of limiting action to the national level is that economic activity would tend to concentrate in the most attractive areas of each country. The goal of cohesion and balanced development of Europe's territory could not be achieved.

- **Straight money transfers are not enough**. Because of the multiannual programming of the EU regional budget, regions can plan and focus their investment efforts, act on structural development factors (human capital, physical capital) and avoid spreading the funding too thinly.

- **Solidarity is not limited to the poorest regions**. Many regions, towns and cities are in mixed situations, with some areas where economic and social tensions are concentrated. They have a competitiveness deficit which weakens the overall performance of the Union. For the poorest as well as the most prosperous regions, only a European-level regional policy can promote the attainment of the Union's priorities (e.g. the strategies of Lisbon and Gothenburg).

3. *What are the special challenges confronting cohesion policy?*

- **Helping the regions** to take part in the globalised economy and control technological developments.

- **Acting on the factors of growth and competitiveness** identified by the European Council meetings in Lisbon and Gothenburg, by funding the projects which are likely to create jobs and improve the quality of life and the environment.

.

Almost half the available resources are already being devoted to investment in the physical and human capital needed to carry out the Lisbon and Gothenburg strategies.

In 2000-06, some EUR 300 billion will be harnessed for these goals, including about EUR 130 billion in national part-financing, mobilised by the Community-funded programmes under the Structural Funds

	Structural Funds (in EUR billion)	**Total including national assistance (in EUR billion)**
Employment and social inclusion	48	88
Innovation and entrepreneurship	65	100
Networks	36	65
Environment	27	45
	176	298

- **Concentrating efforts on Community priorities**: boosting investment in physical capital (infrastructure, the environment, transport) and in human capital (training and skills in the workforce), encouraging innovation and promoting the technological development of small and medium-sized businesses. Plus, in the new Member States, increasing their administrative capacities.

4. *How does cohesion policy contribute to growth?*

- **The cohesion policy is investment-based**. The point is not to transfer resources and thereby increase consumption levels but to strengthen the factors contributing to economic growth in the Union's regions. This gives the countries and regions a framework of multiannual and stable funding.

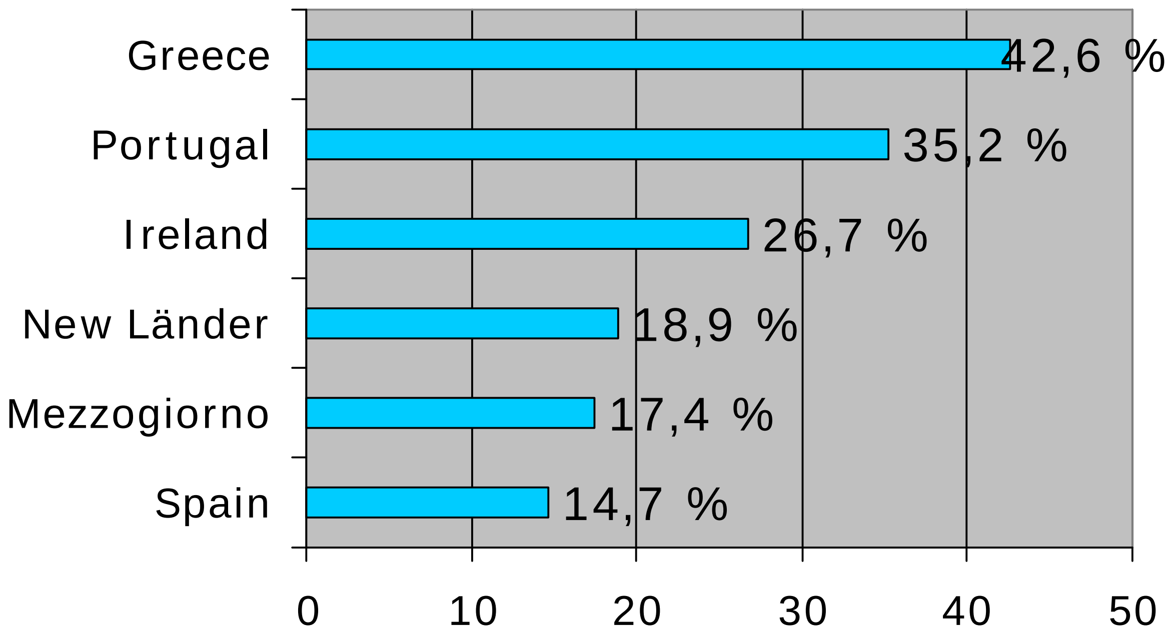
Between 1990 and 2001, mean economic growth in the four least prosperous Member States (Greece, Ireland, Spain and Portugal) was above the Community average, i.e. 1.7%. The individual growth rates were Spain: 2.3%, Greece: 1.8%, Ireland: 6.1% and Portugal: 2.4%.

In the regions with Objective 2 status, i.e. undergoing industrial, urban or agricultural restructuring, the unemployment rate went down by 4 points between 1995 and 2001, compared to a Union average of 3 points.

In addition to restructuring, an intense effort has been made to convert derelict land in urban areas (115 million square metres converted) in order to improve the environment and prepare land for new productive uses.

As a side-effect, a considerable share of expenditure (between 20% and 40%) has fed back to the Union's richest regions. The policy has thus reinforced the single market and promoted economic activities well beyond the regions directly assisted.

Proportion of EU investment for primary beneficiaries which was subsequently spent on imports from other Member States



- **The cohesion policy benefits everybody**. By reducing disparities and helping all the regions, it adds to attractiveness and acts as an engine of overall development.

- **The cohesion policy encourages a forward-looking mindset**. The requirement to provide national and/or regional part-financing means that Member States tend to maintain their investment and growth levels even during periods of recession.

- **The cohesion policy helps Member States to do more and better**. The Union's assistance always comes on top of national and regional funding, to help overcome the initial low financial capacity. This is the principle of additionality. Conversely, the EU funding is not meant to allow countries to save on their national budgets. Member States retain primary responsibility for developing their own problem areas.

5. How far have we got in the debate on cohesion policy?

- **The debate on the future of cohesion policy was launched by the Commission** on 30 January 2001, with the adoption of the *Second Report on economic and social cohesion*.

- **The Community Institutions have given their views on several occasions**, whether it be the European Parliament, the Council of Ministers, the Committee of the Regions or the European Economic and Social Committee.

- **The Member States and regions have taken an active part in the debate** by sending in their contributions to the European Commission. A number of seminars have been organised by the Commission or at the initiative of the regions, with the participation of the social partners and the voluntary sector.

- A **broad consensus** has emerged on **the priorities for future cohesion policy**.

Main consensus points

- Cohesion policy is vital if we are to implement the Lisbon and Gothenburg strategies, above all in the context of an enlarged Union with greater disparities.

- Developing the least prosperous regions must remain the priority, with eligibility set at 75% of the Community's average per capita GDP.

- An equitable solution has to be found for regions subject to the 'statistical effect' and faced with losing their eligibility simply because the Community's average per capita GDP will decline upon with enlargement.

- More should be done to increase cross-border, trans-European and inter-regional cooperation on projects with structural impact (making areas more accessible, expanding networks, etc.).

- There must be scope for assisting towns and urban areas and a better integration of regional policy with rural development.

- **For those regions which are not lagging behind but face specific difficulties preventing a balanced development of the Union's territory, it is suggested to support their regional competitiveness and the implementation of the European Employment Strategy.** In addition, a transitional mechanism is needed for the regions which have closed part of their development gap but will stop being eligible under Objective 1.

- **The right level of Community funding needs to be defined**, going beyond an over-simplified argument over who contributes and who benefits.

6. The recipients of EU funding often complain about the complexity, bureaucracy and sluggishness of the procedures for managing cohesion policy. They also have trouble spending the funds allocated to them. What is the true situation?

The Commission is very attentive to feedback from actors and managers on the ground. It simplified procedures in 2002 and further simplifications will be introduced while the 2000-06 programmes are being implemented. The detailed rules for applying the cohesion policy will be adapted in time for the next programming period post-2006.

This effort at simplification must take account of various constraints:

- **Over twenty years, the budget of the instruments for cohesion policy has grown sixfold**. The annual sums to be managed went up from EUR 8 billion in 1988 to EUR 39 billion in 1999. The total in 2006 will be EUR 47 billion at current prices.

- **Three levels of responsibility** are involved, under the principle of subsidiarity: the Commission is responsible for executing the budget; the beneficiary countries select and manage the projects; the European Parliament, the Council of Ministers and the Court of Auditors monitor the proper use of funds.

- **The Commission needs to make sure that the national management and payment structures are adequate**. This is an obligation imposed by the Treaty and a condition for the greatest possible decentralisation of the management of the Funds.

- **The procedures provide a bulwark against fraud**: they help to limit irregularities in the management of Community funds. Fraud in the narrow meaning of the term (falsification of supporting documents, fictitious or excessive expenditure claims, etc.) are very rare. In this field, prevention is as important as punishment. The audits carried out by the Member States and the Commission are vital. They make it possible to detect fraud and irregularities and to improve the control systems.

- **The Member States organise the management of projects themselves under their own domestic rules**, and these legal norms are added to those of the Union.

Networking and sharing of experience, as well as trying out new forms of development (innovative actions), are valuable assets which the Commission provides to Member States that allow them to progress and develop their potential. Spreading best practice in the service of everyone is the prime objective of the Commission's activities with the regions and Member States.

Structural funding is not allocated directly to projects chosen by the Commission. Although the broad priorities of a development programme are defined in collaboration with the Commission, the choice of projects and their management fall entirely under the responsibility of the national and regional authorities. This increased decentralisation is one of the major new features of the current programming period.

Once projects are selected at the end of a competitive process, they receive a mixture of funding: the budgets of programmes are made up partly of EU funds and partly of national funds (public and/or private).

Despite the inevitable complexity of the management of EU funds, **the cohesion policy works well** – both the programming system and financial execution.

- **The implementation rate of appropriations in the previous programming period (1994-99) was 96%** on average, with expenditure on programmes of heavy investment, innovation programmes and the creation of new businesses, all of which are complex activities with uncertainties. This is a very good utilisation rate.

- **The implementation rate for 2000-06 needs to be improved**. Initial trends in the use of appropriations for 2000-06 show an insufficiently sustained rate due to start-up difficulties at the beginning of the period. However, the rules on automatic decommitment of appropriations not used within two years will accelerate the use of appropriations as part of the rigorous management of Community funds.

- **The administrative capacities of the less-developed regions are improving**. This is a sign of success of cohesion policy and an encouraging sign for the future Member States.

7. How can implementation of this policy be improved?

The Union is constantly perfecting its management procedures and involving new partners in novel ways of working.

- **Building on achievements to date:** cohesion policy needs to be renewed by developing the components which have contributed to its success: multiannual programming, partnership and shared financing. But the management systems need to become more discriminating and geared to proportionality and simplicity.

- **Better measurement of performance:** the results of cohesion policy need to be capitalised on. Paying attention to the quality of results will introduce a degree of conditionality, translating into incentives or corrective mechanisms.

- **Refocusing the management of political priorities:** cohesion policy should concentrate on projects of Community interest and the Commission ought to put more stress on the content of operations and their outcomes, rather than on managing the funding. The cohesion policy has to be better integrated into the political agenda of the Union, to make sure that the Lisbon and Gothenburg strategies are properly implemented and to provide some measurement of progress in terms of reducing economic, social and territorial disparities. This is how the policy can adapt more rapidly to the economic and social evolution of the Union.

Some concrete examples:

§ Early introduction of the new Structural Fund regulations so that programmes can be operational right from the start on 1 January 2007.
§ Continuation of multiannual programming, but with only one programming phase instead of three. Programming complements would be abolished.
§ Less regulation at Community level, but with clear rules that do not overlap with national or local rules.
§ A contract of confidence between Member States and the Commission for the management of programmes.

8. What would be an appropriate budget to meet all these challenges?

- **In 2000-06, a total of EUR 213 billion** was originally assigned to cohesion policy. After the recent review of the Union's financial perspective, about EUR 22 billion more will be allocated in pre-accession aid and another EUR 22 billion in structural assistance for the new Member States in 2004-06, making the total envelope EUR 257 billion.

- **In 2007, needs will be greater** in an enlarged Union confronted with major disparities, with the need to continue the catching-up process in the regions of the current Member States, with a competitiveness 'gap', particularly at regional level, and with the need to strengthen European integration and cooperation.

> How big should the future budget be? The benchmark for the cohesion policy is of the order of 0.45% of Community GDP. This level corresponds to the steady cohesion effort decided in 1992 at the European Council in Edinburgh to be met by the end of the 1994-99 period (EU-15) and in 1999 in Berlin to be met by the end of 2000-06 (enlarged Union).
>
> The level set by the European Council in Copenhagen for 2006 (0.43% of the GDP of the enlarged Union) is explained by the fact that the new countries will be joining later than foreseen in the Berlin accords and that the level of Community assistance which will be provided in the transitional period 2004-06 will be much less than the present least-prosperous Member States are receiving.

- **Judging the advantage to the Union solely on the size of the budget is an over-simplification** in terms of total expenditure the budget is currently around 1% of the Union's GDP. Our cohesion policy gives a European dimension to the development activities of local, regional and national partners. It shadows the Union's other major policies and helps to implement them. In the field of the environment, the publication of national lists of Natura 2000 sites (protection of natural habitats) made rapid progress once the 2000-06 structural programmes had been adopted.

9. Why keep up budget spending on cohesion policy when Member States face the necessity of budget restrictions at national level?

- **The cohesion policy contributes to making a reality of the single market and Economic and Monetary Union.**

- **The cohesion policy is a factor for stability over the mid-term**, helping the least-developed countries to maintain their investment effort even at times of budget restrictions and allowing them to prioritise programmes and projects with a structural impact.

- **The cohesion policy contributes to the macroeconomic stability of the Union.** Community part-financing through the Structural Funds supplements national funding, which helps Member States to maintain macroeconomic discipline. It thus contributes to stability and growth.

- **The cohesion policy contributes to the integration of Europe**. It helps to develop projects of Community interest which cross frontiers and bring out the positive effects of the single market, thereby ensuring the balanced development of the Union's territory.

10. Are the new Member States ready to absorb and manage so much money?

- **The Union has supported the new Member States in reinforcing their administrative capacity**. From the beginning of the pre-accession period, it set up incentive measures using the PHARE, ISPA and Sapard instruments. This is the first time that the European Union has employed such instruments to prepare for an enlargement.

- **The Community Initiative INTERREG** has assisted the new Member States in starting to work with the present Member States. Through the twinning programmes financed by the Union, officials of the present Member States have been aiding their colleagues in the civil services of the future Member States to implement the Community's rules.

A process has been started. It is a slow transformation, all the more important because the initial programming period for the new Member States will only last three years (2004-06) instead of seven.

- **The Union's assistance will be effective** only if the new countries' capacity to absorb the funds and generate programmes and projects is good enough. Their needs are vast and varied. The Commission has stressed this point in the recently adopted Regular Reports on the progress of the future Member States in implementing their commitments.

- **The challenges still to be met**: strengthening the structures for implementing the Structural Funds, providing enough human resources. The Commission is also insisting that the new Member States must strengthen their legal machinery, in particular rules on public procurement.

Cohesion Policy: Facts and Figures

The legal background: solidarity among the peoples of the European Union, economic and social progress and reinforced cohesion form part of the Community's overall objectives of, *"reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions"*, as laid down in the Treaty establishing the European Communities.

The instruments: the instruments of solidarity, the Structural Funds and the Cohesion Fund, have a major impact on the competitiveness of regions and contribute significantly to improving the living conditions of their citizens, particularly in the poorer regions. About one third of GDP increases in the worst-off regions is estimated to be attributable to investments from structural instruments.

Amounts available and population covered by Member State

Structural Funds in billion Euro for 2000-2006 (at 1999 prices) and population living in Objective 1 and 2 areas

Member State	Objective 1	Objective 2	Objective 3	Community Initiatives	Cohesion Fund	Total EU	National/ private Cofinanc.	Population in Obj. 1 and 2 areas, in mill.	% of the population
Austria	0,261	0,680	0,528	0,358		1,831	4,476	2,270	28,20
Belgium	0,625	0,433	0,737	0,209		2,038	3,678	1,269	12,50
Cyprus		0,025	0,019	0,009	0,048	0,104		0,212	30,90
Czech Rep.	1,286	0,063	0,052	0,089	0,836	2,326		9,460	92,00
Denmark		0,183	0,365	0,083		0,828	0,888	0,538	10,20
Estonia	0,329			0,013	0,276	0,618		1,379	100,00
Finland	0,913	0,489	0,403	0,254		2,090	5,904	2,650	51,70
France	3,805	6,050	4,540	1,046		15,666	27,297	20,412	34,00
Germany	19,958	3,510	4,581	1,608		29,764	35,136	24,447	29,80
Greece	20,961	0,000	0,000	0,862	3,060	24,883	21,770	10,476	100,00
Hungary	1,765			0,088	0,994	2,847		10,238	100,00
Ireland	3,088	0,000	0,000	0,166	0,720	3,974	3,320	0,965	26,60
Italy	22,122	2,522	3,744	1,172		29,656	37,753	26,704	46,50
Latvia	0,554			0,021	0,461	1,036		2,391	100,00
Lithuania	0,792			0,030	0,544	1,366		3,531	100,00
Luxembourg		0,040	0,038	0,013		0,091	0,197	0,117	28,20
Malta	0,056	0,000	0,000	0,003	0,020	0,079		0,387	100,00
Netherlands	0,123	0,795	1,686	0,651		3,286	4,267	2,324	15,00
Poland	7,321			0,315	3,733	11,369		38,654	100,00
Portugal	19,029			0,671	3,060	22,760	20,610	6,616	66,60
Slovak. Rep.	0,921	0,033	0,040	0,057	0,510	1,561		4,957	91,90
Slovenia	0,210			0,027	0,169	0,406		1,986	100,00
Spain	38,096	2,651	2,140	1,958	11,160	56,205	30,586	32,027	80,70
Sweden	0,722	0,406	0,720	0,278		2,186	4,595	1,674	18,90
U. Kingdom	6,251	4,695	4,568	0,961		16,596	22,154	18,909	32,20
Total	**149,188**	**22,575**	**24,161**	**10,942**	**25,591**	**233,566**	**222,631**	**224,593**	**49,90**

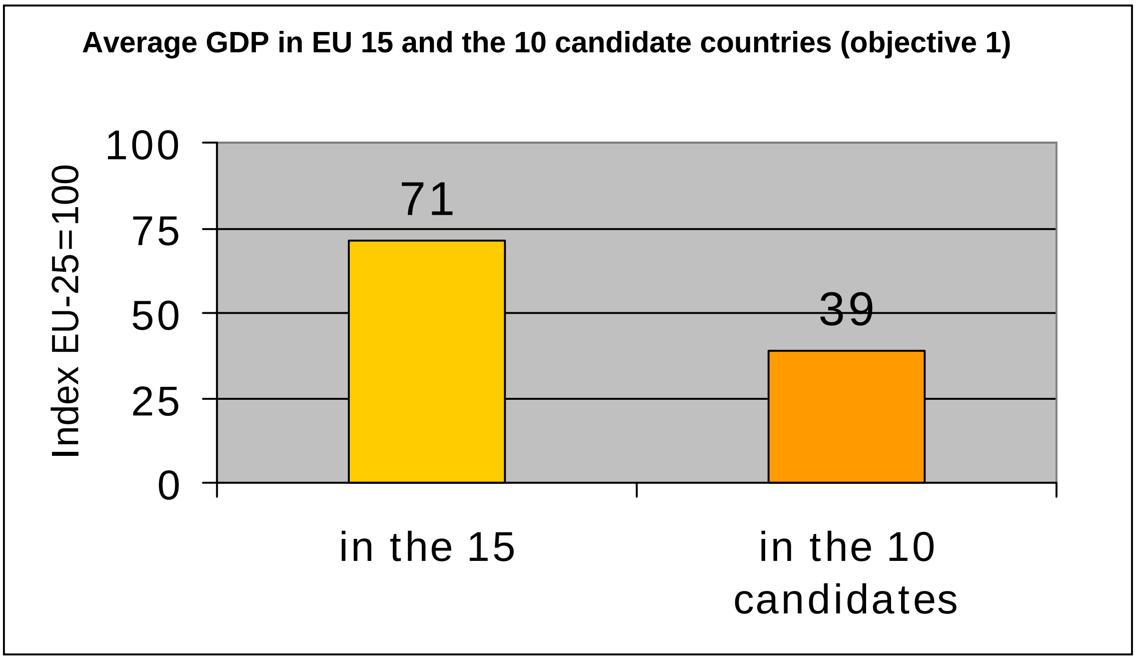
New Member States: amounts cover period between 2004 and 2006, national cofinancing not yet agreed

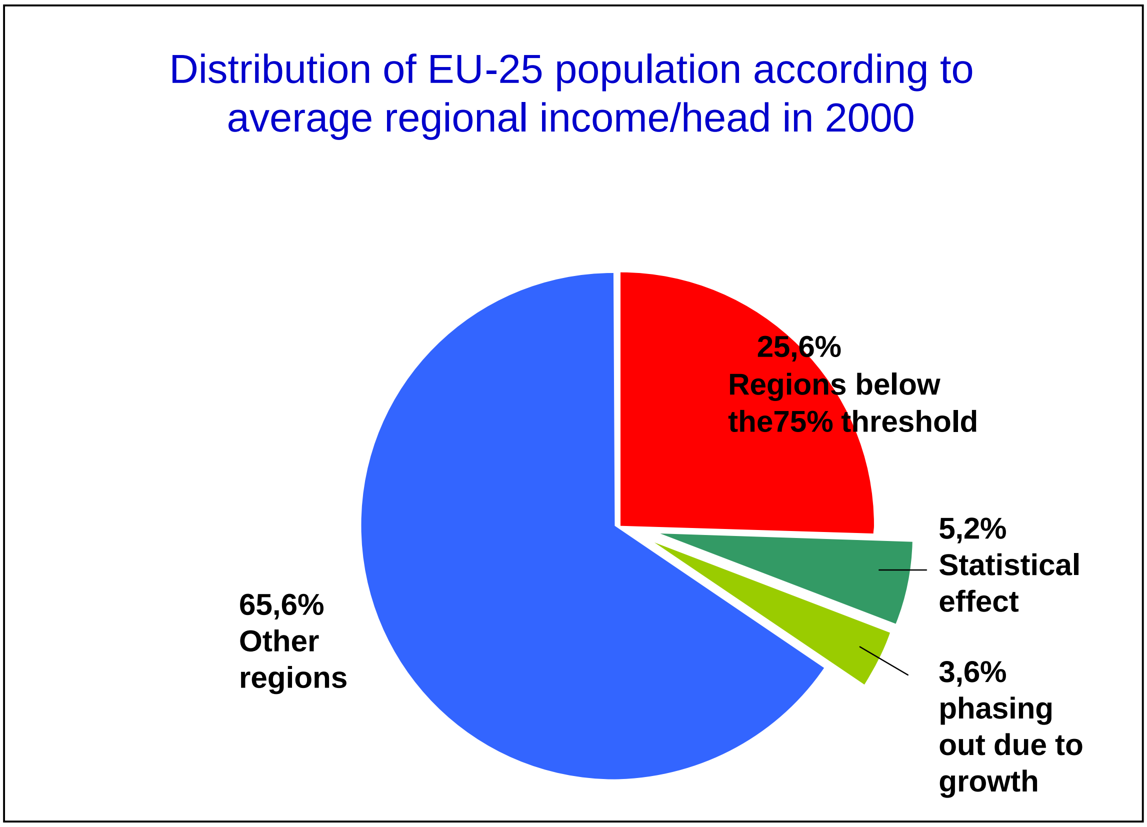
The amounts available: for the period between 2000 and 2006, an amount of EUR 213 billion has been earmarked for all structural instruments in the EU-15. In addition, about EUR 22 billion in pre-accession aid, and another EUR 22 billion in structural interventions for the new Member States in the period 2004 and 2006, will be spent within the Union's adjusted financial perspectives. In EU-25, more than two thirds representing about Euro 180 billion are earmarked for Objective 1 regions, whose gross domestic product per head is below 75% of the community average. The total of about EUR 257 billion represents about 37% of the EU budget for the period up to 2006. Most of the funding is spent through multiannual development programmes, managed jointly by Commission services, the Member States' and regional authorities (see table 1 attached).

Population covered: in EU-15, some fifty regions, home to 22% of the Union's population or some 83 million inhabitants, have a GDP below 75% of the EU average and they receive 70% of the funding available ("Objective 1"). Between 2004 and 2006, a further 73 million people in the new Member States will be covered by this category. Outside these areas the Structural Funds support economic and social conversion in industrial, rural, urban or fisheries-dependent areas facing structural difficulties. 18% of the population in the EU-15, or 68 million people live in these areas ("Objective 2"), which receive 11.5% of total funding; Objective 3: Modernising systems of training and promoting employment. Measures financed by Objective 3 cover the whole Union except for the Objective 1 regions, where measures for training and employment are included in the catching-up programmes. Objective 3 receives 12.3% of total funding (see table 1 attached)

Lisbon goals and Structural Funds: almost 90% of the structural funds programmes, corresponding to about Euro 166 billion can be considered directly relevant to contributing to the achievement of the Lisbon and Gothenburg objectives. In addition, the Community Initiatives, the Cohesion Fund and the Instrument for Pre-Accession – amounting to another Euro 51 billion - can be considered in line with these objectives as well. As regards Objective 1 some 86% of the total budgetary envelope, or EUR 118.9 billion contributes to the Lisbon goals. Of this, EUR 32 billion will be spent on enhancing human capital through labour market support and training and education. EUR 22.8 billion will be spent on environmental infrastructure and protection, technologies and rehabilitation of industrial sites, Euro 27.2 billion on transport infrastructure, and EUR 8.1 billion on research, technological development and the information society. In the case of Objective 2 areas, or regions with structural difficulties, about 97% of the total, or EUR 22.5 billion contributes to the Lisbon strategy. EUR 10.2 billion are planned to enhance greater productivity of businesses, EUR 3.8 billion is being spent on the environment, EUR 2.6 billion on training and EUR 2.3 billion on research, innovation and the information society.

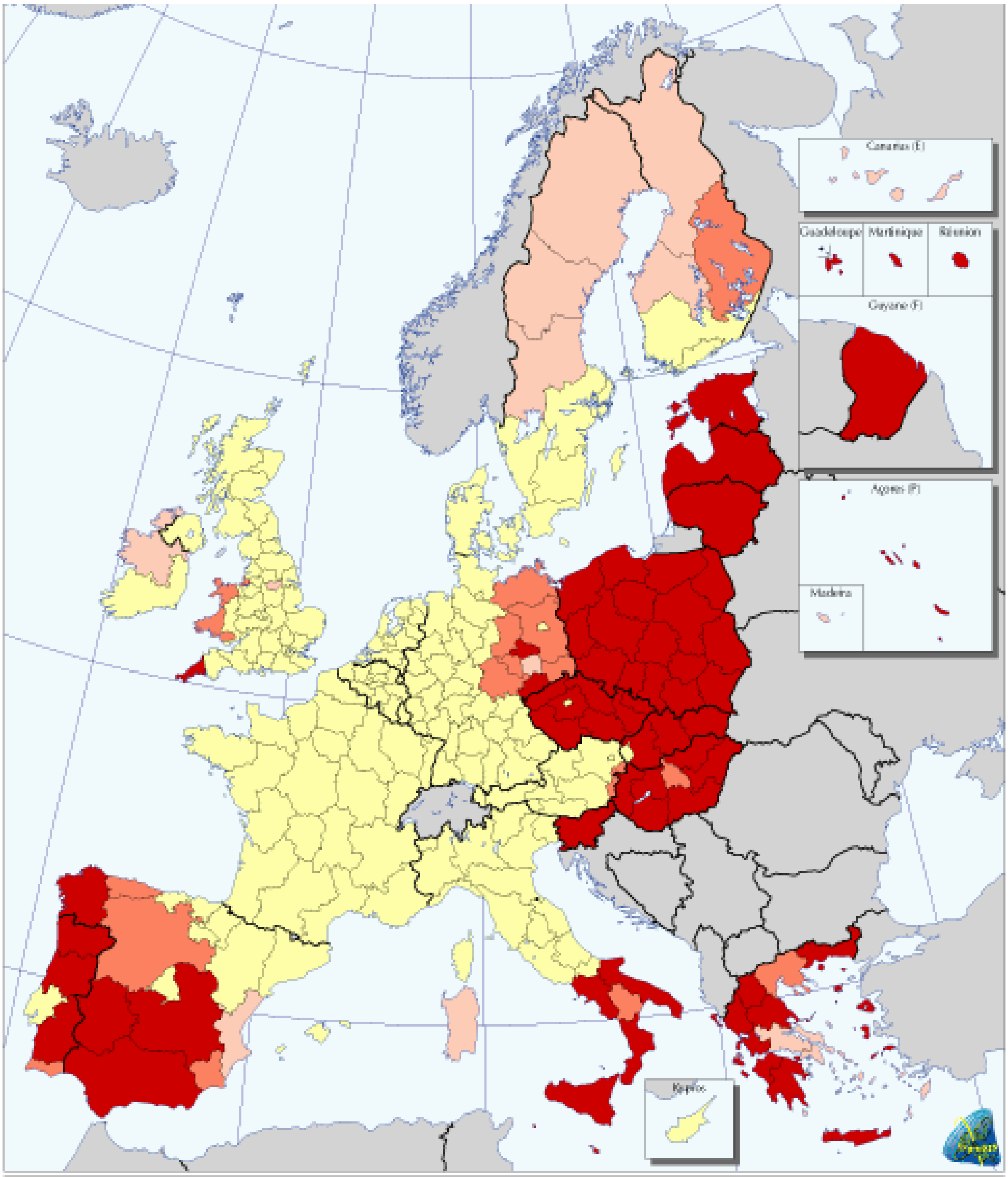
The situation beyond 2006: the gap in GDP per head between the 10% of the population living in the most prosperous regions and the same percentage living in the least prosperous regions will more than double, as compared with the situation in the EU-15. Based on the new GDP average in the enlarged EU and recent figures, 116 million people - representing some 25% of the total population - will live in regions with a GDP per head which is below 75% of the EU average, as compared with 68 million people, or 18% of the total population in the EU-15. In the worst-off regions, six out of every ten EU citizens will be nationals of the new Member States.


Average GDP in EU 15 and the 10 candidate countries (objective 1)
Index EU-25=100
100
75
50
25
0
71
39
in the 15
in the 10 candidates


Distribution of EU-25 population according to average regional income/head in 2000
25,6% Regions below the75% threshold
5,2% Statistical effect
3,6% phasing out due to growth
65,6% Other regions

The 75% GDP threshold in EU-15 and EU-25

Average per region between 1998 and 2000



Regions below 75% in EU25

Regions statistically above 75% in EU25

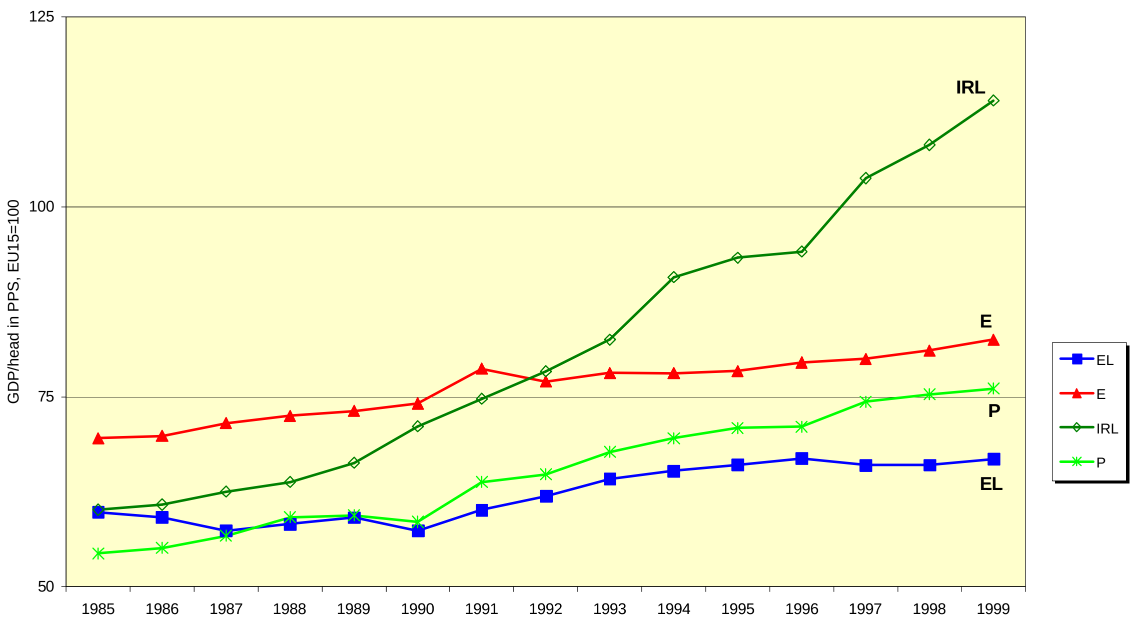
Regions above 75% in EU15

Others

Cohesion Policy: What has been achieved?

Overall achievements: the positive impact of cohesion policy seems beyond doubt. The structural instruments have not only an important redistribution function in favour of the less well-off Member States and regions, which has a significant macroeconomic impact, but also contribute to the competitiveness of regions where there is under-utilised potential and therefore have a direct influence on EU-wide economic performance in line with the Lisbon targets. The funds and their implementation strengthen economic and political integration through, for example, the development of infrastructure networks, enhanced accessibility of remote regions and cooperation. Cohesion policy supports Community priorities set by the Lisbon strategy, as reinforced by the Gothenburg European Council, including economic and social restructuring. And last but not least, public-private partnership arrangements, raising institutional capabilities in policy design and delivery, an evaluation culture, transparency and the exchange of best practices are all part of the delivery system and contribute to better governance at all levels.

GDP per capita in Cohesion Countries



Evaluation: evaluating the impact of the Structural Funds is a fundamental requirement for the European Commission, the Member States and the regions, in line with modern methods of managing public funds. As laid down in the Funds' regulations, any intervention has to be evaluated before, during and after it is carried out (*ex-ante, on-going, ex-post*). In recent years, this has created an evaluation culture across Europe while raising quality.

The following **studies**, undertaken by **independent experts**, were published recently by the Commission services.

Achievements in Objective 1 regions: a study published by the Commission in 2003 examines *ex-post* the effectiveness and impact of the Structural Funds spent in the 1994-1999 period in Objective 1 regions. During this period, the EU contributed EUR 114 billion through structural instruments to an estimated total spent of EUR 210 billion, including national public and private co-financing. The study shows that Structural Funds helped to boost GDP by 4.7% in Portugal and 1.27% in Northern Ireland, and supported the creation of 800,000 jobs (gross) and the training of 8.15 million people in Objective 1 regions.

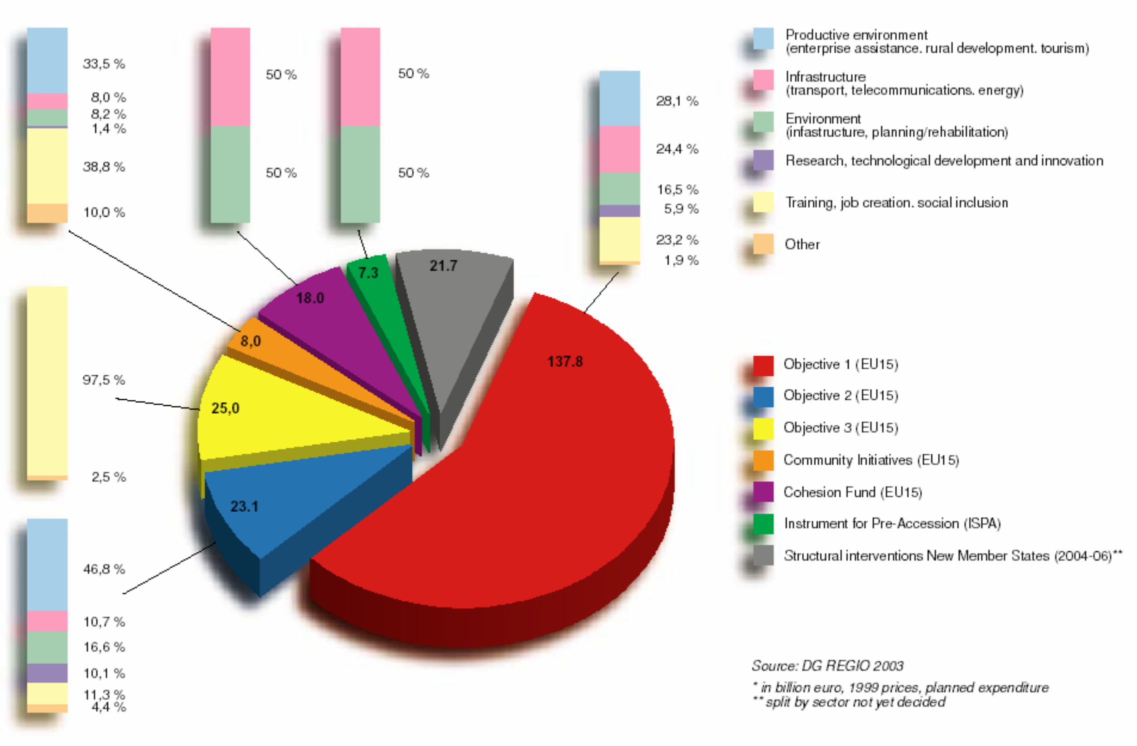
Achievements in Objective 2 regions: the *ex-post* evaluation of Objective 2 regions (regions “affected by industrial decline”, covering 16.3% of the EU population) for the period 1994-1999, which was carried out in 2003, concludes that the Structural Funds and their national and private co-financing – about EUR 52.3 billion in total - contributed to the creation of 700,000 jobs (gross), assisted more than 300,000 small and medium-sized enterprises and provided significant support for research, technological development, innovation and the promotion of the information society. The average unemployment rate in these regions declined by 2.1%, from 11% to 8.9%, which demonstrates that they performed better than regions outside of Objective 2.

Estimated achievements in the current period: in 2002, the European Commission presented a study which examines *ex-ante* the economic impact of the Structural Funds on the Objective 1 regions (defined by a gross domestic product (GDP) per head of below 75% of the EU average). Covering Spain, Portugal, Ireland and Greece, as well as the Mezzogiorno in Italy and the eastern Länder in Germany, the Objective 1 areas will receive some EUR 135 billion between 2000 and 2006. The study shows that GDP is expected to increase by 3.5% in Portugal and 2.4% in Greece and that up to 700,000 jobs will be created as a direct result of this investment.

Cohesion Policy and…

…Environment: programmes and projects developed under the Structural Funds have to respect and strengthen EU environmental law and policies. For example, programming needs to take account of existing directives, such as “NATURA 2000” for the preservation of natural habitats, and the interventions’ environmental impact has to be assessed before Member States and regions receive funding. Beyond this, the Structural Funds provide direct financing for projects which aim to improve the quality of the environment, either through development and use of renewable energy, environment-friendly technologies, or through improving waste management, drinking water or sewage systems. The overall share of the structural instruments directly or indirectly related to the environment increased to 11.4%, or EUR 22.6 billion for the 2000-2006 period. In central and eastern Europe, half of the funds available under ISPA (the Instrument for Structural Policies for Pre-accession) are allocated to environmental projects, helping the acceding countries to cope with EU environmental standards, particularly through the construction or modernisation of wastewater treatment plants.

Structural Funds and Instruments by sector of expenditure (2000-2006)*



Source: DG REGIO 2003
** in billion euro, 1999 prices, planned expenditure*
*** split by sector not yet decided*

…Transport policy: the Commission’s White Paper "European Transport Policy for 2010: Time to Decide" involves revitalising the railways, promoting maritime and inland waterway transport, and linking up the different modes of transport. In the period between 2000 and 2006, about EUR 49.3 billion or 22.5% of the overall Structural Funds allocations are available for transport, energy and telecommunications networks in Member States acceding and candidate countries.

…Research and technological development: innovation, the information society and research and technological development (RTD) can be determining factors in a region’s success. It is important to note that RTD is not just about projects: it needs capacities. There is a strong concentration of these activities in the most advanced regions of the EU, where the top ten regions account for around a third of all related expenditure in the Union. Nevertheless, 17 of the 25 regions with the lowest RTD intensity are Objective 1 regions. Differences between regions are particularly significant in the Cohesion countries. In Greece, for example, over half of all research expenditure is incurred in the capital region of Attiki, and in Spain over three-quarters of the business RTD spend occurs in just three regions, with 30% concentrated in the Madrid region alone. The Structural Funds have supported regional activities related to RTD and the information society and the share of overall funding going to these sectors was increased to EUR 10 billion in the current period.

…the Information Society: the results of an evaluation published in 2003 show that the Structural Funds make a significant contribution to promoting the information society. The study estimates that between 2000 and 2006 some EUR 10 billion will go to measures in this field, supporting the key objectives of the Union such as the e-Europe initiative. The study compared data from 150 regional and three national programmes supported by European funds. The amounts devoted to the information society vary from EUR 0.6 per inhabitant in Lower Saxony (Germany) to EUR 358 in the Border, Midlands and West region (Ireland). About half of the regions surveyed give priority to the information society as a dimension that is taken into account across the entire programme. Amongst the top 20 regions, ranked according to information society expenditure per capita, six are Greek, four UK and two Spanish. Seven are island regions or regions with a mainly insular character. The study recommends that regions should invest more in strategy development and building regional capacity, especially in the assessment of regional needs and project selection. It also suggests that regional information society priorities should be more driven by regional demand and supply-side measures, offering a balance in terms of the development of telecommunications infrastructure such as broadband networks, access, applications and services, digital content and skills.

…Employment: regional disparities in the rates of employment and unemployment, and the levels of educational attainment differ significantly across the Union. Regions performing best in terms of employment are usually characterised by high income levels, a low share of employment in agriculture, a high level of employment in the service sector and a highly qualified population of working age. In 2001, unemployment in the regions with lowest rates averaged a mere 2.3%, compared with an average of 19.7% in the regions with the highest rates. Embedded in the European Employment Strategy and National Action Plans since 1998, the European Social Fund contributes to national and regional employment and training programmes as well as to social inclusion schemes. Its overall allocation amounts to EUR 62.1 billion, representing 28.3% of the total Structural Funds.

Key dates in the debate on the future of cohesion policy

The Commission launched a debate on the future of the cohesion policy as early as the start of 2001. The College of Commissioners was also involved in this debate. The President of the Commission and some of the Commissioners were present in various conferences. The College has been kept abreast of all the issues raised during the debate through the series of reports that it has adopted over this period.

On 31 January 2001, the Commission adopted the Second Report on economic and social cohesion [COM(2001) 24 final]. The report analysed for the first time the challenges posed by enlargement and opened a discussion on the outlines of cohesion policy after 2006.

On **21 and 22 May 2001**, the Commission held the second *European forum on cohesion* with a large number of participants (almost 2 000 registered and 1 700 others present) and political participation at a very high level.

At the 'General Affairs' Council on **11 June 2001**, the Commission took note of the concern expressed by current and future Member States, in particular the memorandum presented by the delegation of Spain dealing with the effects of enlargement on economic and social cohesion. The Commission also declared that it would continue its work and regularly report to the Council. It would prepare the Third Report on Cohesion with a view to making appropriate proposals for cohesion policy after 2006.

Several Member States and representatives of the regions, towns and cities and the social partners were quick to gave opinions on the issues in the debate. In line with the commitment given in June 2001, the Commission adopted two progress reports on economic and social cohesion, on 30 January 2002 [COM(2002) 46 final] and 30 January 2003 [COM(2003) 34 final]. These documents updated the data in the Second Report on Cohesion (January 2001), in particular those reflecting regional disparities in economic and social terms.

The Commission held several discussions with the participation of hundreds of responsible persons from the Member States, the regions and the towns and cities:

– on 26 and 27 May 2002, a seminar on the Union's priorities for the regions, with about 600 participants;

– on 30 September 2002, a seminar on priorities in terms of employment and social cohesion;

– on 8 and 9 July 2002, a seminar on urban areas;

– on 17 and 18 October 2002, a seminar on mountain areas;

– on 9 October 2002, a meeting of the ministers responsible for regional policy, at the initiative of the Commission, which managed to reach broad agreement on simplifying the way the Structural Funds will be implemented in 2000-06.

– on 3 and 4 March 2003, a seminar on future management of the Structural Funds;

– on 8 July 2003, a conference on "Cohesion and Constitution: the role and responsibilities for the regions" brought together more than 180 chief executives of regions and local/regional elected representatives from the Member States, accession countries and candidate countries.

More recently, the Commission's Directorate-General for Regional Policy has placed on its Internet site all the contributions received from the Community Institutions, the Member States, the new Member States, the regions, towns and cities, regional organisations, the social partners and research establishments:

http://europa.eu.int/comm/regional_policy/debate/reflex_fr.htm

More than a hundred contributions can now be consulted easily. They have generally been taken from debates, seminars, interministerial subcommittees and various studies, and therefore represent an unprecedented collective effort to debate a policy of the Union.

Commission representatives have taken part in hundreds of meetings, conferences and seminars held in all the Member States on this subject. Hundreds of delegations have also been received at the Commission to discuss these topics.

The transparency of this procedure has already produced positive results. At the informal meeting of ministers responsible for regional policy held under the Greek Presidency in Chalkidiki on 16 May 2003, a broad convergence of positions on the main lines of future cohesion policy emerged (see the Presidency Conclusions). A further ministerial meeting will take place at the initiative of the Italian Presidency in Rome on 20 October 2003.

A rich debate has also taken place in the European Parliament, ending with the adoption of several resolutions on cohesion policy, including:

– on 7 November 2002, the resolution on the Schroedter report (Greens, Germany)

– on 3 September 2003, resolutions on the Mastorakis report (EPP, Greece) and Pomés Ruiz report (EPP, Spain).

Meeting in Leipzig on 5 and 6 May 2003, the Committee of the Regions adopted a declaration calling on the European institutions to strengthen the EU's policy on regional development. The Committee adopted two very important opinions on this issue on 2 July 2003:

– the Schneider report on the second progress report on economic and social cohesion;
– the joint report of Mr Fitto (PPE, Italy) and Mr Van Cauwenberghe (ESP, Belgium) on ways of simplifying the implementation of the Structural Funds in 2000-06.

Timetable of the main stages	
1957	The countries signing the Treaty of Rome refer in its preamble to the need "to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions".
1958	Establishment of two solidarity Funds: the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF).
1975	Establishment of the European Regional Development Fund (ERDF) to redistribute part of the Member States' budget contributions to the poorest regions.
1986	The Single European Act lays the basis for a genuine cohesion policy designed to offset the burden of the single market in the southern countries and other less favoured regions.
1989-1993	The European Council in Brussels in February 1988 overhauls the operation of the solidarity Funds (now the Structural Funds) and allocates ECU 68 billion to them (at 1997 prices).
1992	The Treaty on European Union, which came into force in 1993, designates cohesion as one of the main objectives of the Union, alongside economic and monetary union and the single market. It also provides for the establishment of the Cohesion Fund to support projects in the fields of the environment and transport in the least prosperous Member States.
1994-1999	The Edinburgh European Council (December 1993) decides to allocate almost ECU 200 billion (at 1997 prices), one third of the Community budget, to cohesion policy. Alongside the Structural Funds, a new financial instrument for fisheries guidance (FIFG) is created.
1997	The Treaty of Amsterdam confirms the importance of cohesion and includes a Title on Employment which stresses the need to work together to reduce unemployment.
2000-2006	The Berlin European Council (March 1999) reforms the Structural Funds and adjusts the operation of the Cohesion Fund. These Funds will receive over €30 billion per year between 2000 and 2006, i.e. €213 billion over seven years. The Instrument for Structural Policies for Pre-accession (ISPA) and the Special Programme for pre-accession measures for agriculture and rural development (SAPARD) complements the PHARE programme to promote the economic and social development of the applicant countries.