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COMMUNITY STRUCTURAL POLICIES

ASSESSMENT AND OUTLOOK

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ASSESSMENT AND OUTLOOK

Introduction

In COM(92)2000 the Commission has set out policy guidelines for the Community's structural action after 1993, incorporating them into the ensemble of new objectives and financial perspectives. The immediate context of these proposals is the Maastricht Treaty in which existing Treaty references to economic and social cohesion are strengthened and a new Cohesion Fund is established.

The Maastricht European Council's response to concerns about cohesion in the more closely integrated Community should in turn be seen as a continuation of the Community's long-term efforts, launched in the 1970s, to address the problem of regional disparities and in particular as building on the increased commitment enshrined in the Single European Act and in the multi-annual budgetary decisions that followed. Also part of the background are the long-term evolution of economic and social disparities and the deep-rooted structural problems which lie behind them.

The present paper is put forward in support of the indications and guidelines for the future contained in document COM(92)2000.

It pays particular attention to existing disparities and structural handicaps; a first evaluation of existing Structural Fund interventions at this mid-way stage in their implementation; and the new context and its implications for structural actions in the years 1993-97.

I - DISPARITIES AND STRUCTURAL HANDICAPS

Introduction

In 1986, the Single Act set new objectives for the Community. The aims were the realization of the internal market by the end of 1992, but also the strengthening of economic and social cohesion. The great importance that was given to the reduction of economic and social disparities in the Community was justified both by their level in absolute terms as well as by their unsatisfactory evolution over time. It is acknowledged that the existence of wide disparities might jeopardize the successful implementation of the internal market programme and that it is therefore necessary, for the Community, to reinforce its actions aimed at reducing them.

This chapter presents briefly the state of economic and social disparities, when the operations of the reformed Funds were launched, as a basis for the assessment of the progress that has been achieved in the first years of the reform and of the needs of the coming years. GNP and GDP per capita or per person employed and the level of employment are the most relevant global indicators in assessing disparities in economic and social conditions. Factors influencing regional competitiveness and development potential are also relevant. Among these, the quality of basic infrastructure, the availability of well qualified personnel and the capacity to innovate are the most important.

Disparities which affect cohesion should be assessed by reference not just to levels of indicators but also to their rate of change. Declining areas could also be marginalised although the solution to their problems does not necessarily require the same type of intervention as in the less developed regions.

1. Disparities in income and productivity

Long-term analysis of the trends in GDP and GNP per head in the Community (Tables 1, 1 a) reveals two distinct phases:

i) An initial phase of convergence between Member States and regions which ended with the economic recession of the mid 70's.

ii) A period when the overall low growth of the Community had a negative effect on regional performances and brought about a regressive phase leading to a new widening of economic disparities.

Regional disparities continued to increase until 1986 when they showed the first signs of stabilisation. In spite of the slight improvement which accompanied the acceleration of economic growth observed since then, the mean income of lagging regions (regions with a GDP/head less than 75% of Eur 12=100) fell in comparison with the Community average by one percentage point over the five years which preceded the implementation of the reform of the Funds (from 67.9 of the E.C. average in 1983 to 66.9 in 1988).

Disparities measured at a regional level are even more pronounced than those at national level. In 1989, the top 10 regions had an income per head more than three times higher than the bottom 10 (Table 3)

The level of disparities in relation to productivity, as expressed by GDP per person employed (Table 2), developed in a generally similar way to that of per capita incomes.

2. Human resources

Regional disparities in unemployment in the Community are even greater than income disparities. The 1970's and the first half of the 1980's were characterized by a general upward trend in the rate of unemployment and widening regional disparities. The rate of unemployment in the Community increased from 2% in 1970 to more than 6% in 1980 and almost 11% in 1985 and 1986. As a response to the higher growth rates of the Community, the first positive signs in unemployment became apparent in 1987, the first year of reversal of the upward trend (Tables 4 and 5).

Regional disparities in unemployment rates peaked in 1986, when the 25 worst-off regions recorded an average unemployment rate more than 5 times higher than the 25 best-off regions. These figures refer to relatively large geographical units and conceal the very serious unemployment problems faced by smaller areas such as inner cities and declining industrial zones.

Significant disparities in unemployment exist also between different population groups (Table 6). Young people have been suffering from much higher unemployment rates than the labour force as a whole. There is a marked difference between the less developed areas, with unemployment of young people (in April 90) at 32.3%, and the rest of the Community where the respective rate was 11.3%. With the exception of the U.K., women's unemployment is considerably higher than that of men. This is particularly true for the Southern countries, where unemployment rates for women are between two and three times higher than those for men. For the Objective 1 regions as a whole, unemployment among women was over 21% as against 9% in the rest of the Community.

Half the total number of unemployed have been out of work for more than a year. This is of particular concern since as the recent experience suggests, even in periods of rapid employment growth, it is difficult for the long-term unemployed to be reintegrated into the employed labour force.

An additional yardstick for measuring the number of people who are looking for a job is the ratio of employment to working-age population. The lower the ratio, the greater the probability that there are inactive people who might enter the labour force in a period of job creation, thus making more difficult the task of combatting already existing unemployment. On average, in 1985, this ratio was at 60% for the more developed parts of the Community reflecting inter alia higher female employment rates, as against less than 50 % in the Objective 1 areas (Figure 2).

Emphasis on economic indicators disguises some of the problems of social cohesion which relate both to urban and rural areas and disadvantaged social groups. Although relevant figures are lacking for the regions it seems evident that disparities relating to such factors as the provision of health and education services, poverty, etc. are high. In rural areas, depopulation leads to decline in the availability of services to firms and individuals and accelerates the fragmentation of rural communities. The percentage of employment in agriculture in the Community dropped from 21% in 1960 to 7% in 1989 and agricultural production as a percentage of the Community's GDP fell from 4% in 1980 to 3% in 1988.

3 Regional disparities in factors of economic development

Regional income disparities in the EC are closely linked to disparities in the factors determining regional competitiveness. Lagging regions suffer from serious handicaps in practically all the domains influencing the competitive position. Recent information indicates that the level of basic economic infrastructure provision (transport, telecommunication, energy, water, environmental protection) in the poorest 10 regions is only one third of that of the most prosperous 10 regions. Even allowing for differences in population density, the level of infrastructure endowment in the transport field in Objective 1 regions is only between 50 and 60 percent of the Community average. Similarly, telecommunication penetration rates in the three weakest Member States are two thirds of the EC average, while the proportion of the network which is digitalised is only one third of the Community average. Similar discrepancies exist in other areas of basic infrastructures such as energy and water supply and environmental protection (Table 8).

In the medium to long term, the growth performance of an economy is determined above all by the level of investment, both private and public. The lagging Community economies generally have a less-developed capital structure than their Community partners; the capital stock per worker in Portugal and Greece is barely one half of the Community average (Table 14). The need for complementarity between public and private investment, as between the Community Funds and private foreign investment, cannot be over-emphasised: public capital inflows are necessary to promote attractive conditions to private capital (infrastructure, labour skills and basic services, investment incentives) while a steady flow of private investment is vital to ensure an overall efficient allocation of resources and for public investment to bear its fruits.

The "knowledge gap" is at least as great as the infrastructure gap. The proportion of the 15 to 19 year age group in education or training varies from less than 40% in Portugal to more than 85% in Germany, Netherlands or Denmark (Figure 3). Regional disparities in research and technological development are even wider. Approximately 75% of total research and development expenditure in the Community is concentrated in Germany, France and the U.K. Public expenditure on RTD as a percentage of GDP in the same countries is between 4 and 7 times higher than in the weakest countries of the Community. Total per capita expenditure in Germany is 13 times that in Greece and Portugal; per capita expenditure on RTD in German firms is 40 times that in Greek and Portuguese companies (Table 7). Even within the less well off countries very significant regional differences exist. In Italy, 72% of expenditure on RTD was concentrated in the North-West, and only 5% in the South. Lisbon accounts for more than 70% of total research expenditure in Portugal, while in Spain approximately the same proportion is concentrated in Madrid and Catalonia.

Rural areas throughout the Community are faced with many of the disadvantages which characterise the less developed regions in terms of standards of living, employment opportunities, social amenities and infrastructures (Tables 9 and 10). Furthermore existing problems are being aggravated by the essential restructuring in agriculture. Areas heavily dependent on fisheries also face similar problems (tables 15 and 16).

In summary, statistical data indicate that overall progress over time has been far from satisfactory and that in 1987 disparities in income and productivity between Member countries remained substantial with levels comparable with those recorded at the beginning of the 70's. These differences are closely linked with very important disparities in the basic factors determining regional competitiveness.

Moreover regional disparities in the Community remain wider than those within most unitary states or federal systems. Differences in factor incomes in the Community are greater and differences in disposable income even more so, given the lack of specific distributive mechanisms.

The accession of Spain and Portugal in 1986 widened the gap between the Community's richest and poorest regions. Starting conditions thus varied considerably between the regions of the Community, as they faced the challenges and the opportunities of the internal market. This is the context in which the Community decided to double the Structural Funds' allocations in real terms between 1987 and 1993 and to reform the procedures and regulations governing the action of the Funds.

These decisions were not, however, conceived as providing a definitive solution to the problem of disparities in the Community. It was always clear that a sustained long-term effort would be necessary to achieve any significant and permanent narrowing of the gaps.

While disparities and handicaps are often deep-rooted, they are not intractable as the experience of some regions shows (e.g. the recent performance of most of the Spanish regions).

Variations in regional experience suggest that success in tackling these problems is not determined only by the macro-economic climate and the amount of assistance provided, but also by the quality of the policies and measures applied.

II. IMPACT OF NATIONAL AND COMMUNITY POLICIES

1. Economic policies and the strengthening of cohesion

The effective reduction of economic and social disparities within the European Community will require coherent assistance at a number of levels.

Article 130b of the Single Act requires the Member States to take cohesion into account in conducting and coordinating their economic policies. It also provides that implementation of the common policies and of the internal market and, more particularly, that assistance under the structural Funds should contribute to the objective of cohesion. The Treaty of Maastricht strengthened the scope of Article 130b by stressing that cohesion should be taken into account in both the formulation and the implementation of the Community's policies and actions. The Commission moreover is committed to making regular analyses of the progress made and of the specific contribution of these provisions.

Greater cohesion depends on favourable developments on the economic front which can be secured only through the active coordination of effective economic policies conducted by the Member States. To maximize the impact of the structural Funds, a country must operate in a macro-economic context which has no major imbalances and enjoys stable and sustained growth. Such a context will enhance the leverage and multiplier effects of Community assistance and help an economy whose development is lagging behind to catch up more quickly.

At the budgetary level, the efforts already begun to achieve rigorous management of public expenditure as a means of attaining nominal convergence within a short space of time must be continued, and in some cases stepped up. If they can stimulate investment while avoiding any surge in current expenditure, countries whose development is lagging behind will be able to enhance the comparative and competitive advantages which they are acquiring. Such a policy should enable them to increase their productive potential and benefit from the advantages of EMU.

However, the strengthening of cohesion entails first and foremost the design and implementation of an effective policy of structural assistance capable of developing productive potential, the skills of the labour force and the competitive advantages of a country or region. Such assistance will lay the basis for stable and lasting growth able gradually to remedy the problems underlying poor development in the past (inadequate infrastructure, poor access, unskilled labour unable to meet changing demand on the job market, insufficient dissemination of technical progress, low productivity, weak specialization in rural areas, etc.). The structural funds allocated by the Community have a key role to play, both by providing substantial support for economic activity in the countries concerned and by creating conditions in which genuine progress can be made in remedying structural deficiencies. They will also help the economies of those countries to make the progress in convergence required for their participation in the final stages of EMU.

2. The five objectives of cohesion

The 1988 reform assigned a limited number of objectives to the structural Funds in order to strengthen cohesion and increase the effectiveness of the Community's structural measures. Five priority objectives were selected and the geographical area, population and volume of Community assistance allocated to each are listed in Annex (summary table p.18).

The Community began to attempt to identify the needs of countries or regions where assistance from public funds required support.

With the significant exception of the Integrated Mediterranean Programmes, the integrated development operations and some ERDF assistance, before 1988 the medium-term development of Community countries and regions was not seen in a long enough time-frame since the bulk of the Community's structural measures had operated on an annual basis.

The 1988 reform constituted a clear break with the past and opened the way for a new approach involving identification of needs by the Member States, the introduction of strategic planning over the medium term (five years) and multiannual programming. Together, these elements constitute the hinges on which rationalization of the Community's structural measures hangs.

In response to this new concept of Community assistance, the Commission devoted substantial resources to assessing the operation of the reform mechanisms and the likely potential economic impact of the structural Funds.

This approach continued throughout the process of implementing the reform from the preparation of the assistance programmes to estimates of the nature and extent of the impact expected from the measures adopted. These assessments, for which provision was made in the reform regulations, were carried out by the Commission acting in partnership with the national and regional authorities at the point when the development and conversion plans were drawn up. They were continued through the Monitoring Committees to permit the adjustments between priorities required to make assistance more effective.

The Commission also supported these measures by having its own assessment work carried out by outside experts whose independent judgments confirm the conclusions which its departments derived from the existing mechanism. These studies cover all the major Objectives of the reform, through assessment either of the CSFs or operational programmes or through concentration on major topics or sectors. Not all this work has been completed and ex-post assessment will also be needed but the results now available provide a coherent set of information.

2.1. The formulation of needs through the plans

The introduction of the idea of a plan into the regulatory framework meant that Community measures could be based on an analysis of needs as expressed by the Member States themselves in accordance with the concept of subsidiarity.

The spirit of the regulation was not always respected in that the aim of the plans was to establish the total volume of the national and regional resources available for development and not simply the resources for measures to which Community support could be given. Overall, the Member States adopted a restrictive approach to the concept of the plan as the Commission wished to see it develop.

Despite these limitations on their potential scope, plans provided an essential input for quantifying needs. In the case of certain types of public expenditure, such as active steps to promote employment, or certain countries which, like France with its "Contrats de plan", were already committed to the programming of public expenditure well before the 1988 reform, this quantification of national effort could be regarded as a datum. However, the fact that the Community approach to the problem constituted an innovation meant that neither the regions whose development was lagging behind (Objective 1) nor the rural areas had ever formalized and submitted to the Commission any quantitative estimate of the development effort required and its cost; this was also true to a lesser extent of the areas in industrial decline.

The applications for assistance contained in the plans submitted by the Member States in 1989 for the five Objectives showed that their initial assessment of needs greatly exceeded the Community resources made available by the doubling of the structural Funds. Furthermore, since the Member States were aware that the resources available were limited, it is probable that most of them applied for less than their total needs.

In the case of the least prosperous Community regions, the compromises made during negotiation of the CSFs resulted in the Commission reducing all items of expenditure. Many applications for funds to assist expenditure on the development of human resources, rural development and investment had to be rejected. The applications made at that time exceeded the resources allocated to Objective 1 by almost two thirds.

The resulting constraints on assistance meant either that certain planned operations had to be abandoned or that the level of Community assistance had to be reduced so that the financial burden to be borne, in the end, by the budget of the Member State concerned or by the private sector was correspondingly increased. In some cases, loan facilities (EIB) provided a way to complete the financing plan.

In the case of the other Objectives too, the needs expressed were well in excess of the resources available, even though the Member States themselves had already made a pre-selection from the potentially eligible measures.

In the case of the conversion of declining industrial areas (Objective 2), the scope of the policies of national public authorities and of firms was out of all proportion to the ability of the Community to assist. The same was true of employment policies (Objectives 3 and 4), where the extent of measures to assist job finding and combating unemployment was justified by the persistently high level of unemployment.

Despite the high quality of the plans submitted for the development of the Objective 5(b) rural areas, the level of Community assistance remains very modest compared with what is being done by the regional and national authorities.

Nevertheless, this overall effort to quantify needs over a period of several years constituted a valuable indication of the appropriations required for cohesion.

2.2. The measures undertaken in 1989 meet the specific needs of the areas assisted

The volume of resources (ECU 60.3 billion over the five-year period plus ECU 3 billion for the five new German Länder) is not in itself an indication of the impact of Community measures. The effectiveness of the resource allocation exercise can be judged by assessing the qualitative impact of the measures undertaken in pursuit of the objectives.

Points covered by the assessment work included the suitability of the programming tools, the CSFs and the programmes to deal with the specific development problems encountered by the regions being assisted under the regional Objectives (1, 2 and 5(b)) and those concerning entry to the labour market (Objectives 3 and 4).

Measures under Objective 5(a) have continued steadily. The CSFs for the implementation of the regulations on improving the processing and marketing of agricultural and forest products have been introduced and assessment work on this Objective is in progress.

The results of this work are encouraging. In the case of the Objective 1 regions, assessment, some of which has been carried out by outside experts, demonstrates that the general guidelines of the CSFs approved by the Commission are appropriate in content to the major problems of structural adjustment being experienced by those regions.

The redirection of structural measures in those countries, whether financed from national or Community resources, is designed to strengthen their positions, principally by permitting a significant increase in investment in sectors of particular importance for the development of the economy.

The CSFs reflect the major priorities for structural measures which the Commission intends to support in these countries and are designed to eliminate the bottlenecks which afflict their economies.

Improving access, which depends primarily on the upgrading of basic infrastructure, remains the chief priority for the Objective 1 regions, receiving 29% of their total funds. Its main components are transport, telecommunications and energy, which together account for some ECU 7 500 million, or 70% of the funds allocated to this priority.

In accordance with its regional policy guidelines, the Commission has encouraged Community support to develop the productive sectors and this priority has 15% of the multiannual allocation. Its main aims are enhanced business competitiveness, the promotion of tourist potential and the strengthening of technological potential.

The development of human resources is also a priority for all the Objective 1 regions, with ECU 7 748 million or 21% of the total available. This priority consists mainly of measures to promote vocational secondary education and apprenticeships and to improve training facilities. In the Objective 1 regions, this priority also includes measures falling under Objectives 3 and 4.

The fourth major priority for Community assistance throughout the Objective 1 regions is rural development, and in particular the exploitation of agricultural and fisheries resources. Appropriations under the Guidance Section of the EAGGF amount to 15% of total Community assistance and, together with the Community contribution from the other two Funds to measures to assist rural development, mean that some ECU 10 billion will be available for this purpose.

It was also found that the priorities in the CSFs constituted an appropriate response to the needs identified in the areas eligible under Objective 2, where some qualitative changes were achieved. As far as the conversion of declining industrial areas is concerned, programming is now clearly based on a conversion strategy rather than simply representing a continuation of a fragmented approach, as was too often the case formerly.

Programmes are stressing business development and vocational training which together account for almost 47% of the total appropriations for new measures.

Despite the limited financial resources allocated to Objective 5(b), these Community support frameworks have clearly demonstrated the ability of Community policy to generate substantial leverage effects at all levels, national, regional and local with the mobilization of not only administrative bodies but also those involved in the economic and social life of the regions concerned.

In the case of Objectives 3 and 4, the move introduced by the reform from a project-based approach to multiannual programming represents an important change but the effectiveness of the Community response to these Objectives is also determined by the fact that Community finance is small in comparison to national public expenditure on active measures to promote employment (scarcely 4%).

2.3 The Community contribution to German unification

Besides implementing the five Objectives of the reform, a process which began in 1989, the Community has had to make further efforts to assist the integration into the Community of the five new Länder and eastern Berlin. At the end of 1990 the Council decided that the Community would contribute ECU 3 billion to this process between 1991 and 1993; in addition, EIB and ECSC loans will total some ECU 2.6 billion.

In general, implementation follows the pattern of the Objective 1 regions with a single CSF covering measures under the three Funds drawn up through the usual partnership procedure, based on a development plan and resulting in a series of 25 operational programmes and some technical assistance measures. Measures for infrastructure of economic importance and productive investment account for 50% of the resources, the development of human resources and combating unemployment for 30% and rural development and agricultural structures for 20%.

The lack of reliable and comparable statistics from the new Länder hindered assessment of the economic situation. It was not until 1992 that the first available statistics demonstrated that per capita GDP at current market price in the new Länder was about half the Community average.

3. The contribution of structural policies to the redirection of general economic action

As described above, ECU 60 billion were allocated to specific priorities to improve structural economic efficiency (see Table 1).

3.1 The volume of assistance

The overall increase in resources from 1989 to 1993 was modest, if measured as a percentage of Community GDP, rising from 0.2% to 0.3%, but, as the figures in Table 2 show, this amount is significant in macro-economic terms, particularly for the Objective 1 countries. Community assistance under the CSFs in Portugal, Greece and Ireland (countries wholly eligible under Objective 1) amounts to 3.5%, 2.9% and 2.3% of GDP respectively while in the other countries eligible under this Objective it ranges from 0.8% to 1.7% of the GDP of the regions concerned. Community assistance is decisive for investment, since in 1992 it will represent, for example, 11% of total investment in Greece, 8% in Portugal, and 7% in Ireland.

The volume of funds for the Objective 2 and 5(b) areas is smaller but in all the areas concerned Community assistance represents a very welcome contribution, sometimes accounting for a significant share of investment there and at all events making a substantial contribution to increasing their productive potential and hence the prospects for development.

Besides providing a financial transfer, implementation of the reform through joint programming procedures often results in practice in adjustments of national policies. In Spain, for example, the national government amended the law on transfer payments between the regions to bring their regional policy into line with that of the Community. They also put their national research and development plans on a regional basis.

In many cases, the structural Funds are playing a key role. Examples include protection of the environment to which some 7% of the amount under Objective 1 is devoted, the provision of assistance for projects such as improving access to a country or developing training or research and development projects which budgetary restrictions would make it impossible to carry out otherwise. For example, in Greece the sums spent on major roads during the five years of the CSF are more than double the amount spent in the preceding five years while in Portugal assistance from the structural Funds and the stimulus they provide will enable investment in education to rise five-fold and that in research and development by two and a half times.

The importance of this assistance is reflected in the results of assessments, which seek to measure the economic effects which should flow from implementation.

3.2 Assessment of the impact of Community assistance

Both at the macro-economic level, in the case of the Objective 1 countries, and with regard to the reorientation of the structures of production, in the case of the areas eligible under Objectives 2 and 5(b), Community assistance has already triggered off a catching-up process which, if it continues, can have a lasting impact on economic and social cohesion within the Community.

Objective 1

In terms of its macro-economic impact on those countries where this can be measured, the reform of the structural Funds will have a substantial positive effect. Estimates suggest that the five years from 1989 to 1993 will see some countries reducing the amount by which they are lagging behind. During that period, growth rates in Ireland, Portugal and Spain should be higher than those expected for the Community as a whole, 3.1% per year for 1987-92 and 2.4% per year for 1989-93. Their rate of investment should also increase significantly (by 2 to 3 percentage points), so laying the basis for sustained long-term growth.

Assessment of the impact of the Funds proper suggests that the largest contributions to faster growth will be in Portugal (0.7% per year) and Greece (0.5%) while for the other Objective 1 countries and regions it should be about 0.3% per year. Overall, the potential impact of the structural Funds could be to increase the GDP of those countries and regions by 1.5% to 3.5% by 1993. Faster growth will have a positive impact on employment: between 1989 and 1993 Community assistance should lead to the creation of some 500 000 new jobs. Spain is expected to be the major beneficiary in absolute terms with some 120 000 new jobs, followed by Italy (85 000) and Portugal (70 000).

By generating extra demand the structural Funds are contributing to increased economic activity. However, Community grants are targeted on capital investment and human resources whose impact on growth potential will be apparent only later.

It is still too early to make any useful assessment of supply-side effects. Estimates for Ireland and Portugal suggest that by 2000 their total impact should be broadly similar to that on the demand side; in the longer term, they will become the major factors generating growth. However, these results await confirmation from assessment of the measures themselves. It is, however, significant that most investments concern infrastructure, investment aid and training (see Table 3), the areas which are most likely to give rise to increasing returns and the regular generation of cumulative growth.

Current programmes provide several examples which illustrate this point. Some 1 600 km of motorways in Spain are receiving Community assistance. In Ireland, major roads are being modernized, one of which together with an up-dated rail link, will provide improved communications between Dublin and Belfast. In addition, no fewer than 200 000 people will take part in training programmes under the operational programme for industry in Ireland, which should eventually lead to the creation of some 70 000 new jobs. The capacity of Le Reuzet airport in Guadeloupe will grow from 1.5 to 2.5 million passengers per year. A road freight facility and the restructuring of the rail transport network will provide the Naples metropolitan area with a modern infrastructure system and the system of dams and water storage facilities in Apulia and Basilicata will make a vital contribution to resolving structural water problems.

PEDIP

The specific programme for the development of Portuguese industry is also helping strengthen the country's industrial base in the areas of infrastructure, human resources and productive investment and, more generally, by raising industrial productivity.

The new Länder

In the new Länder a definite upturn in economic activity can be detected already, although the number of registered unemployed is still rising. The long traditions of a highly industrialized region and the substantial efforts being made by the Community and the German Government plus investment by the private sector will prove beneficial, although the effects are difficult to quantify at this stage.

Objective 2

In the case of Objective 2, the scope for a quantitative approach is more limited even though the leverage effect of Community assistance is evident in certain instances. It is in any case clear that the authorities in the areas eligible under this Objective attach an importance to assistance from the structural Funds which goes well beyond the financial dimension of Community aid.

Participation by the regional partners has resulted in a genuine redirection of Community funding, which, to a greater extent than in the past, is being used to assist measures directly related to the creation of jobs and support for productive investment. Basic infrastructure, which is by now generally well developed, will receive considerably less support than in the past. The creation of alternative activities and the strengthening of the productive structure which had been affected by major restructuring problems is now beginning to bear fruit and give these areas a fresh impetus. Thus the spread of technological innovations among small businesses in

French areas undergoing industrial conversion is promoted by the establishment or development of technology transfer centres adapted to meet the needs of local industries. In the United Kingdom and Germany, projects assisted include urban renewal in town centres and the improvement of the environment, for example in the Ruhr valley.

Objectives 3 and 4

An assessment of measures undertaken under Objectives 3 and 4 demonstrates that they have assisted the long-term unemployed and young people in search of their first job. Worsening unemployment, and its changing nature, has unfortunately meant that these Objectives are still relevant. However, the extent to which the Community is able to help fight long-term unemployment and assist young people to find their first jobs is also determined by the fact that Community expenditure is modest in comparison to national expenditure on the labour market and by the extent of the problems covered by Objectives 3 and 4 which, although well-defined, are vast, with the result that it is difficult to concentrate Community assistance on targeted measures.

Objective 5(a)

Assessment of Objective 5(a) measures shows that, besides assisting in the improvement of agricultural structures, they have contributed to retaining population in the countryside, protecting the environment in sensitive areas and to rural development in the broad sense. One quarter of the holdings in the less-favoured areas, 1 200 000 farmers in all, have received compensatory allowances, which account for a substantial proportion of farm incomes in such areas. Assistance for on-farm investment and for processing and marketing has helped adapt production to meet market needs, while avoiding increased production in sensitive sectors. Assistance has been largely directed to farmers with low incomes and to small farms while in the processing sector the stress has been on improving product quality. Measures such as aid for extensification, set-aside and afforestation of farmland have made a clear contribution to reducing productive potential. Establishment aid for some 40 000 young farmers a year has also helped inject new blood into farming.

Objective 5(b)

Implementation of Objective 5(b) did not begin until 1990 and it is still too early to analyse its socio-economic impact. Initial results demonstrate that the measures are in line with needs and will permit the implementation of strategies which will make a significant contribution to developing the potential of rural areas. In view of the development objectives and the limited financial resources, appropriations have been concentrated on a restricted number of priorities which will contribute to developing the local potential of the areas in question: conversion, the improvement and diversification of agricultural production, rural infrastructure and afforestation (36%), the development of small firms (24%), the development of human resources (18%), the environment (12%) and tourism (10%). The assistance planned should release new energies for the development of these areas through support for all local and regional initiatives.

Fisheries

Implementation of the measures for fisheries negotiated in the CSFs (improved conditions for the marketing and processing of products) began only recently and no assessment has yet been carried out. However, the CSF negotiations demonstrated clearly that the guidelines for Community assistance will henceforth give priority to the needs of modernization and technological innovation, particularly to assist SMEs and improve hygiene conditions. It is expected that 210 modernization projects in the sector will be assisted under the new operational programmes.

3.3 Positive impact on the Community as a whole

The benefits of Community assistance will not be limited to the regions directly concerned. The whole Community should benefit directly or indirectly from the extra activity which they generate.

Completion of the measures set out in the CSFs will increase direct imports of products from other Member States. According to a preliminary study, a calculation of the import content of investment expenditure shows that, of every hundred ecus invested in Portugal, ECU 46 will be returned to its Community partners in the form of imports. In the cases of Greece, Ireland and the eligible regions of Italy and Spain, this figure ranges from ECU 16 to ECU 35. It is true that a large share of Community assistance is directed towards other activities such as vocational training, where the import component is smaller, but the opening up of public contracts to the other Community countries will certainly be a positive influence in this respect.

New rules regarding such contracts, together with their expansion and the beginning of work on major projects in the regions receiving Community assistance, will encourage the formation of highly competitive European consortia in the more advanced countries.

Improved access to regions will also increase the penetration of Community products into markets which have hitherto been remote from the distribution networks of the most advanced regions.

If the trend of intra-Community trade at the end of the eighties continues, the most developed countries should benefit from an expansion in their export opportunities.

Faster growth in the countries whose development is lagging behind will have a positive effect on the other Member States and so make possible a sustainable higher growth rate throughout the Community.

Successful implementation of structural policies will also affect population movements in a way which will prove beneficial both to the regions receiving assistance and to the regions and towns which would have been subject to greater migratory pressures. In the face of a large wave of immigration, the latter areas would experience greater pressures in integrating foreign labour while the regions of origin would lose young and/or skilled labour which represents an important asset for the development of their productive structure. Similarly, an integrated policy for rural development must ensure retraining for those who wish to leave agriculture and take up other activities in the area in order to stop the flight from the land and retain a minimum level of population in some of these areas.

4. The structural policy instruments

The methods of assistance were reformed at the same time as the priority objectives for the Community's structural assistance were identified in 1988.

Three years after the entry into force of the reform, an initial assessment can be made of the progress in applying the new methods of assistance. There have clearly been positive results, but continued effort is needed if the implementation of the reform is to meet the expectations created by its principles.

4.1 Synergy and integration between the Funds are needed to increase their effectiveness

Under the reform of the structural Funds, the programming system is defined in relation to five priority Objectives while the financial instruments are defined by category of eligible measures.

Consequently, if measures are to be made more effective, it is necessary to achieve integration between the structural Funds providing assistance for the same priority Objective. One of the most important tasks in preparing the CSFs has therefore been to seek maximum complementarity between the Funds. This effort has been extended throughout the negotiations between the Member States and the Commission on the content of operational programmes, many of which take the form of integrated or multifund programmes (about 200 at the end of 1991).

Attention was primarily focused on:

- the strengthening of productive sectors, which requires capital investment as well as support for the technical and vocational training of human resources;
- development of agricultural and rural areas, an ideal domain for combined assistance from all three Funds;
- development of human resources, which requires assistance in the form of both training facilities, part-financed by the ERDF, and training measures covered by the ESF.

Although the objective of integration has been achieved in some cases, it has not been possible to ensure entirely the required synergy between measures, because of the existing distribution of competences among both the Community departments and the national authorities concerned, and because of the shortage of time allowed for deciding on assistance. Despite the progress already made, certain aspects of the functioning of the system of coordination and integration between financial instruments are still too inflexible.

4.2 The combination of loans and grants must be increased

In the interests of efficiency, the various Community instruments must be combined in such a way as to provide the method of funding best suited to the type of measure in question. In practice, this means attempting to combine loans and grants in a way which is both judicious and economical in terms of budgetary resources. This effort involves the European Investment Bank and the other Community loan instruments, especially the ECSC.

Regarding the EIB, although a large proportion of its loans have been allocated to the regions eligible for structural Fund assistance (53% out of a total ECU 23 billion in 1989-1990), the coordinated joint programming and evaluation of investment has been relatively limited. This situation reflects factors such as the constraints of indebtedness in certain countries and the availability of other sources of finance, but also some important differences in philosophy and decision-making procedures. The EIB is primarily project-oriented and indeed the Treaty and its Statutes have up to now referred only to project financing.

The new Article 198e should provide the basis for EIB loans to contribute to the programming of loans in a way which can be integrated into that already in use for the structural Funds.

Similarly to the EIB, ECSC lending has concentrated on Objective 1 and 2 regions (80% out of a total ECU 1.7 billion in 1989-1990), without effectively being programmed with specific CSF measures. The new approach to conversion loans to be implemented in 1992 will place greater emphasis on concentration, partnership and programming. This approach will be reviewed in 1993.

4.3 Partnership: an important innovation

Partnership is defined by the framework Regulation as close consultations between the Commission, the Member State and the competent authorities designated by the latter at national, regional, local or other level, covering the preparation, financing, monitoring and assessment of operations. Effective application of this principle requires the respective tasks of the various authorities and bodies involved to be clearly defined and appropriate concertation methods and instruments to be implemented. A balance must be found between the greater possibilities for coordination, overview and economies of scale to be found at more centralized levels of administration and the greater knowledge of local needs and greater flexibility at more decentralized levels. The reform can claim some success in this area and the experience gained shows which steps should be taken in future to continue moving in the right direction.

The opportunities for involving the regional authorities in the definition and implementation of Community assistance vary widely according to the institutional structures of the Member States.

- During the preparation of development plans, Member States have generally chosen to present a single plan for the whole country for most Objective 1 regions as well as for Objectives 3 and 4 (with, in some cases, a regional breakdown for certain operations). That the Member States have opted for this solution has to some extent restricted the opportunities open to the regional authorities to contribute to the definition of strategies and preparation of assistance.

- During negotiation of the CSFs and the programmes, the regional partners were more fully involved in the process of defining Community assistance. Greater emphasis was therefore placed on the regional dimension in the CSFs and direct dialogue was established with the regional authorities, to the extent that the institutional structures of the Member States so permitted.

- The Monitoring Committees set up at regional level have become an effective means of ensuring a proper three-way partnership. Even in those Member States where regionalization is less developed, a pragmatic approach has made it possible to ensure that the regional actors can participate to some extent in the monitoring of assistance.

- Regional and local authorities have assumed considerable responsibility for implementing the decisions taken. However, it is to be regretted that little use has been made of global grants, which were specifically designed as an effective means of involving local partners in the implementation of Community assistance. This type of assistance has however been used for the implementation of certain Community initiatives.

Decentralization of the responsibility for implementing Community assistance has shed light on the differences between the various regional and local authorities as regards technical and management capability. In at least one Member State, regionally based measures are running well behind programmes managed at national level and this could require, where appropriate, a reprogramming of regional and multiregional measures. The difficulties would have been reduced if Member States had made greater use of technical assistance which should have accompanied the decentralization process.

Despite the Commission's efforts, the participation of the social partners in the work of the Monitoring Committees has often been unsatisfactory. They are in few cases represented on the Committees, other than those for Objectives 3 and 4, and are only in some instances informed of the results of meetings as outsiders. The various ad hoc contacts which have been established with representative organizations have been very useful, but are not enough to ensure that the social partners are properly involved in the programming and monitoring process.

4.4 Programming method and procedures

The propagation of a programming and management method based on partnership has been a cornerstone of the reform. However, the ease with which the authorities concerned have adopted this method varies greatly from Objective to Objective and from one Member State to another.

In the case of the Objective 1 regions, the introduction of the programme approach provided a springboard for a highly valued learning process. However, as was to be expected, given the larger scale of the measures to be programmed and since one of the reasons for economic backwardness is often the weakness of the administrative system, the process has in some cases been very arduous and has not yet entirely achieved the desired results.

In Objective 2 and 5(b) areas, these methods have been assimilated quite quickly, although the authorities involved have complained that they are excessively cumbersome measured against the resources being programmed.

Some authorities regard measures under Objectives 3 and 4 as largely determined by external demand linked to the situation on the labour market, and therefore more difficult to programme.

Lastly, with the exception of schemes for the marketing and processing of agricultural, forestry and fisheries products, the measures financed under Objective 5(a) have mainly remained outside the ambit of programming because assistance is still based on reimbursement of the Member States for part of their expenditure under already existing aid schemes.

The multiannual planning technique has induced the partners to adopt a "strategic approach", resulting in greater selectiveness and coherence in the measures part-financed by the Community. This shift has not yet yielded the expected results. The plans presented by the Member States do not pay sufficient attention to the quantitative aspects of the objectives to be achieved. The <u>ex-ante</u> assessment which should have enabled the CSFs and programmes to be better prepared has proved difficult to carry out, mainly because of the very short time available in which to prepare assistance. Consequently, the approach taken is based on what is eligible, and is influenced by an <u>a priori</u> allocation of resources among financial instruments, instead of being focused on designing programmes made up of mutually-supporting measures defined in relation to specific objectives.

The present programming procedure consists of three phases: preparation of the development plan, definition of the CSFs and definition of the forms of assistance. This method is applied in widely differing situations as regards the resources mobilized: more than 50% of the CSFs concern Community assistance of less than ECU 50 million, while four CSFs (Mezzogiorno, Objective 1 regions in Spain, Portugal and Greece) relate to Community aid worth more than ECU 6 billion each. In addition, certain CSFs are implemented by means of a very large number of forms of assistance, while others are implemented through a single operational programme. Clearly, therefore, not all CSFs are the same: some serve as a framework and give fairly broad indications, while others contain detailed breakdowns of the measures to be implemented.

The two-stage process of approval (and amendment) of CSFs and programmes has often proved excessively cumbersome. Moreover, application of this instrument to small CSFs has given rise to an administrative overload which is difficult to justify in terms of efficiency.

A continuation of the efforts at simplification already begun will entail a differentiation in the mechanisms according to the amount of resources involved and the type of assistance to be implemented.

4.5 Differentiation in the rates of assistance

The Community part-financing rates decided on during negotiation of the CSFs and forms of assistance reflect the choices made regarding concentration and the application of the criteria laid down in the Regulations (in particular the capacity to generate revenue and the ceilings fixed for aid schemes). The rates of assistance are not sufficiently varied to meet the real needs.

The part-financing rates in the Objective 1 CSFs range between 45% and 55% of the total cost of measures and between 50% and 60% of public expenditure. The maximum levels fixed by the Regulation, therefore, have not nearly been reached: 75% of total costs. This choice of rates has, in some cases, contributed to the difficulties encountered in certain Member States in ensuring the national cofinancing of Community intervention.

In the case of the other Objectives, the rates of assistance in the CSFs vary between 20% and 50% for Objective 2, 40% and 45% for Objectives 3 and 4 and 24% and 30% for Objective 5(b). In this case also, the average rates fall well short of the maximum levels fixed by the Regulation.

4.6 Financial management and channels

The financial management mechanisms were run in during the first period of implementation of the reform and have already been adapted in various ways in order to increase their flexibility. However, they require further simplification.

The financial channels for Community assistance in the Member States are often complex. In addition, payment channels vary depending on which Fund is involved. Taken together, these factors explain why delays in payments during the financial implementation of programmes are often very long. Such delays cause uncertainty for beneficiaries and reduce the economic impact of Community assistance. Even if such delays do not always occur, the very fact that they might makes cash-flow planning a gamble for end beneficiaries. Consequently, analyses show that current financial channels make it difficult to apply the principle of joint-financing and that most Member States view Community aid as a reimbursement. Improving these channels is a vital step towards improving the effectiveness of Community action.

4.7 Additionality

The verification of additionality, the inclusion of which in the regulations was an important innovation in the 1988 reform, could not be carried out ex-ante and a standard clause in the CSFs states that the Commission will carry out this verification throughout the period of implementation of the CSF. The Commission has sought the necessary information from the Member States. Where transfers are large and Member States are wholly eligible, verification presents no particular problems. The main difficulties encountered concern the availability of information, where it has proved difficult to obtain the necessary data from several Member States, and the need to ensure that Community funds reach the areas for which they are intended.

5. Budgetary implementation of the structural policies has been satisfactory

When it decided in February 1988 to double by the end of 1993 the budget of the structural Funds and the resources allocated to the most disadvantaged regions, the Council endowed the Community's structural action with the sum of ECU 60.3 billion (in 1989 prices), of which ECU 38.3 are earmarked for the Objective 1 regions alone, which are the main beneficiaries of the cohesion effort.

This doubling of resources was an ambitious challenge for all the partners involved in structural action, and especially for the disadvantaged regions, in terms of both the capacity for redeployment of expenditure by the national governments in order to provide the counterpart funds and the mobilization of all parties to present and physically implement the programmes and projects which would bring into play the funds entered in the CSF estimates.

After three years of implementation (1989, 1990 and 1991), the general perception of the implementation of measures during that period is that the situation is satisfactory as regards both commitment and payment appropriations. A detailed analysis of implementation can be found in the Annex (Tables 4 to 8).

The broad lines emerging from the data are as follows:

For all the countries covered by Objective as a whole, all of the commitments have been made as forecast, in line with the rate of expenditure programmed in 1989 in the CSFs and corresponding programmes. Some Member States, such as Spain and Ireland, are even ahead of schedule. In Greece, Portugal and Spain, commitments would have been higher if more resources had been available in the 1991 budget.

The monitoring system introduced under the reform has made it possible, throughout the period of implementation, to identify teething troubles with certain measures and to reprogramme those measures in agreement with the Member State concerned.

Implementation is equally satisfactory where the other Objectives are concerned. At the end of the first programming phase for measures under Objective 2 (1989-91), almost all appropriations have been committed, and only a very small amount of unused funds will have to be carried forward to the new CSFs approved for 1992-93.

Total commitments over the three years for Objectives 3 and 4 were slightly higher than the amounts provided for in the CSFs for that period.

It should be noted that, as provided for in the regulations, the Social Fund continued to operate during 1989 under the rules which applied before the reform.

The rate of commitment of the appropriations allocated under Objective 5(a) remains steady. Implementation of Objective 5(b) was the last to commence, since the CSFs were not approved until 1990. Much of the delay was made up in 1991, with the result that 88% of the amounts forecast for 1989-91 have been committed.

The rate of commitments under the structural Funds is not by itself an entirely satisfactory indicator of the implementation of structural measures, a better yardstick being payments actually made by the Community, the level of which depends directly on the rate at which operations are implemented. The level of payments made by the Funds over the three-year period is very satisfactory overall, even if there is some variation as between objectives : 61% of commitments in the cases of Objectives 2 and 5(b) where programmes began late because the eligible areas had first to be designated); 70% for Objective 1; and over 80% for Objectives 3 and 4. It demonstrates that the rate of implementation of operations in practice is very close to that estimated in the forms of assistance.

III. THE OUTLOOK

Introduction

The latest developments show that, despite a slight strengthening of economic and social cohesion arising from a more favourable economic situation, a more effective pooling of effort by the Member States and the Community and, recently, a substantial increase in assistance, differences remain very considerable and the gap is closing only slowly or in some cases not at all.

This points to a continuation and stepping up of existing effort. Some adjustment is needed to meet the changed economic and social context brought about by progress towards European integration and the sweeping changes in the world economic order over recent years as well as to respond to the lessons of the first three years of the reform. This indeed is the general thrust of the Treaty changes including the protocol on economic and social cohesion agreed at Maastricht.

The strengthening and readjustment of structures in regions whose development is lagging behind is made all the more urgent by the creation of the internal market, the increased competition which this implies between businesses and regions and the need for a substantial and rapid reduction of economic disparities between the Member States in order to achieve economic and monetary union.

If the Community is to adapt to a world where economic conditions are constantly changing, assistance must take account of the pressing need to improve the Community's competitiveness, with the social consequences that this implies. In addition, support for the liberalization of world trade in the context of GATT and for the progress of the countries of central and eastern Europe towards a market economy must take account of the Community's overall effort to achieve cohesion.

Assistance must continue to be concentrated mainly on the established priorities of the structural policies, but certain adjustments will be needed, in particular to accelerate adjustment in the less developed regions, to facilitate structural industrial change, to contribute better to improving competitiveness, to tackle the growing problems of migration and to respond better to the requirements of rural development. Moreover the conversion of regions dependent on fishing has to be ensured.

At the same time, if assistance is to be more effective it must be more flexible. Strengthening of the partnership mechanism, improving assessment procedures and simplifying decision-making procedures are ways of improving the functioning of the Funds by building on past experience. Extending the scope of Community assistance, introducing a greater differentiation in rates of assistance and giving a greater role to Community initiatives are a response to the conclusions of the Maastricht summit.

1 Need for continuity and sustained long-term effort

1.1 Continuity and greater effort

In spite of the handicaps they suffer from, recent data indicate that the less developed Member States did on the whole enjoy higher rates of growth in output and income per head than the rest of the Community in the second half of the 1980s. As a result the previous trend towards growing divergence is falling off and in the case of certain Member States and regions a slight tendency towards convergence appears. In particular fixed investment increased rather substantially in most of the less favoured countries.

This overall growth picture hides nevertheless the fact that progress has not been uniform and that a large number of the Community's weakest regions have made very little progress towards the Community average, or have even continued to diverge from it. Moreover, their reliance on external transfers rather than on indigenous production activity to maintain income levels has continued to increase.

Unemployment peaked at 11% in 1985. From then until the end of the 1980s, the increased growth rates of the Community resulted in an average annual increase in employment of 1.4% creating more than 9 million jobs by 1990. The downturn in the world economy during 1991 reduced the rate of job creation very sharply.

Despite a slight improvement between 1985 and 1990, disparities in unemployment rates between the regions of the Community are still very wide. In 1990, in large parts of Spain, Southern Italy, Ireland and the extreme south of France, unemployment rates approached 20%. On the other hand, rates were below 4% in Southern Germany, Northern Italy and the South of England. These figures refer to rather large geographical units, and therefore conceal even more severe localised problems.

The reform of the Community's structural policies, supporting those devised and implemented by the Member States, has helped reduce disparities to a certain extent. In some cases, the structural Funds have played a key role in promoting cohesion. Particularly in the Objective 1 regions where most of the Community effort in this regard has been concentrated, there would have been less progress towards convergence if the structural Funds had not existed.

1.2 The long-term process

While some progress has been made, economic convergence nevertheless continues to represent a formidable challenge both in terms of the real growth in output required and the length of time over which it must be consistently sustained.

Calculating the difference in the annual growth required for a region which is lagging behind to be able to catch up over a given period of time indicates the size of this challenge and the time which will be required for it to be met. For example, to achieve an improvement of 20 percentage points so that a region's per capita GDP can rise from 50% of the Community average to 70% will require a difference in annual growth rates of 1.75% over 20 years or 2.25% over 15 years. In other words, if the annual average rate of per capita growth in the Community is around 3%, the region concerned would have to achieve 5.25% per capita per year over the next 15 years or 4.75% per year over the next 20 years (Tables 11 to 13).

Disparities remain high but, above all, "equality of opportunities" is still far from being a reality throughout the Community. Some regions do not yet possess the necessary capital endowments (physical, human and technological) to allow them to compete on a level playing field. Some groups of individuals can as yet enjoy only a moderate level of welfare and their real possibilities of increasing it are rather remote.

The Commission has calculated the amount of investment required to raise the availability of infrastructure and know-how in the Objective 1 regions to the level which the rest of the Community enjoys. The part-financing required to ensure the development of rural areas and to secure an appropriate level of aid to productive investment has also been estimated. Although these estimates have been carefully prepared, they should be interpreted with a certain amount of caution, both because the data are difficult to quantify and because the results make certain assumptions about the future of the Community. Furthermore, they relate only to the Objective 1 regions, and do not include the needs of the former GDR regions.

The investment required to close the gap in transport, telecommunications and energy infrastructure totals some ECU 26 billion per year at 1992 prices.

- The total investment needed between 1994 and 2010 to raise the level of transport infrastructure provision to the Community average is ECU 10.5 billion per year.

- The total cost of expanding and upgrading telecommunications infrastructure in the lagging regions by 2010 to the standards prevailing in the rest of the Community is some ECU 8 billion per year.

- On the basis of the investment plans of the gas and electricity industries, total needs for investment in infrastructure between 1994 and 2000 amount to some ECU 7.5 billion.

In addition to the investment requirements mentioned above, there is a need for further investment in other fields.

It has not proved possible to quantify this need in all the fields in question (e.g. research and development). In the case of the environment, a number of studies still under way to quantify the investment required to reach the standards laid down in existing or planned Community legislation suggest that at least ECU 3 billion per year will be needed for waste water, urban and industrial waste and air quality alone.

The investment in infrastructure required to enable the lagging regions to raise participation rates by those aged between 15 and 19 in education and training to the levels achieved in the more advanced countries is put at ECU 1 billion from 1994 to 2010. This concerns only investment in secondary education and vocational training and excludes university education and research.

On the assumption that the per capita volume of investment aid in these regions would be 20% higher than that elsewhere in the Community, the promotion of investment in industry and services in the Objective 1 regions would require some ECU 8 billion per year until 2010. These estimates are based on per capita investment aid over the period 1986-89.

Current expenditure needs for vocational training in the Objective 1 regions are estimated at ECU 7 billion per year if training rates there are to converge with those elsewhere in the Community.

The continuing decline in agricultural employment is another major problem in the Objective 1 regions, many of which are still heavily dependent on agricultural activity and remain essentially rural in character. By way of example, the creation of 150 000 jobs in rural areas and the halving of the gap between fixed investment in agriculture in the Objective 1 regions and the Community average would require public expenditure amounting to about ECU 6 billion per year from 1994 to 1998.

It should be noted that since these figures cover the Objective 1 regions only, the needs of other areas eligible under other Objectives (2 and 5(b)) would have to be included to give a complete picture.

The overall total expenditure quantified under the above headings amounts to more than ECU 50 billion per year, i.e. 9-10% of the GDP of the Objective 1 regions. This is equivalent to about 1% of Community GDP. These figures illustrate the importance of the challenge to be met by public authorities and by an appropriate mobilization of private investment and underline the need for a further effort of solidarity by the Community.

2. The new context

The completion of the internal market

The challenges arising from the completion of the internal market will not end on 31 December 1992. Competitive pressure on the economies of the weakest Member States and regions will gradually increase as stronger parts of the Community take advantage of the removal of non-tariff barriers. Lagging regions will need to accelerate their structural adjustment and try to move away progressively from activities giving them a comparative wage cost advantage in the short run but concentrated in sectors with a low technological content and without good prospects for the future. Otherwise, the existing spatial division of labour and present regional disparities between the centre and the periphery risk being perpetuated.

Unfortunately, given their structural handicaps including low technological capacity and more generally the continuing insufficiencies in the local management of development finance, most of the lagging regions are badly equipped to carry through successfully the restructuring and modernizing of existing activities without additional aid. In addition the transformation process in some of the lagging regions can be very costly in social terms. Job losses could be substantial in the short term and retraining needs are high on the priority scale.

Economic and monetary union

A sound overall economic environment is essential for reinforcing cohesion. The Maastricht Treaty set up a new context for the economies of the European Community as regards economic policy goals for the years to come. Goals are laid down for the construction of EMU and mainly relate to the achievement of economic convergence; in order to become full members of EMU and harvest the benefits of the single European currency, the economies of the Member States must be able to achieve the economic convergence criteria set out in the Treaty.

Whilst it seems clear that some of the main benefits of EMU will be of particular relevance to the Community's lagging regions especially in the longer run (e.g. elimination of transaction costs and the reduction of interest rates) it is also clear that the extent and the urgency of the necessary adjustment and the additional constraints imposed by the requirements of convergence will add to the existing pressures on these regions during the second phase of EMU.

During the period of transition to EMU, i.e. the period before the beginning of stage III, the economies of the Member States will have to undergo considerable adjustments in order to achieve the necessary degree of convergence. These adjustments are intended to improve macro-economic performance. Moreover, monetary stability, the pursuit of sound fiscal policies, and the enhancement of market efficiency are necessary ingredients for harvesting the benefits of an integrated European single market. However, with the move towards EMU the pace of such adjustments will have to be accelerated.

The possibility for such an acceleration is not the same for all Member States. In those which are least favoured, as a result of less efficient economic structures and poorly performing market mechanisms, the necessary adjustments could, without outside help, be a long process. Therefore, least favoured Member States would not have an "equal opportunity" to fully join EMU together with their EC partners.

The effort of adjustment with a view to EMU required of the less favoured Member States is therefore higher than for the others; on the one hand nominal convergence is still far from the objectives and, on the other, they face pressing development needs.

In the less favoured Member States and regions the capital endowments (both physical and human, including technology) are currently much lower than in other Member States, so that competitive conditions are unequal. This situation largely stems from "market failure" and requires intervention by government to provide public goods and services in domains such as basic infrastructure, training, education and environment. It would not be acceptable that for the less favoured Member States transition to EMU should have to be achieved at the cost of reducing the (present and future) supply of public goods and services with which they are poorly endowed.

Transition to EMU should also not be achieved at the cost of economic growth. Reducing disparities implies not only that the less favoured Member States must achieve sustained growth but that this growth must be faster than elsewhere. The loss of the flexibility inherent in the nominal exchange rate is of greater concern to them than to those Member States which have more solidly based economies. It will therefore be necessary to increase the flexibility of markets in order to promote the harmonious development of all regions of the Community.

Social and environmental dimension

Progress made in Maastricht towards political, economic and monetary union will make the need to harmonize social and environmental standards throughout the Community more urgent. This will represent an additional challenge for the economies of some of the Community's lagging regions, the competitiveness of which has been based, until now, to a large extent on low wage costs and also in some cases inadequate environmental standards.

Since responsibilities regarding the environment are constantly growing and since the environment is playing an increasing part in the location of economic activity, this policy is likewise becoming more important as a factor of cohesion. That is why Article 130r of the Treaty lays down principles for more effective coordination between environmental policy and the search for cohesion.

The harmonization of social rules within the Community is in itself a wholly desirable objective but it is also clear that if this process is to be swift, there will also have to be rapid progress towards reducing the gap in productivity between the lagging regions and the rest of the Community.

Challenges from outside the Community

The increased responsibility in the external domain taken up by the Community in Maastricht will give it a bigger role in world affairs. This will increase pressure on the Community to take on more responsibilities in solving some of the major problems facing the world. At the moment, the Community is confronted with major challenges, namely to find an adequate response to the economic problems of eastern and central Europe, to improve relations with the rest of the Mediterranean area and with the third world countries and to conclude successfully the Uruguay Round negotiations.

Trade development will certainly bring benefits for the Community as a whole in terms of new export opportunities for advanced products and services but these benefits could accrue mainly to the most prosperous regions whilst the immediate costs of the opening of Community markets to imports of agricultural and low technology products are likely to fall disproportionately on the poorest regions, given the dependence of the economy of many of the lagging regions on sectors such as textiles and clothing. If any less prosperous regions were to continue to base their economies on sectors with low wage costs, they would become increasingly exposed to growing competition from the developing countries and those in eastern Europe, where wage costs are often very much lower than in southern Europe.

To the extent that the transition of eastern and central European countries to market economies is successful, there is a danger that increased flows of private multinational investment will be attracted to central and eastern Europe possibly at the expense of the weaker part of the Community. Despite their recent poor economic performances, the countries in that part of Europe, unlike the less favoured areas of the Community, have a long tradition in manufacturing and a generally more skilled industrial workforce.

3 The instruments for achieving cohesion

In future, the structural instruments will need to make a greater contribution to ensuring that Community and national measures are complementary.

Greater complementarity between measures for cohesion and policies designed to promote economic convergence will also be required. These two objectives are not mutually exclusive but must be pursued at the same time.

3.1 The priorities of the structural policies: the adjustments required

The principle of concentrating Community measures geographically and on priority objectives should be retained (the financial proposals in COM (92) 2000 and 2001 would lead to 70% of the Structural Funds being concentrated in Objective 1 regions) but some aspects of the objectives will have to be adjusted to take account of the new tasks of the structural policies following the Maastricht summit.

There will be no substantial changes to Objectives 1 and 2 but the objectives concerned with social and rural policy will require certain amendments.

In all cases, implementation of these Objectives will require greater flexibility.

(i) The development of the Objective 1 regions (those which are lagging behind), which from 1994 should include the five new Länder, where the problems are of a different nature, is the main challenge facing Community action on cohesion. A greater and more sustained effort will be required if their long-term development is to prove satisfactory. The regions eligible should be defined using the same criteria as were adopted in 1988.

(ii) In the case of Objective 2 (the conversion of declining industrial areas), work on geographical concentration should be continued. The main criteria for the selection of these areas would remain Community unemployment data and industrial employment statistics, but other factors, for example the anticipated impact of industrial change and developments in systems of production, would also be taken into account. It is also important for the Commission, acting in agreement with the Member States, to be able to exercise some discretion in selecting the areas.

(iii) The new Article 123 requires changes to Objectives 3 and 4 to take account of the new tasks entrusted to the ESF. Combating unemployment will remain a priority for the Structural Funds. Community assistance for national measures in this area would give preference to the long-term unemployed, young people and those excluded from the labour market who benefit from job-finding measures. In future greater emphasis should be placed on the transformation of training systems, where these have proved to be ineffective. The structural Funds would also help workers to adapt to industrial change and developments in production systems, by means of vocational training and retraining. This would be a new task for the structural instruments, one designed to create an environment more conducive to competitiveness in European businesses. Community assistance should be focused on prevention of the negative effects of such changes, adjustment to new productive functions and retraining to enter new occupations. These measures will be implemented through programmes drawn up in collaboration with the Member States, firms and vocational training bodies. They will be carried out in the work place (on-the-job training) or in educational or training establishments providing general courses and apprenticeships. In principle, Community assistance will be open without discrimination to all fields of activity and all types of enterprises.

The scope of objectives 3 and 4 should be defined and extended in a way which would enable them to retain their horizontal character while differentiating between assisted and other areas, where the focus should be on demonstration and innovative training measures.

(iv) The Community's structural measures for rural development should concentrate on the following priorities:

(a) in the case of the Objective 1 regions, greater efforts to modernize agriculture, where structures remain weak, should be accompanied by a still greater effort to diversify the economy of rural areas;

(b) Assistance under Objective 5(b) should be stepped up in view of the negative trends which are continuing to beset rural areas. Such assistance could be extended, provided resources are available, to new areas with no changes in the selection criteria and still respecting the principle of concentration;

(c) to increase the coherence and effectiveness of regional and rural development operations, measures to improve agricultural structures (Objective 5(a)) should in future be implemented through programming and partnership procedures similar to those used for the other Objectives but taking account of the special features of these operations. These measures will be continued with due regard to the new context created by the reform of the CAP. This means that aid for the protection of the environment, extensification, set aside, afforestation and early retirement will be replaced by accompanying measures as part of the reform of the CAP. In general, the funds allocated to Objective 5(a) would remain at the same level although this does not exclude some reductions in the case of marketing and processing measures;

(d) measures to encourage local rural development initiatives should be strengthened.

COM(92) 2000 notes that the special requirements of rural development would argue in favour of the creation of a specific instrument for rural development, which in due course would take over from the EAGGF Guidance Section. It presents this idea as something to be considered once the consequences of the reform of the CAP and the accompanying measures are assessed.

(v) Structural measures in the fisheries sector must be doubly decompartmentalized, both internally (as regards the other headings of the common fisheries policy), and externally (as regards the other Community measures), for a variety of reasons: greater synergy and internal coherence, more flexible programming on a broader scale, implementation of a strategy taking account of all structural aspects of fisheries, enhanced subsidiarity and greater use of the partnership mechanism and a larger contribution to strengthening economic and social cohesion. Furthermore, the unavoidable restructuring of the fishing industry requires the introduction of accompanying measures for the retraining of fishermen and the economic conversion of the areas affected, with account being taken of the concentration of activities in areas dependent upon fishing where this sector plays a significant, or even dominant, role in maintaining the local socio-economic fabric.

In view of the specific nature of the regions and areas directly dependent on fisheries, consideration could be given to the possibility of adding a sixth Objective to the structural policies, relating to structural measures for all regions concerned by fisheries. Its tasks would be to facilitate the necessary restructuring while taking account of their economic, regional and social consequences. The areas concerned would include some of the regions whose development is lagging behind (Objective 1). It would therefore be desirable to define those areas which are particularly dependent on fisheries. Horizontal measures should be adjusted so as to be geared towards facilitating restructuring.

3.2 Improving the effectiveness of assistance and developing the instruments

COM(92) 2000 identifies areas where changes to existing rules and procedures are required.

These adjustments should cover ways to strengthen partnership, simplify decision-making, reinforce assessment and broaden the scope of Community assistance; greater differentiation is also needed in the rates of Community assistance and Community initiatives should play a greater role.

If the system is to be adapted, partnership must be strengthened. Over recent years solid foundations have been laid for effective cooperation between the Commission and the national, regional and local authorities. Greater depth and scope must now be given to these links to take account of the new distribution of responsibilities. In any event, the regional and local authorities must be given a greater role in the preparation of plans and implementation of measures. The social partners must be more involved in the programming procedures than they were in the past. The Commission currently plays a full part in all aspects of programming, implementing and monitoring Community assistance. In future, it should concentrate its contribution to a greater extent on the tasks which it is best qualified to carry out, in keeping with the principle of subsidiarity. It should participate less in the detailed implementation in order to step up its activities in the definition of strategies and policies, assessment, monitoring and control.

Both the Member States and the Commission feel the need to simplify procedures in those areas where they are unnecessarily complex and excessively cumbersome. This will require changes in the process of defining and implementing Community assistance.

In order to strengthen programming, the national, regional and local authorities must have more time and resources to prepare development plans. To this end, the Commission would provide the necessary technical assistance. The Commission's input should be based on the results of the assessment process and on the priorities which it has set for itself in its own policies. Community assistance would then be defined through the partnership and be tailored to suit the different situations and amounts involved. The three phases of the current programming procedure (development plan, CSF, operational programmes) would be reduced to two. The implementing arrangements, including the detailed definition of assistance, would be adapted to suit the different contexts, so as to ensure the necessary flexibility. Arrangements for adjusting programmes to take account of progress in implementing them would also be put in place.

The administrative workload involved in the formal approval by the Commission of each operation should be limited. Conversely, effectiveness can be increased by intensifying the Commission's involvement in monitoring and assessment operations. More detailed preparation of assistance should enable the desired results to be specified with greater precision. The assessment structures already in place should be strengthened: active participation in the definition of development or conversion strategies will require thorough ex-ante assessment. Sectoral or thematic assessment should make it possible to improve the preparation of Community assistance in certain areas. For example, such assessment should make it possible to identify indicators for evaluating the progress and impact of measures. The assessment capabilities of the Member States concerned also need to be strengthened. European know-how relating to assessment should be collated and structured on the basis of the experience gained to date.

The need for greater flexibility in the management of the structural Funds is emphasized in the Protocol on cohesion annexed to the Treaty. Results so far also show that rigidities in the existing system can prevent the optimal allocation of resources and can frustrate the necessary flexibility of assistance as well as optimum integration of measures required to achieve each Objective.

In cases where development is hindered by inadequacies in areas such as education and health, Community assistance in Objective 1 regions could be granted for measures in such areas, which to date have rarely received Community aid.

In order to improve the Community's ability to meet the specific needs of the regions, Community rates of assistance should be differentiated to take account of the financing capabilities of the organization responsible for the implementation of the measure, the budgetary situation of the Member State and the capacity of the measures in question to generate revenue. The rates of Community assistance in Objective 1 regions could be increased in relation to the rates used under the current CSFs, so as to increase Community assistance without this meaning a proportionate increase in the national contribution and to further concentrate Community assistance on the priorities within a predetermined financial envelope.

Community initiatives must play a greater role and their effectiveness must be increased. Such measures must be justified on the basis of subsidiarity: any Commission initiative must be warranted by the existence of economies of scale or by objectives which can be attained more easily at Community level. Such measures concern areas of special interest to the Community in connection with structural policy objectives which are not covered or which are inadequately covered by the development plans drawn up by the Member States. About 15% of the resources allocated to the structural Funds would be earmarked for Community initiatives. Such an increase is justified partly by the need to retain a reserve to meet unforeseen requests. The experience of the last two years suggests that this flexibility is essential.

For the upcoming period, it is proposed that a smaller number of initiatives should be identified, endowed with sufficient funds to meet their objectives and organized on the basis of a few priority themes, to ensure real effectiveness and concentration. The following guidelines should underlie the preparation and efficient implementation of such initiatives:

- As the current Regulations stipulate, such measures could concern the application and impact of other Community policies, or problems common to several categories of regions. Such initiatives could also concern preparation for industrial change.

- Priority should be given to transnational Community initiatives, such as cross-border measures, interregional and international networks for cooperation between economic operators and local and regional bodies and, more generally, the dissemination throughout the Community of technology, new working methods and know-how.

- To ensure greater flexibility, initiatives should not be subject to strict constraints with respect to the territorial eligibility of measures financed under them. In justified cases, it would be possible, using a special reserve created for this purpose, to make marginal adjustments to geographical eligibility based on statistical criteria, in order to meet real needs which arise during or after programming.

4 Cohesion, convergence and growth

There is close interaction between the objective of convergence required for transition to the third stage of EMU, the objective of cohesion within the Union and stable and harmonious economic growth within the Community.

Achievement of the objectives of convergence laid down in the Maastricht Treaty is essential not only for transition to the third stage of EMU but also for sustained and stable long-term economic growth. As is becoming increasingly clear, persistent imbalances hinder growth and so threaten the achievement of certain conditions of convergence such as budget equilibrium by restricting the tax base. Clearly, sustained expansion facilitates the balanced management of public finances.

There is also a close connection between convergence and cohesion. Stronger cohesion between regions and Member States implies stronger economic structures and offers greater scope for adjustment by the less prosperous countries. The more solid economic base thereby achieved will undoubtedly facilitate progress towards convergence, especially as regards prices, by enlarging the productive base and increasing the flexibility of the productive fabric, so bringing supply and demand into balance.

Efforts to achieve cohesion will also contribute directly to development and in the longer term will enable the Community to make full use of its potential for growth. Sustained periods of growth will help reduce economic and social disparities.

Despite this close correlation between convergence, growth and cohesion, some conflicts between these objectives may arise, particularly in the short term, for reasons such as the urgency of transition to the final stage of EMU and the wide variety of situations and opportunities in the Member States and regions concerned.

It is the Community's task to seek out the necessary synergy between its measures and those of the Member States and to incorporate into its assistance the flexibility required for cohesion, convergence and growth in the Community to develop hand-in-hand. More specifically, it must ensure that the reduction in the budget deficit is not achieved at the expense of growth, even in the short term, and that progress towards cohesion continues.

Policies at the national and Community level have to provide the basis for a continuous strong relative growth in real terms of GDP, without inflationary pressures and unsustainable internal and external imbalances. Responsibility for rapid economic and social convergence lies for the most part in the least favoured countries themselves. Recent developments have confirmed that sound macroeconomic policies are an essential condition for better internal growth (see Table 1). As regards policy instruments, with the locking of exchange rates, domestic monetary policies will be abandoned in favour of a single monetary policy geared to price stability, while domestic budgetary policies, although remaining autonomous, will lose a degree of freedom. Dynamic medium-term growth in economically stronger countries would facilitate the convergence process.

There is a very close link between structural Fund assistance and the trend of national budgets. The structural Funds should as far as possible help the countries concerned to achieve tighter discipline and greater efficiency in budgetary policy and thus promote greater convergence and cohesion. This is the reason for making the existing structural Funds more flexible as regards both the domains eligible for assistance and the modulation of rates of Community assistance, and for creating a new financial instrument to promote cohesion. Naturally, flexibility in the use of the Funds should not undermine their allocative purpose, i.e. they should not become a substitute for the adjustment effort at national level. The macroeconomic importance of structural Fund assistance and the proportion of the domestic budget for which it accounts make it essential to ensure that financial transfers are integrated as smoothly as possible into the overall convergence strategy of the economy assisted.

The Cohesion Fund

The link between convergence of the least favoured Member States towards EMU and Community financial assistance is most apparent in the Cohesion Fund that has to be set up by the Council as a result of the Maastricht agreement.

Like the existing structural Funds, the Cohesion Fund will support the reduction of economic and social disparities in the Community. It is intended to contribute to government expenditure which strengthens structures and increases the possibilities of balanced growth in Member States faced with structural weaknesses and a limited funding capacity. In this way it will facilitate real convergence and the nominal convergence which is one of the conditions of accession to the EMU.

The potential beneficiaries are the Member States with a GNP per capita of less than 90% of Community average which have a programme leading to the fulfilment of the conditions of economic convergence. The convergence programme referred to will constitute the framework for defining the overall structural effort, which is needed for integration into the EMU and to which the Community contributes.

Projects to be considered for Cohesion Fund financing must concern transport infrastructure in the area of transeuropean networks or environmental infrastructure. They have to originate in Community policy decisions and should be based on the objectives of Community environmental and transeuropean network programmes. Since the Cohesion Fund will operate in fields eligible for structural Fund assistance there is an urgent need to guarantee a maximum of coherence between them.

The second condition for eligibility is prior adoption by the Council of an economic convergence programme. Implementation of this programme will continue to be monitored by the Community in the context of multilateral surveillance.

In view of the need to support as soon as possible the efforts towards convergence being made by the recipient Member States, the Cohesion Fund could be set up by 1993 with an initial annual allocation of ECU 1 500 million, which would rise gradually to ECU 2 500 million in 1997.

The Community could contribute a high proportion of the finance needed (85-90%) and advance payments of annual instalments could be quite substantial.

(47)

A N N E X E S

TABLE I

GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES PER HEAD OF POPULATION

PPS EUR12; EUR12 = 100

	B	DK	WD	GR	E	F	IRL	I	L	NL	P	UK	EUR12
1960	95.4	118.3	117.9	38.6	60.3	105.8	60.8	86.5	158.5	118.6	38.7	128.6	100.0
1961	95.4	119.6	116.4	40.7	63.8	105.7	61.3	89.0	150.5	115.4	39.0	125.9	100.0
1962	96.5	121.0	116.2	39.6	66.7	106.8	60.8	90.6	141.5	114.1	40.2	121.6	100.0
1963	96.5	116.6	114.2	42.0	69.5	106.7	61.1	91.7	138.1	112.6	40.8	121.2	100.0
1964	97.5	120.6	115.0	43.2	69.6	107.0	60.2	89.2	140.9	114.8	41.5	121.0	100.0
1965	96.7	120.9	116.0	45.5	70.8	107.4	59.0	88.4	136.3	115.2	43.2	119.1	100.0
1966	96.1	119.5	114.7	46.4	72.7	108.7	57.6	90.2	132.8	113.2	43.6	117.0	100.0
1967	96.5	119.1	111.2	47.1	72.8	109.8	59.0	93.5	132.0	114.6	45.8	115.8	100.0
1968	95.7	117.7	111.8	47.8	73.4	108.6	60.7	94.6	132.4	115.4	47.7	114.6	100.0
1969	96.7	118.2	113.0	49.8	75.3	109.5	60.8	94.7	140.4	115.3	47.0	110.6	100.0
1970	98.9	115.2	113.2	51.6	74.7	110.4	59.5	95.4	141.4	115.8	48.9	108.5	100.0
1971	99.9	114.7	112.6	53.7	75.6	111.9	59.6	94.0	130.8	116.4	51.2	107.5	100.0
1972	101.1	115.9	112.6	56.1	78.1	111.4	60.3	92.5	133.6	114.9	53.5	107.0	100.0
1973	101.2	113.1	111.1	56.8	79.0	110.4	58.9	93.3	141.9	113.1	56.4	108.5	100.0
1974	103.5	110.0	109.7	53.7	81.2	111.1	59.5	96.3	152.8	115.0	55.4	105.2	100.0
1975	103.1	110.5	109.9	57.3	81.9	111.8	62.7	94.6	126.7	115.5	52.2	105.9	100.0
1976	104.2	112.4	111.5	57.6	80.1	111.4	60.0	96.1	125.7	115.4	52.3	104.2	100.0
1977	101.9	111.0	112.2	57.2	79.5	111.9	62.4	96.5	119.1	114.4	53.1	104.0	100.0
1978	101.8	109.3	112.4	58.6	77.6	112.1	64.3	97.0	119.4	113.4	52.8	104.9	100.0
1979	100.8	109.4	113.5	58.2	74.5	111.7	63.2	99.4	118.6	111.8	53.6	104.5	100.0
1980	104.1	107.8	113.6	58.1	74.2	111.6	64.0	102.5	118.5	110.9	55.0	101.1	100.0
1981	103.2	107.2	113.8	57.8	73.4	112.6	65.4	103.5	117.1	109.7	55.6	100.0	100.0
1982	104.1	109.8	112.5	57.3	73.5	113.9	65.8	103.0	118.7	106.9	56.0	101.2	100.0
1983	103.0	111.1	113.0	56.4	73.4	112.6	64.3	102.3	118.3	106.5	54.7	103.4	100.0
1984	103.0	113.6	114.2	56.4	72.8	111.5	65.2	102.9	120.7	107.1	52.1	103.2	100.0
1985	101.6	115.8	114.2	56.7	72.5	110.6	65.2	103.1	122.4	107.0	52.0	104.2	100.0
1986	100.6	117.0	114.0	55.9	72.8	110.1	63.4	103.0	126.2	106.0	52.5	105.4	100.0
1987	100.1	114.2	112.9	54.2	74.7	108.9	64.5	103.2	123.1	103.4	53.6	107.2	100.0
1988	100.9	110.7	112.3	54.3	75.7	108.4	64.7	103.5	124.4	101.7	53.7	108.0	100.0
1989	101.3	108.8	111.7	54.1	76.9	108.6	67.0	103.6	129.7	102.2	54.9	106.9	100.0
1990	102.6	108.2	112.8	52.6	77.8	108.6	69.0	103.1	125.6	103.1	55.7	105.1	100.0
1991	103.0	109.0	114.2	52.5	79.0	108.7	68.9	103.1	127.8	103.9	56.3	102.1	100.0
1992	103.4	110.2	113.6	52.1	79.9	108.8	68.9	103.2	130.0	102.7	56.3	102.1	100.0

Source : Statistical Annex of European Economy, November 1991, Commission Services

Note : Reference to GDP may overstate progress to the extent that income transfers to abroad may have outpaced nominal GDP growth.

TABLE 1 a

PER CAPITA GROSS NATIONAL PRODUCT AT MARKET PRICES

PPS EUR12; EUR12 = 100

	B	DK	WD	GR	E	F	IRL	I	L	NL	P	UK	EUR12
1980	103.2	105.0	114.0	60.0	73.5	112.0	61.5	102.6	143.9	110.6	53.5	101.1	100.0
1981	102.5	104.0	114.3	59.5	72.5	113.1	62.6	103.2	148.2	109.5	53.4	100.4	100.0
1982	102.9	106.0	112.9	58.8	72.7	114.4	61.5	102.7	164.9	107.2	53.0	101.8	100.0
1983	101.8	107.5	113.7	57.1	72.4	112.7	59.3	102.0	168.3	107.0	51.9	104.3	100.0
1984	102.0	109.2	115.5	56.6	71.9	111.3	58.9	102.6	169.4	107.3	49.0	104.0	100.0
1985	100.3	111.3	115.5	56.5	71.9	110.4	58.2	102.7	173.3	107.6	49.3	104.9	100.0
1986	99.5	112.5	115.1	55.4	72.4	110.0	56.9	102.5	173.7	106.0	50.8	106.1	100.0
1987	99.4	110.1	114.0	53.8	74.3	109.0	58.4	102.9	166.5	103.6	52.4	107.4	100.0
1988	100.1	107.0	113.4	54.1	75.2	108.6	57.2	103.2	168.5	101.7	52.7	108.0	100.0
1989	100.3	104.7	113.3	53.7	76.5	108.7	58.6	103.0	175.5	102.2	54.0	107.0	100.0
1990	101.3	104.1	114.3	52.6	77.4	108.7	61.7	102.2	169.5	103.2	55.5	105.3	100.0
1991	102.0	105.4	115.8	52.2	78.7	108.9	61.8	102.3	170.6	104.1	56.4	101.8	100.0
1992	102.4	107.1	114.7	51.8	79.6	109.0	61.5	102.3	171.2	103.0	56.5	102.2	100.0
1993	102.7	108.8	113.2	51.6	80.4	109.1	61.6	102.6	173.1	102.3	56.4	102.9	100.0

Source : Eurostat

(49)

TABLE 2

GDP per person employed in Member States
(in PPS, EUR 12 = 100)

Member States	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	110.9	110.3	111.5	110.6	110.6	108.8	107.9	107.7	108.3	109.9	110.4
DK	90.6	89.8	90.5	90.4	90.7	90.6	89.5	86.8	84.7	84.6	84.3
D	106.6	106.0	105.3	106.1	106.6	106.0	105.4	104.8	105.7	105.8	106.3
GR	63.4	59.6	59.3	57.6	57.7	57.8	57.1	56.8	57.1	57.3	56.7
E	94.0	94.9	95.3	95.3	97.1	98.8	98.0	96.6	96.4	96.0	95.3
F	110.3	110.7	111.1	109.9	110.1	110.3	110.5	110.5	111.1	111.3	111.4
IRL	75.4	77.5	77.9	77.5	80.6	82.6	80.7	83.5	83.7	86.0	87.1
I	104.9	104.5	102.4	100.6	100.9	100.8	100.7	101.5	101.7	102.2	102.7
L	110.1	106.3	107.5	106.1	107.1	107.9	107.6	103.0	102.3	102.4	102.6
NL	130.7	130.0	129.1	130.5	131.6	130.5	128.1	125.7	124.8	125.5	126.1
P	52.9	52.5	53.7	53.0	51.6	52.1	54.7	56.5	57.5	58.6	59.3
UK	89.6	90.8	92.5	94.8	92.9	93.1	94.2	95.1	93.8	92.6	91.7
EUR 3[1]	60.3	58.8	59.3	58.2	58.0	58.4	59.1	60.1	60.7	61.5	61.7
EUR 9[2]	102.9	103.1	103.1	103.1	103.1	103.1	103.0	102.9	102.8	102.7	102.7
Disparity[3]	14.4	14.6	14.1	14.1	14.4	14.1	13.6	13.1	13.2	13.3	13.5

(1) Greece, Ireland, Portugal
(2) Others
(3) Weighted standard deviation

Source : Fourth Periodic Report, 1991, Statistical annexes, P. 82
Commission Services

(50)

(51)

TABLE 3

Disparities in GDP per inhabitant between the regions[1] of the Community 1980-1989
(in PPS, EUR 12 = 100)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Average 10 weakest regions	47	46	46	45	45	45	45	45	45	47
Average 10 strongest regions	145	146	147	149	149	150	151	151	151	151
Average 25 weakest regions	57	57	56	56	55	56	55	56	56	57
Average 25 strongest regions	135	136	136	136	137	138	138	137	137	138
Disparity[2]	26.1	26.5	26.8	27	27.2	27.5	27.9	27.5	27.5	26.9

[1] NUTS 2. French overseas territories, Azores and Madeira not included for data reasons
[2] Weighted standard deviation

Source : Fourth Periodic Report, 1991, Statistical annexes, p.87
Commission services

TABLE 4

Disparities in regional unemployment rates, 1983-90

	1983	1984	1985	1986	1987	1988	1989	1990
Unemployment rates EUR 12	9.6	10.6	10.7	10.7	10.5	9.9	9.0	8.3
Average 25 highest	18.3	21.0	22.7	22.2	21.6	20.6	19.3	17.8
Average 25 lowest	5.3	5.4	5.2	4.5	4.3	3.9	3.2	3.1
Difference	13.0	15.7	17.5	17.8	17.4	16.7	16.1	14.7

Source : Fourth Periodic Report, 1991, Statistical annexes, P.89

(52)

TABLE 5

Key Employment Indicators in the Community

Units : Millions

	1965	1975	1985	1988	1989	1990
Total						
Total population (average)	293.2	312.4	321.9	324.6	326.1	328.6
Population of working-age (14-64) (average)	188.0	198.1	215.4	222.3	223.8	225.4
Total employment	122.6	124.3	125.3	130.6	132.6	134.7
Ratio of employment to population 14-64 (%)	65.2	62.8	58.1	59.8	59.2	59.8
Total unemployment	2.6	5.3	14.9	13.9	12.7	12.0
Unemployment rate (%)	2.1	4.1	10.8	9.7	8.9	8.4
Youth (14-24) unemployment rate (%)			23.1	19.6	17.3	16.0
Employment in agriculture	20.1	13.9	10.4	9.4	9.0	8.6
Employment in industry	49.5	48.3	41.1	41.5	42.1	42.7
Employment in services	53.1	62.2	73.8	79.6	81.5	83.4
Share of employment in agriculture (%)	16.4	11.2	8.3	7.2	6.8	6.4
Share of employment in industry (%)	40.4	38.8	32.8	31.8	31.8	31.7
Share of employment in services (%)	43.3	50.0	58.9	60.9	61.4	61.9
Men						
Total population (average)	142.3	152.0	156.5	158.0	158.8	160.0
Total employment	83.0	81.9	78.7	80.2	81.3	82.2
Total unemployment		3.3	8.0	6.8	6.0	5.6
Unemployment rate (%)			9.4	7.8	7.0	6.5
Youth (14-24) unemployment rate (%)			21.5	17.3	14.9	13.9
Employment in agriculture	13.3	9.1	6.8	6.1	5.9	
Employment in industry	38.0	37.1	31.6	31.6	32.3	
Employment in services	31.6	35.7	40.5	42.5	43.2	
Share of employment in agriculture (%)	16.0	11.1	8.6	7.6	7.3	
Share of employment in industry (%)	45.8	45.3	40.2	39.4	39.7	
Share of employment in services (%)	38.0	43.6	51.5	53.0	53.1	
Women						
Total population (average)	150.9	160.4	165.4	166.6	167.3	168.6
Total employment	39.6	42.5	46.6	50.4	51.3	52.6
Total unemployment		2.3	6.9	7.1	6.7	6.4
Unemployment rate (%)			13.0	12.6	11.7	11.1
Youth (14-24) unemployment rate (%)			25.1	22.3	20.0	18.3
Employment in agriculture	6.8	4.8	3.6	3.3	3.1	
Employment in industry	11.5	11.2	9.5	9.9	9.8	
Employment in services	21.5	26.5	33.5	37.1	38.3	
Share of employment in agriculture (%)	17.2	11.3	7.8	6.5	6.1	
Share of employment in industry (%)	29.0	26.4	20.4	19.8	19.2	
Share of employment in services (%)	54.2	62.4	71.9	73.7	74.7	

Source: Employment in Europe, 1991, p.41

Table 6

Unemployment figures in the Community

(thousands of persons)

MEMBER STATES	TOTAL UNEMPLOYMENT		LONG-TERM UNEMPLOYMENT		UNEMPLOYMENT OF YOUNG PEOPL		UNEMPLOYMENT OF WOMEN	
	1985	1990	1985	1990	1985	1990	1985	1990
B	449	283	227	155	150	71	267	175
DK	215	242	53	58	68	64	119	119
D	1932	1491	732	618	548	232	945	763
GR	304	281	77	78	129	128	162	174
E		2426		778		950		1268
F	2436	2259	708	727	1012	672	1281	1286
IRL	234	186	98	91	87	59	79	67
I	2154	2313	541	785	1313	1151	1207	1354
L	5	3	0.7	0.7	2	1	2	1
NL	601	526	251	202	202	156	247	291
P		229		62		103		137
UK	3151	2008	1085	553	1156	618	1248	821
TOTAL		12247		4102		4204		6457

Source : Eurostat, prepared by: Commission services

(1) 25 years or older; unemployed for 12 months or more
(2) Total unemployment of people aged 25 or under

Table 7

Research and Development Expenditure
per head of population - 1989

(EUR 12 = 100)

	GDP	GERD	BERD
Belgique	102	79*	90
Denmark	108	86	73
Germany	113	167	187
Greece	54	13	4
Spain	76	28	26
France	109	131	121
Ireland	66	27*	23*
Italy	105	69	61*
Netherlands	103	110*	104*
Portugal	55	13*	5*
United Kingdom	104	114*	116*

Notes: GERD: Gross Domestic Expenditure on R & D
BERD: Business Enterprise Expenditure on R & D
Luxembourg is not included

* : 1988 figures

Source : GDP - Commission services
GERD, BERD - OECD
Prepared by: Commission Services

(55)

Table 10

EMPLOYMENT IN "AGRICULTURE, FORESTRY, HUNTING AND FISHERIES"		
	THOUSANDS OF PERSONS 1985 (1)	1990 (1)
EUR 12	10.373 (8,6)	8.692 (6,6)
Belgium	105 (2,9)	101 (2,8)
Denmark	182 (7,1)	158 (6,0)
Germany	1.390 (5,6)	961 (3,4)
Greece	1.037 (28,9)	930 (25,3)
Spain	1.766 (16,9)	1.486 (11,8)
France	1.582 (7,6)	1,325 (6,1)
Ireland	169 (16,0)	167 (15,0)
Italy	2.296 (11,2)	1.895 (9,0)
Luxembourg	7 (4,3)	6 (3,3)
Netherlands	250 (4,9)	289 (4,6)
Portugal	969 (23,9)	795 (17,8)
United Kingdom	620 (2,6)	569 (2,2)

Source : The situation of Agriculture in the Community, Commisison services

(1) Percentage of the civil active population employed (%)

Table 11
Requirements for regional convergence: economic growth

Change in the GDP per head, index EUR 12 = 100		Time period (years)		
		10	15	20
From (A)	To (B)	Required deviation of regional growth from the EC-average [1]		
50	70	3 1/2	2 1/4	1 3/4
50	90	6 – 6 1/2	4 – 4 1/2	3
70	90	2 1/2	1 3/4	1 1/4

[1] Such estimates can be made using the following formula $(Gr - G) = (1 + G)(\sqrt[t]{B/A} - 1)$ where Gr and G are the growth rates in the region and the Community, respectively. A is the index GDP per head of the region (EUR 12 = 100) at the start, and B the equivalent index at the end of the time period t.
How to read the table. For a region with an index of GDP per head of half the Community average (50) to move to 70 within 10 years the region's growth of output per head must be 3 1/2 points higher than the average growth rate of the Community. Assuming the EC growth per head is 2 % per annum over this time span, the region's rate would have to be 2 + 3 1/2 = 5 1/2 per annum

Table 12
Trends and differences in GDP and GDP per head in Member States in the 1980s

Countries	Annual growth rates in								GDP/head (EUR 12 = 100)	
	GDP							Population		
	1982–85	1986–90	1986	1987	1988	1989	1990	1986–90	1986	1990
GR	1.6	1.8	0.8	-0.1	4.0	2.9	1.6	0.3	56	53
E	1.8	4.5	3.3	5.5	5.0	4.9	3.8	0.4	72	77
IRL	1.5	3.7	-0.3	4.9	3.7	5.7	4.6	0.1	63	65
P	0.9	4.5	4.1	5.3	3.9	5.4	4.0	0.3	53	56
Total (EUR 4)	1.9	4.2	2.9	4.8	4.7	4.8	3.6	0.3	66	69
Other (EUR 8)	1.8	3.0	2.6	2.6	3.7	3.2	2.9	0.3	108	107
EUR 12	1.8	3.1	2.6	2.9	3.8	3.4	3.0	0.3	100	100

Table 13
Requirements for regional convergence: employment growth

Change in unemployment rates (%)		Time period (years)		
		5	10	15
From (A)	To (B)	Required employment growth (% per year) [1]		
20	15	2 1/4	1 1/2	1 1/2
20	10	3 1/2	2 1/4	1 3/4

[1] Such estimates can be made using the following formula $Ge = (1 + Gl) \times \sqrt[t]{(1-B)/(1-A)} - 1$
Where Ge is the rate of growth in employment, A is the rate of unemployment before and B is the rate of unemployment after time period t, and Gl is the rate of growth of labour force (assumed to be 1 % per annum

Source : Fourth Periodic Report 1991, Statistical annexes, P.93

(57)

Table 14

Investment indicators for EUR 4						(1989-1991 average)
EUR 12	Profitability of fixed capital *	GFCF as % of GDP			Net growth of capital stock	Capital stock per active (in .000 ECU)
		priv.	public	total		
GR	2.8	15.8	3.1	18.9	2.0	58.5
E	9.2	19.6	4.6	24.2	3.5	78.2
IRL	8.0	16.3	1.9	18.1	2.4	81.6
P	7.6	23.2	3.0	26.2	3.8	51.9
EUR12	5.3	17.8	2.8	20.6	1.6	107.5

* Expressed by : $\frac{\text{Gross operating surplus of the economy}}{\text{Capital stock}}$

Source / prepared by : Commission services

(58)

Table 15

Selected Indicators of Dependency on Fishing in certain Regions

Member State and Indicators	Region selected	Indicators national	local	
DK	Bornholm			
Employment in the sector as percentage of working population		0,5%	7,0%	
Employment in processing			8%	*
Value of landings			11%	*
Fleet (total number, GRT, kW)			10%	*
Change in the fleet 1984-89				
- tonnage		-1%	+42%	
- power		0%	+ 9%	
E	Galicia			
Total number of fishermen			39%	*
Employment in the sector as percentage of working population		0,6%	2,9%	
Fleet: vessels			46,8%	*
Fleet: GRT			45,4%	*
Fleet: kW			36,3%	*
F	Britanny			
Employment in the sector as percentage of working population		0,08%	0,73%	
Value of landings			42%	*
P	Azores			
Employment in the sector as percentage of working population		0,8%	5,3%	
Value of landings			7%	*
Fleet: vessels			11,7%	*
Fleet: GRT			8,5%	*
Fleet: kW			9,3%	*
UK	Scotland			
Total population			9%	*
Total number of fishermen			39%	*
Value of landings			77%	*
UK	Shetland			
Total contribution of sector to household income		-	16,5%	
Share of sector in region's exports (excl. oil products)		-	68,3%	

Sources: Various, incl. Member States
Prepared by Commission services
* : ratio of local/national in percentages

Table 16 MAIN FIGURES ON THE FISHERIES SECTOR (1989)

		B	DK	D	EL	E	F	IRL	I	NL	P	UK
CATCH												
FLEET												
vessels number	a	205	2.921	591	21.894	20.759	10.361	1.796	n.d.	668	16.195	8.283
tonnage GRT	b	25.445	122.265	47.900	129.729	619.329	205.303	55.822	282.567	n.d.	195.879	206.934
power KW	c	78.450	521.150	127.800	576.288	1.951.296	1.145.993	203.109	1.746.921	481.960	500.490	1.155.212
ratio GRT/vessel	b/a	124	42	81	6	30	20	31	n.d.	n.d.	12	25
ratio KW/vessel	c/a	383	178	216	26	94	111	113	n.d.	721	31	139
LANDINGS												
value ECU million	d	78	454	138	504	1.764	943	111	1.252	n.d.	275	622
as % of GDP		0,057	0,487	0,013	1,023	0,518	0,109	0,363	0,160	n.d.	0,670	0,083
EMPLOYMENT												
total number	e	1.271	7.323	1.895	40.164	89.074	18.000	7.900	n.d.	3.311	38.924	22.422
including part-		363			12.050			4.520	n.d.			5.137
time as % of national labour force		0,033	0,256	0,007	1,012	0,600	0,075	0,606	n.d.	0,050	0,810	0,078
Men/vessel	e/a	6,2	2,5	3,2	1,8	4,3	1,7	4,4	n.d.	5,0	2,4	2,7
INDICATORS												
intensity GRT/man	b/e	20,0	16,7	25,3	3,2	7,0	11,4	7,1	n.d.	n.d.	5,0	9,2
intensity KW/man	c/e	61,7	71,2	67,4	14,3	21,9	63,7	25,7	n.d.	145,6	12,9	51,5
capital Ecus/GRT	d/b	3.065	3.713	2.881	3.885	2.848	4.593	1.988	4.431	n.d.	1.404	3.006
capital Ecus/KW	d/c	994	871	1.080	875	904	823	547	717	n.d.	549	538
work Ecus/man	d/e	61.369	61.996	72.823	12.549	19.804	52.389	14.051	n.d.	n.d.	7.065	27.741
PROCESSING												
firms	f	82	419	172	< 100	396	250	92	251	454	191	880
jobs	g	1.182	13.492	23.683	2.500	14.740	6.000	3.400	4.820	7.000	11.900	21.000
production ECU million	h	253,5	789,4	1.100,8	67,8	1.254,6	1.043,6	99,7	455,8	322,9	312,3	1.712,6
AQUACULTURE												
jobs	i	191	625	14.026	1.200	8.336	22.149	2.017	12.000	443	2.400	3.300
value ECU million	j	5,1	87,4	117,8	22,9	200,8	333,5	40,8	278,8	54,2	57,6	205,7

Sources : various, including Eurostat, member States, OECD and Commission studies - Prepared by Commission Services

NOTES :

lines	countries	comments
	D	excluding the five new Lander (except line b)
	except E+P	landings by national vessels in home and foreign ports
	E+P	landings by national vessels in home ports
	DK	of which 25 % by value (74% by volume) for industrial use (fish meal and oil)
	IRL	excluding oysters, mussels and salmon
	F	estimate
g	B	1987
g	NL	1988
j	D	including the five new Lander

(60)

Table 17

Employment, gross value added, income and productivity in Objective 1 regions

Region	Sectoral structure of economy: Share of sectors in total employment (1986): Agriculture	Industry	Services	Percentage of GVA coming from: Agriculture	Industry	Services	GDP in PPS EUR 12 = 100: Per inhabitant: 1983	1988	Per person employed: 1983	1988
Ellada	28.5	26.2	45.3				56.4	54.5	57.5	57.1
España										
Galicia	43.7	21.3	34.9	11.7	34.7	53.6	62.5	64.7	65.5	70.1
Asturias	21.2	35.7	42.8	4.4	45.0	50.6	78.3	79.2	92.4	95.3
Castilla y Leon	26.3	28.4	45.2	12.0	35.6	52.3	71.5	72.0	86.6	90.1
Castilla-La Mancha	25.9	31.6	42.2	14.4	34.9	50.7	58.4	61.6	80.0	85.6
Extremadura	30.4	21.0	48.4	15.1	29.8	55.2	44.1	49.7	66.8	75.6
Comm. Valenciana	13.0	36.3	50.4	5.6	35.8	58.6	71.8	78.4	96.1	95.7
Andalucia	19.6	24.0	56.2	10.5	29.0	60.5	56.3	58.3	89.4	92.0
Murcia	18.4	31.0	50.5	8.8	36.4	54.8	67.0	66.7	96.6	92.6
Ceuta y Melilla	:	:	:	1.2	14.9	83.9	49.5	53.9	112.4	87.0
Canarias	14.3	20.3	64.6	6.6	20.5	72.9	64.9	73.0	92.6	107.1
Total Objective 1	23.9	27.5	48.6	9.6	33.1	57.3	63.2	65.9	85.3	89.0
France										
Corse	6.4	17.9	75.7	3.3	22.5	74.2	81.4	76.2	94.3	91.6
DOM[1]	9.9	20.4	69.7				41.6	41.6		
Total Objective 1	16.0	20.1	70.4				48.3	47.0		
Ireland	16.0	29.6	53.9	10.6	34.9	54.5	64.8	65.1	77.9	83.7
Italia										
Campania	15.8	24.9	59.4	7.1	32.7	60.2	70.3	67.0	81.7	82.3
Abruzzi	14.1	26.9	59.0	8.2	36.3	55.5	88.0	88.9	87.3	90.2
Molise	23.7	22.2	54.0	10.1	37.5	52.4	74.3	79.1	83.2	80.2
Puglia	20.5	25.9	53.6	11.5	33.7	54.8	72.0	72.8	83.7	80.7
Basilicata	22.5	27.2	50.3	11.4	39.6	49.0	65.3	64.1	72.6	72.1
Calabria	20.0	20.3	59.7	8.1	30.4	61.5	61.5	58.8	76.7	75.7
Sicilia	18.6	22.2	59.2	8.9	30.1	61.0	71.6	70.2	90.7	88.5
Sardegna	13.0	24.7	62.3	7.3	34.3	58.4	76.0	75.0	90.2	88.8
Total Objective 1	17.8	24.2	58.0	8.8	32.7	58.5	71.5	70.1	84.5	83.6
Portugal	21.5	33.9	44.5	8.0	37.1	54.8	54.6	54.0	52.8	57.5
United Kingdom										
Northern Ireland	4.6	28.9	63.6	4.5	35.4	60.0	78.8	79.9	83.6	83.3
Average for Objective 1	21.3	27.5	51.1				67.9	66.9	74.5	75.8
Average for other regions	5.2	35.0	59.8				103.1	103.2	103.6	103.6
EUR 12	8.1	33.7	57.7				100.0	100.0	100.0	100.0

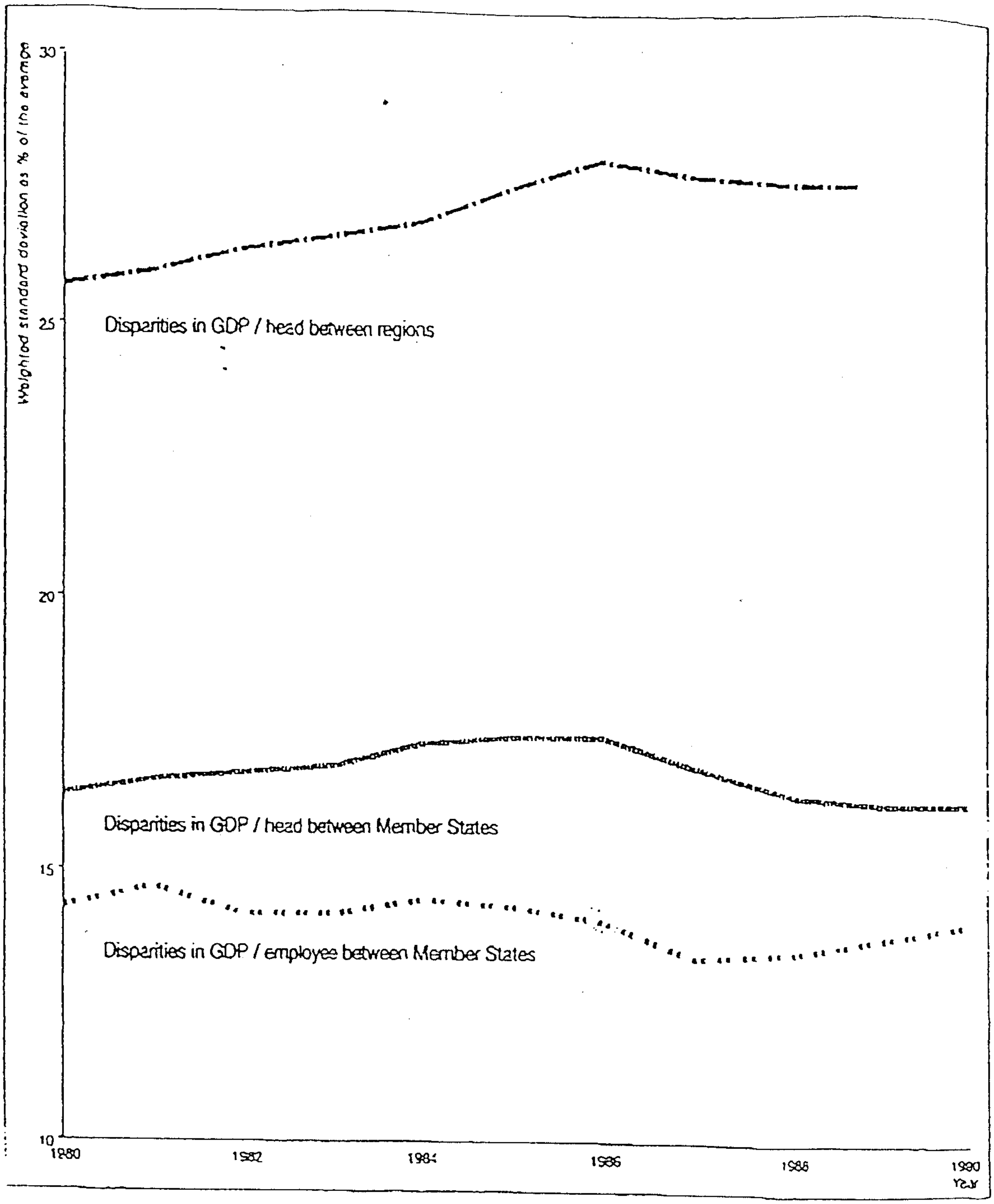
[1] National sources

Source: Fourth Periodic Report, 1991, Statistical annexes, p.86

(61)

Graph 1

Trends in regional income disparities in the Community, 1980–90 [1]



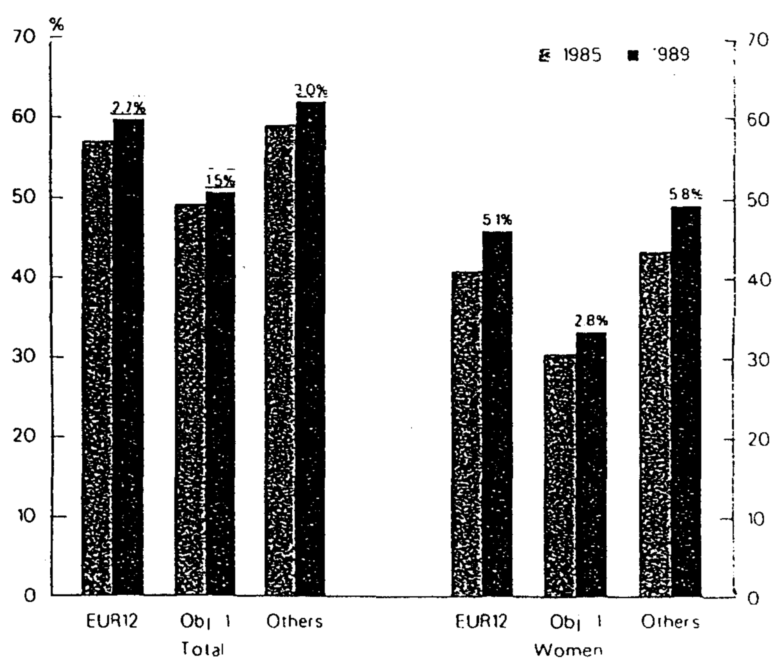
1 Disparities are measured by the weighted standard deviation of regional values for GDP in purchasing power standards. The standard deviation is a statistical measure used variously in this report to measure disparities over time. It is always positive, the higher the value, the greater the degree of dispersion.
In the present context, in order to avoid giving the same weight in the calculation of standard deviation to both large and small regions, it is weighted by the size of the population in each region (or each Member State as appropriate). The weighted standard deviation is given by:
$s = \sqrt{\sum (X_r - X)^2 W_r / W}$. Here X is the average GDP per head (= 100). X_r is the regions GDP per head (expressed as % of EC average) and W_r and W are the size of population in the region and the Community as a whole respectively.
GDP per person employed is based on data for Member States.

Source : Fourth Periodic Report, Statistical annexes, p.21

(62)

Graph. 2

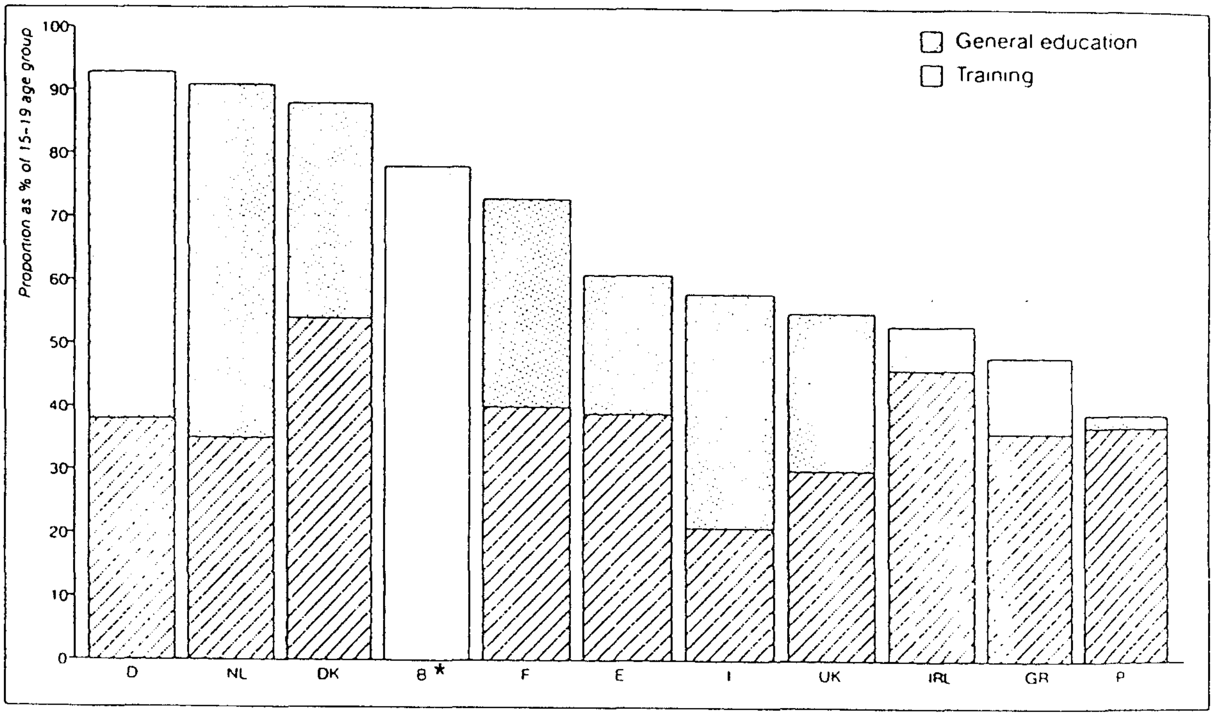
Employment/working-age population ratios in Objective 1 regions and elsewhere in the Community 1985 and 1989



Source: Employment in Europe, 1991, p. 26

(63)

Graph 3
Proportion of young people in education and training in the Member States (1)



(1) Data for various years between 1984 and 1987
* Breakdown not available

Source : Fourth Periodic Report, 1991, Statistical annexes, p.91

SUMMARY TABLE

BASIC DATA ON THE FIVE PRIORITY OBJECTIVES

OBJECTIVE	COUNTRIES OR REGIONS CONCERNED	PROPORTION OF COMMUNITY TERRITORY COVERED (1)	PROPORTION OF POPULAT. CONCERNED	AMOUNT OF ASSISTANCE FROM THE STRUCTURAL FUNDS (2) (1989-1993 - 1989 prices (ECU million)
OBJECTIVE 1 (3) Regions whose development is lagging behind	7 Member States (4)	40,66%	21,5 %	38.300
OBJECTIVE 2 Conversion of areas affected by industrial decline	60 regions	-	16,5 %	7.200
OBJECTIVES 3 & 4 Combating long-term unemployment and occupational integration of young people	9 Member States (excluding Objective 1)	Whole Community	-	7.450 (excluding Objective 1)
OBJECTIVE 5a Adjustment of agricultural structures	9 Member States (excluding Objective 1)	Whole Community	-	3.415 (excluding Objective 1)
OBJECTIVE 5b Development of rural areas	50 regions	17%	5%	2.795

(1) Data EUROSTAT 1989
(2) Plus ECU 1 150 million for transitional measures
(3) Objective 1 covers all forms of assistance for eligible regions, including those under Objectives 3, 4 and 5 (a)
(4) SPAIN : 10 regions, GREECE, IRELAND, and PORTUGAL : whole country ; FRANCE : overseas departments and CORSICA; UNITED KINGDOM : Nothern Ireland : ITALY : 8 regions.

Source : Commission services

APCO/Annex(en)

(69)

Table 1 : STRUCTURAL FUNDS, BREAKDOWN BY OBJECTIVE

	Billion ECU 1989 prices	%	% of Community population covered
Objective 1 (lagging regions)	38,3	63,4%	21,5%
Objective 2 (industrial decline)	7,2	11,9%	16,0%
Objectives 3+4 (labour market)	7,5	12,4%	(a)
Objective 5a (agricultural structures) (b)	3,4	5,6%	(a)
Objective 5b (rural areas)	2,8	4,6%	5,0%
Transitional measures and Community initatives	1,1	2,0%	(a)
TOTAL	60,4	100,0%	42,5%

(a) Objectives 3 & 4 and 5a and transitional measures being "horizontal" do not relate to specific sections of the population
(b) Data on objective 5a do not include objective 1 regions
Source: Commission services

Table 2 : RELATIVE MACROECONOMIC IMPORTANCE OF THE CSFs AND COMMUNITY STRUCTURAL FUNDS (1989-1993)

	CSF public expenditure (structural funds & national finance requirement)		Structural Funds	
	MECU 1989 prices	% of region GDP	MECU 1989 prices	% of region GDP
Italy (Mezzogiorno)	14062	1,5	7583	0,8
Ireland (entire country)	6126	3,8	3672	2,3
Greece (entire country)	12995	5,2	7193	2,9
Spain (70% of the country	16507	2,0	9779	1,2
Portugal (entire country)	14026	6,6	7368	3,5

Source : CSFs, Commission services

(66)

Table 3 : CSF EXPENDITURE BY CATEGORY

CSF expenditure by category %

	Greece	Ireland	Portugal	Spain *	Italy *
Infrastructure	31,3	25,4	27,3	53,1	47,3
Aids to productive investment	7,0	16,2	17,0	9,9	29,0
of which industry	5,9	8,4	13,5	7,9	17,9
Agriculture	13,3	18,0	11,9	14,0	8,3
Manpower	13,7	39,6	28,0	22,7	14,8
Regional programmes	34,5	**	15,6	**	**
Others	0,4	0,6	0,2	0,3	0,6
Total public expenditure	100,0	100,0	100,0	100,0	100,0

* Objective 1 regions

** Included in other categories

Source : CSF, Commission services

(67)

TABLE 4

FINANCIAL EXECUTION OBJECTIVE 1

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 89-91	1989 - 1991 Commitments	Payments	Commitments/ Forecasts	Payments/ Commitments
ELLAS	ERDF	1974	1939	1328	98%	68%
	ESF	959	973	693	102%	71%
	EAGGF	777	747	576	96%	77%
TOTAL ELLAS		3710	3660	2597	99%	71%
ESPANA	ERDF	3405	3556	2750	104%	77%
	ESF	1211	1279	867	106%	68%
	EAGGF	620	729	605	118%	83%
TOTAL ESPANA		5236	5564	4222	106%	76%
FRANCE	ERDF	225	136	101	60%	74%
	ESF	177	213	145	121%	68%
	EAGGF	89	135	105	151%	78%
TOTAL FRANCE		491	484	351	99%	73%
IRELAND	ERDF	867	800	706	92%	88%
	ESF	783	1004	700	128%	70%
	EAGGF	354	398	345	112%	87%
TOTAL IRELAND		2004	2202	1751	110%	80%
ITALIA	ERDF	2657	2494	1153	94%	46%
	ESF	939	780	493	83%	63%
	EAGGF	441	408	250	93%	61%
TOTAL ITALIA		4037	3682	1896	91%	51%
PORTUGAL	ERDF	1939	1885	1417	97%	75%
	ESF	1095	1003	656	92%	65%
	EAGGF	645	685	536	106%	78%
TOTAL PORTUGAL		3679	3572	2609	97%	73%
UNITED KINGDOM	ERDF	206	193	133	94%	69%
	ESF	190	191	140	101%	73%
	EAGGF	77	73	54	95%	74%
TOTAL UNITED KINGDOM		473	458	327	97%	71%
TOTAL ERDF		11273	11003	7588	98%	69%
TOTAL ESF		5354	5444	3693	102%	68%
TOTAL EAGGF		3003	3176	2471	106%	78%
TOTAL OBJECTIVE 1		19630	19622	13753	100%	70%

Sources=Commission services

N-B: The figures for financial execution for 1991 are provisional.

TABLE 5

FINANCIAL EXECUTION OBJECTIVE 2

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 89-91	1989 - 1991 Commitments	1989 - 1991 Payments	Commitments/ Forecasts	Payments/ Commitments
BELGIQUE	ERDF	146	145	77	99%	53%
	ESF	49	57	24	117%	41%
	EAGGF	0	0	0		
TOTAL BELGIQUE		195	202	101	103%	50%
DANMARK	ERDF	22	24	17	109%	71%
	ESF	8	8	6	103%	70%
	EAGGF	0	0	0		
TOTAL DANMARK		30	32	23	108%	70%
DEUTSCHLAND	ERDF	261	271	109	104%	40%
	ESF	94	76	40	81%	52%
	EAGGF	0	0	0		
TOTAL DEUTSCHLAND		355	347	149	98%	43%
ESPANA	ERDF	576	561	373	97%	67%
	ESF	159	159	99	100%	63%
	EAGGF	0	0	0		
TOTAL ESPANA		735	719	472	98%	66%
FRANCE	ERDF	515	481	291	93%	60%
	ESF	185	179	131	97%	73%
	EAGGF	0	0	0		
TOTAL FRANCE		700	660	422	94%	64%
ITALIE	ERDF	179	171	71	96%	41%
	ESF	86	64	57	75%	89%
	EAGGF	0	0	0		
TOTAL ITALIE		265	235	128	89%	54%
LUXEMBOURG	ERDF	15	5	4	32%	85%
	ESF	0	0	0		
	EAGGF	0	0	0		
TOTAL LUXEMBOURG		15	5	4	32%	85%
NEDERLAND	ERDF	57	42	16	74%	38%
	ESF	38	33	20	86%	63%
	EAGGF	0	0	0		
TOTAL NEDERLAND		95	75	36	79%	49%

N-B: The figures for financial execution for 1991 are provisional.

(69)

TABLE 5

FINANCIAL EXECUTION OBJECTIVE 2

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 89-91	1989 - 1991 Commitments	Payments	Commitments/ Forecasts	Payments/ Commitments
UNITED KINGDOM	ERDF	1159	1128	705	97%	62%
	ESF	351	332	245	94%	74%
	EAGGF	0	0	0		
TOTAL UNITED KINGDOM		1510	1460	950	97%	65%
TOTAL ERDF		2930	2827	1663	96%	59%
TOTAL ESF		970	907	621	94%	68%
TOTAL EAGGF		0	0	0		
TOTAL OBJECTIVE 2		3900	3735	2284	96%	61%

Sources=Commission's services

N-B: The figures for financial execution for 1991 are provisional.

(70)

TABLE 6

FINANCIAL EXECUTION OBJECTIVES 3&4

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 90-91	1990 - 1991 Commitments	Payments	Commitments/ Forecasts	Payments/ Commitments
BELGIQUE	ERDF	0	0	0		
	ESF	108	98	75	91%	77%
	EAGGF	0	0	0		
TOTAL BELGIQUE		108	98	75	91%	77%
DANMARK	ERDF	0	0	0		
	ESF	67	67	58	100%	86%
	EAGGF	0	0	0		
TOTAL DANMARK		67	67	58	100%	86%
DEUTSCHLAND	ERDF	0	0	0		
	ESF	370	429	308	116%	72%
	EAGGF	0	0	0		
TOTAL DEUTSCHLAND		370	429	308	116%	72%
ESPANA	ERDF	0	0	0		
	ESF	371	363	281	98%	77%
	EAGGF	0	0	0		
TOTAL ESPANA		371	363	281	98%	77%
FRANCE	ERDF	0	0	0		
	ESF	581	572	523	98%	91%
	EAGGF	0	0	0		
TOTAL FRANCE		581	572	523	98%	91%
ITALIE	ERDF	0	0	0		
	ESF	362	304	234	84%	77%
	EAGGF	0	0	0		
TOTAL ITALIE		362	304	234	84%	77%
LUXEMBOURG	ERDF	0	0	0		
	ESF	4	4	3	100%	72%
	EAGGF	0	0	0		
TOTAL LUXEMBOURG		4	4	3	100%	72%
NEDERLAND	ERDF	0	0	0		
	ESF	143	146	132	103%	90%
	EAGGF	0	0	0		
TOTAL NEDERLAND		143	146	132	103%	90%

N-B: The figures for financial execution for 1991 are provisional.

(71)

TABLE 6

FINANCIAL EXECUTION OBJECTIVES 3&4

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 90-91	1990 - 1991 Commitments	1990 - 1991 Payments	Commitments/ Forecasts	Payments/ Commitments
UNITED KINGDOM	ERDF	0	0	0		
	ESF	690	750	642	109%	85%
	EAGGF	0	0	0		
TOTAL UNITED KINGDOM		690	750	642	109%	85%
TOTAL ERDF		0	0	0		
TOTAL ESF		2696	2734	2256	101%	83%
TOTAL EAGGF		0	0	0		
TOTAL OBJECTIVES 3&4		2696	2734	2256	101%	83%

Sources=Commission's services.

N-B: The figures for financial execution for 1991 are provisional.

(72)

TABLE 7

FINANCIAL EXECUTION OBJECTIVE 5a

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 89-91 (*)	1989 - 1991 Commitments	Payments	Commitments/ Forecasts	Payments/ Commitments
BELGIQUE	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	73	47		65%
TOTAL BELGIQUE		0	73	47		65%
DANMARK	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	49	39		80%
TOTAL DANMARK		0	49	39		80%
DEUTSCHLAND	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	446	414		93%
TOTAL DEUTSCHLAND		0	446	414		93%
ESPANA	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	99	74		75%
TOTAL ESPANA		0	99	74		75%
FRANCE	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	652	589		90%
TOTAL FRANCE		0	652	589		90%
ITALIE	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	250	178		71%
TOTAL ITALIE		0	250	178		71%
LUXEMBOURG	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	13	13		95%
TOTAL LUXEMBOURG		0	13	13		95%

N-B: The figures for financial execution for 1991 are provisional.

TABLE 7

FINANCIAL EXECUTION OBJECTIVE 5a

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 89-91 (*)	1989 - 1991 Commitments	Payments	Commitments/ Forecasts	Payments/ Commitments
NEDERLAND	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	46	34		74%
TOTAL NEDERLAND		0	46	34		74%
UNITED KINGDOM	ERDF	0	0	0		
	ESF	0	0	0		
	EAGGF	0	187	167		89%
TOTAL UNITED KINGDOM		0	187	167		89%
TOTAL ERDF		0	0	0		
TOTAL ESF		0	0	0		
TOTAL EAGGF		0	1814	1555		86%
TOTAL OBJECTIVE 5a		0	1814	1555		86%

Sources=Commission's services

(*) Until recently only a limited part of objective 5a was covered by activity which had been approved through the CSF. A comparison of the amounts forecast in the CSFs for this objective to commitments and payments is therefore not significant for the period 1989-91.

N-B: The figures for financial execution for 1991 are provisional.

(74)

TABLE 8

FINANCIAL EXECUTION OBJECTIVE 5b

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 89-91	1989 - 1991 Commitments	Payments	Commitments/ Forecasts	Payments/ Commitments
BELGIQUE	ERDF	3	3	2	111%	52%
	ESF	5	4	3	79%	95%
	EAGGF	5	4	2	85%	47%
TOTAL BELGIQUE		12	11	7	89%	65%
DANMARK	ERDF	6	6	4	92%	77%
	ESF	2	1	2	58%	158%
	EAGGF	1	1	0	97%	48%
TOTAL DANMARK		10	8	7	84%	87%
DEUTSCHLAND	ERDF	113	86	43	76%	50%
	ESF	35	24	14	69%	58%
	EAGGF	44	41	23	93%	55%
TOTAL DEUTSCHLAND		192	151	79	79%	53%
ESPANA	ERDF	20	29	15	143%	51%
	ESF	16	16	11	100%	67%
	EAGGF	63	61	47	96%	78%
TOTAL ESPANA		100	106	73	106%	69%
FRANCE	ERDF	179	155	111	87%	71%
	ESF	82	73	39	89%	53%
	EAGGF	131	133	75	101%	56%
TOTAL FRANCE		392	361	224	92%	62%
ITALIE	ERDF	40	32	15	79%	48%
	ESF	21	13	7	64%	49%
	EAGGF	60	53	31	88%	59%
TOTAL ITALIE		121	98	53	81%	54%
LUXEMBOURG	ERDF *	0	0	0	150%	33%
	ESF	0	0	0	0%	
	EAGGF	1	0	0	96%	58%
TOTAL LUXEMBOURG		1	1	0	97%	48%
NEDERLAND	ERDF	14	12	8	82%	67%
	ESF	3	3	5	100%	209%
	EAGGF	4	4	2	100%	51%
TOTAL NEDERLAND		20	18	15	88%	85%

* The ERDF figures for Luxembourg, before rounding, are ECU 0.2m for forecasts and ECU 0.3m for payments

N-B: The figures for financial execution for 1991 are provisional.

(75)

TABLE 8

FINANCIAL EXECUTION OBJECTIVE 5b

Millions of ECUs (1989 prices).

Member State	Fund	CSF Forecasts 89-91	1989 - 1991 Commitments	Payments	Commitments/ Forecasts	Payments/ Commitments
UNITED KINGDOM	ERDF	200	164	110	82%	67%
	ESF	37	37	20	98%	53%
	EAGGF	13	9	8	67%	93%
TOTAL UNITED KINGDOM		250	209	137	84%	66%
TOTAL ERDF		577	487	306	84%	63%
TOTAL ESF		201	170	101	85%	59%
TOTAL EAGGF		321	305	189	95%	62%
TOTAL OBJECTIVE 5b		1098	962	596	88%	62%

Sources=Commission's services.

Figures are rounded to the nearest unit although calculated on the basis of precise figures at current prices

N-B: The figures for financial execution for 1991 are provisional.

Table 1 : Convergence indicators

	Rate of inflation(a)		Long term interest rates		Budget deficit (b)	
	1985	1992	1985	1991	1985	1992
Spain	8.2	5.6	13.4	12.4	- 6.9	- 3.6
Portugal	19.4	9.5	25.4	17.1	-10.1	- 4.6
Greece	18.3	14.3	15.8	-	-13.8	-14.4
Ireland	5.0	3.0	12.7	9.2	-11.2	- 4.1
Community	6.0	4.5	10.9	10.4	- 5.2	- 4.3

Source : Commission services / 1992 : estimates

(a) consumer prices, variation in % with respect to the previous year

(b) in % of GDP at market prices