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ANNUAL REPORT

ON THE IMPLEMENTATION OF THE REFORM

OF THE STRUCTURAL FUNDS

1990

Executive Summary

This report is presented pursuant to Article 16 of Regulation (EEC) No 2052/88 of 24 June 1988 on the reform of the structural Funds and is concerned with implementation of the reform in 1990.

It is the second of its kind and covers the progress of the measures set in train by the Commission and the Member States in 1989 to give tangible expression to the political commitments made in the Community Support Frameworks.

In practical terms, the combined efforts have produced a stronger partnership, both at the programme preparation stage and during the negotiation of their contents with the Commission.

The year 1990 was decisive for the effective implementation of the reform by all the partners as it involved the approval of most of the measures provided for in the CSFs. This approval corresponds to the legal and financial commitment by the Community, the CSFs themselves having been simply a statement of intent.

As the new rules place emphasis on the need for assessment of structural measures, the Commission also launched a series of assessment studies in the course of the year.

International events placed new demands on the Community's structural policy. On a proposal by the Commission, the Council admitted the new German regions to the overall scheme of structural assistance.

The purpose of this report is therefore to provide a detailed review of the implementation of the CSFs and of coordination between the various structural instruments and the other financial instruments, and to summarize the first results of the assessment exercises undertaken.

Additional information will be given in the mid-term review of the reform.

In spite of certain difficulties, the general impression that emerges up to now from implementation and the assessment findings is encouraging, as regards both the foreseeable impact of the measures and the effectiveness of the programming procedures.

General characteristics of implementation in 1990

Towards the end of 1989 or, in most cases, in the course of 1990 the Member States presented for the Commission's approval draft operational programmes or other forms of assistance for new measures on the basis of the joint financial commitments and priorities defined by the various partners in the CSFs.

This second phase of the programming process mobilized the regional, national and Community partners for many months.

In comparison with earlier methods, the new approach to Community assistance has significantly reduced the number of dossiers to be managed at Community level. This is in line with the principle of subsidiarity. On the other hand it has required a change of attitude on the part of the authorities responsible for structural policies in the Member States with regard to the choice of measures to be submitted. These must comply, in terms of their objectives, with the priorities laid down in the CSFs.

When negotiating the content of the programmes the Commission maintained its intention to seek greater synergy between the three structural Funds. This principle was already reflected in the CSFs, which contained priorities common to two or more Funds, and it continued to be applied at the decisive stage of programme approval.

By the end of 1990, thanks to the efforts of all the partners, the situation as regards programme approval decisions was satisfactory.

For the purposes of monitoring the CSFs and the forms of assistance, monitoring committees were set up in all the Member States and regions concerned in the course of 1990 or early 1991.

As agreed, the Commission is giving support - particularly by financing technical assistance - to Member States' efforts to set up systems for monitoring the CSFs and Community funding.

Some implementing difficulties arose, especially with regard to the financial provisions. The Commission has therefore begun to try to improve and simplify procedures and in December 1990 it adopted a first batch of measures with this end in view.

In 1990 budget implementation was largely satisfactory. The take-up of appropriations for the Objective 1 regions was lower than forecast, but in 1989 these regions had enjoyed an implementation rate above the forecast level. In any case, the appropriations approved for these regions will be carried forward so that commitments made in the CSFs are maintained over the five-year period.

Progress of individual objectives

Objective 1 concerns seven countries. In all cases except France it is covered by a single CSF.

Implementation involves a fairly large number of programmes. More than 300 programmes or other forms of assistance have been approved since the start of the reform.

To date Commission decisions have been taken on almost all the measures.

A lot of work was accomplished in the partnership framework to improve programming tools, especially criteria for the selection of projects and the quantification of objectives.

The priorities negotiated at the CSF stage were upheld at the programme approval stage. Regional programmes occupy an important place in the implementation of Objective 1. But in many cases measures common to several regions of a Member State continue to predominate and are managed at national level.

In 1990 there were no substantial amendments to the CSFs. But it was decided to review the initial programming for certain Member States, particularly in order to take account of certain investment opportunities which had not been foreseen at the negotiation phase, but also to improve on original programming.

Information on implementation at operational level in 1989 and 1990 shows a substantial rate of progress.

For Objective 2 the year was marked by approval of all the programmes required for operational implementation, except for a few RENAVAL and RESIDER measures which had not yet been adopted at the end of 1990.

As the CSFs for Objective 2 are regional, the programmes were presented at regional level.

In most cases programme preparation coincided with preparation of the CSFs. The content of the latter was inevitably more detailed than that of the Objective 1 CSFs, which gave them a more readily operational character.

As in the case of Objective 1, the partnership initiated at the CSF preparation stage continued into the programme planning and monitoring phases.

Objectives 3 and 4 are being implemented through about one hundred operational programmes.

It should be noted that for these objectives 1990 constitutes the first year of the application of the reform.

At the end of 1990 most of the appropriations allocated in the CSFs had been approved by Commission decision.

In terms of content, the forms of assistance correspond fairly closely to the priorities and financial breakdowns contained in the CSFs.

However, the preliminary findings of the monitoring committees indicate the need for some changes to the initial programming.

Available data indicate that take-up of the appropriations for 1990 is satisfactory.

Under Objective 5(a) a start was made in 1990 with the implementation of Regulations 866/90 and 867/90. This will become fully effective in 1991.

Implementation of the other horizontal measures under Objective 5a (notably Regulation (EEC) 797/85) has continued on the basis of legislation revised at the end of 1989 following the reform of the Funds.

Assistance for farm investment as well as compensation payments to farmers in upland areas and other less favoured regions remain the most important measures.

Certain agricultural restructuring measures place particular importance on productivity. Following the reform, they have been substantially modified in order to achieve a better balance between the priorities which the Commission intends to assign to the adaptation agricultural structures within the context of the reform of the Common Agricultural Policy, namely, improvements in agricultural productivity, adaptation of productive potential to market demand, and environmental protection.

For fisheries, the Commission negotiated and approved specific CSFs under Regulation 4042/89. For the Objective 1 countries the original CSFs were amended by the inclusion of annexes.

For Objective 5(b) the Member States presented their operational programmes after the approval of the CSFs in June 1990. Some were approved before the end of the year, but most of them will have been appraised and decided on in the course of 1991.

Finally, the Commission began application of Council Regulation (EEC) No 3575/90 of 4 December 1990 concerning the activities of the structural Funds in the new German regions. After submission of the development plans in December 1990 and negotiations with the German government and the Länder, the Commission approved the CSFs on 13 March 1991.

In addition to the measures part-financed under the CSFs, Community support for regional development and greater cohesion to help the less-favoured regions is provided through Community initiatives.

Implementation of these began with the submission of projects under the initiatives approved in 1989 (RECHAR, ENVIREG, STRIDE, INTERREG and REGIS).

In 1990 the Commission introduced a new series of initiatives which are based on three priorities:

- strengthening of human resources (EUROFORM, HORIZON, NOW);
- integration of rural areas (LEADER);
- extension of certain basic infrastructure (PRISMA, REGEN, TELEMATIQUE).

But very few programmes had been formally adopted before the end of 1990. Most of the decisions will be taken in the course of the following year.

Initial assessment of implementation

Certain lessons may be learnt from the first two full years of implementation.

At the operational level, the Commission and the Member States have managed to translate into practical form the commitments made in the course of CSF negotiations in 1989.

In this respect 1990 was a year of significant progress. Almost all the forms of assistance were approved and the corresponding financial commitments made.

From the point of view of monitoring, several Member States amended their domestic legislation to provide a statutory basis for the monitoring committees.

Regular monitoring of the CSFs and the programmes gives the Commission and the Member States data with which to identify and correct any programming mistakes which could impede proper implementation.

In addition the mixing of loans and grants began to take practical effect. The availability of loans under the CSFs was taken up by numerous Member States. The EIB is now helping to finance measures implemented under the CSFs and this is undoubtedly a step forward. This is especially true in the Objective 1 regions. However, the coordination of measures is hampered by the difficulty of joint programming of the two types of instrument.

The first findings concerning the impact of the structural measures all indicate that although the contribution of the structural Funds to the Community's GDP remains small, it is proportionately greater in the least prosperous regions which receive the bulk of the assistance. There is every reason to believe that the macroeconomic impact in these regions will be significant in terms of growth and job creation.

Evaluation also includes qualitative analysis of the basic principles of the reform.

All the findings suggest that multiannual programming is now generally accepted as a method of choice for managing structural assistance. In this respect the CSFs represent a major advance on the past.

Furthermore, the role of the regions has been increased at field level, even in cases where their involvement at the CSF preparation phase was regarded as inadequate. Thus, partnership in practice has been established.

These achievements no longer seem in question.

But, alongside the positive aspects, there are some less encouraging points to note.

Verification of the additionality of Community assistance is continuing, but things are not entirely satisfactory in this respect. The Community has stepped up its dialogue with the Member States in order to ensure that they comply with the obligations placed on them by the framework legislation.

As regards procedures, criticisms have been voiced by several partners.

Within the framework of the present rules, the Commission has taken certain steps to try and improve procedures.

Further simplification is under consideration.

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INTRODUCTION

During 1990 considerable progress was made in implementing the reform of the structural Funds.

The Commission approved a large number of programmes in order to give concrete financial expression to the political undertakings enshrined in the Community Support Frameworks (CSFs).

In the cases of Objectives 1, 2, 3 and 4, for which the CSFs were approved in 1989 (see first Annual Report), the process entailed implementing the general guidelines laid down in the CSFs by approving the forms of assistance referred to in Article 5 of the framework Regulation. This created the legal basis for commitment of the appropriations provided for in the CSFs.

In the case of Objective 5(b), for which 44 CSFs were approved in June 1990, implementation during the year was limited. Most of the programmes were expected to be approved in the first half of 1991.

An important innovation in the case of Objective 5(a) was the obligation on Member States to submit sectoral plans under Regulations Nos 866/90, 867/90 and 4042/89 (improving the processing and marketing conditions for agricultural, forestry and fisheries products).

The Commission continued its work on the promotion of new Community initiatives in order to deal with the most sensitive development problems.

The Community gave support to German unification by extending the structural Funds to the five new Länder. It had the task of implementing Council Regulation (EEC) No 3575/90 of 17 December 1990 concerning the activities of the structural Funds in the territory of the former German Democratic Republic.

The Commission made a decisive start on assessing structural policies by launching a first series of studies for which it was itself responsible. The systematic assessment of the Objective 1 CSFs, of a representative sample of those for Objectives 2 and 5(b) and of those for Objectives 3 and 4 also began in 1990. In addition, evaluation studies of Objective 5a measures have been undertaken in order to assess their impact on Community agricultural structures, as well as a study of the implementation of assistance to young farmers in the various Member States. These studies will continue in 1991.

During the two years of its implementation, the Commission has reaffirmed its continuing confidence in the validity of the principles underlying the 1988 reform and the relevance of their continued application.

The following chapters review the concrete achievements of 1990 and offer an initial assessment of the progress made.

CHAPTER 1 MAIN FEATURES OF IMPLEMENTATION

During 1990 the Commission concentrated on the following four fields:

- approval of the forms of assistance;
- ex-ante assessment pursuant to Article 26 of the coordinating Regulation;
- monitoring of the CSFs and approved programmes;
- simplification of procedures.

1.1 Approval of forms of assistance

1.1.1 Approval of forms of assistance for CSFs decided on in 1989 and 1990

As stated in Article 10 of Regulation (EEC) No 4253/88 (the coordinating Regulation), the CSFs are a declaration of intent. They are contracts negotiated between the Commission and the Member State in partnership, and are not enough in themselves to allow commitment of the Community appropriations obtained following the doubling of the Funds.

The main priority in 1990 was for the Member States to submit and the Commission to approve the applications for assistance which provide a basis for the operational implementation of the general guidelines laid down in the CSFs.

These new measures were additional to those existing before the reform, some of which have been incorporated in the CSFs.

1.1.2 The number of forms of assistance approved

Over the two years of implementation of the reform, the Commission has approved as new measures 545 forms of assistance (303 under Objective 1, 138 under Objective 2, 99 under Objectives 3 and 4 and five under Objective 5(b))⁽¹⁾.

In the first place, it should be noted that the change from a system of project-based assistance to operational programmes has meant in practice that substantially fewer dossiers have to be monitored than before.

Secondly, Objective 2 is being implemented through a fairly large number of programmes, mainly as a result of its regionalized nature (54 CSFs approved).

In the case of Objective 5(b), the figures are not representative because most of the measures will be approved in 1991.

In accordance with the rules, operational programmes are the predominant form of assistance.

Before the reform, the programme technique was not widely used so the systematic programming of assistance represented a change for the Member States and for the Commission.

(1) Including RESIDER AND RENAVAL.

The Member States have made little use of the global grant technique. The problems surrounding its use referred to in the previous report continued in 1990 but the Commission is continuing to express interest in this form of assistance and more encouragement for its use should be given in the future.

Naturally, with some exceptions, projects continue to be covered by separate commitment decisions. But, whereas this form of assistance accounted for 80% of ERDF commitments before the reform, in 1990 it accounted for only 13%.

Aid schemes are normally included in operational programmes. In addition to the new measures described above, the Commission approved 23 ERDF programmes under the old rules, mainly Community programmes under RESIDER and RENAVAL. Most of these concern areas eligible under Objective 2.

The bulk of assistance for the agricultural aspects of the CSFs is provided through operational programmes.

Of the 83 OPs to which the EAGGF was expected to contribute under Objective 1, three were approved in 1989 and a total of 72 had been approved by the end of 1990. Those approved cover all agricultural assistance under the CSFs for Greece, Ireland, Northern Ireland and France. Some operational programmes in Spain(7), and in Portugal(2) and the regional section in Italy had still to be approved in 1991.

Details of the forms of assistance for Objective 5(b) will be given subsequently.

The ESF had approved 341 forms of assistance by 31 December 1990 of which 173 were for Objective 1 and 99 for Objectives 3 and 4.

The approved OPs cover almost all the ESF assistance provided for in the Objective 1 CSFs and in those relating to Objectives 2, 3 and 4. As noted above, implementation of Objective 5(b) is continuing in 1991.

1.1.3 Approval of the forms of assistance required to implement Community initiatives

Since the first decisions were not finalized until 1990 and 1991, most of the operational programmes required to implement these initiatives were submitted in 1991.

Accordingly, only one RECHAR programme, for a French Objective 2 area, could be approved in 1990.

All the remaining 25 RECHAR programmes and the applications under other Community initiatives approved in 1989 (7 ENVIREG programmes, 12 STRIDE programmes, 3 REGIS programmes and 1 INTERREG programme) were under consideration at the end of 1990.

The decisions concerning the Community initiatives on human resources (HORIZON, NOW and EUROFORM) and rural development (LEADER) came at too late a date for the Member States to submit any applications in 1990.

1.1.4. Synergy between Funds

One of the basic principles of the reform which was sought during negotiations over the CSFs was synergy between the Funds in order to make the assistance more effective.

Naturally, the success of this approach, as negotiated in 1989 and reflected in the CSF priorities, will be measured as and when the forms of assistance are implemented.

During negotiations with the Member States on the content of the OPs, the Commission sought, in accordance with Article 14 of the coordinating Regulation, to promote multifund OPs wherever these were acceptable to the partners. Such programmes represent one of the ways of implementing the integrated approach negotiated in the CSFs.

A total of 76 multifund programmes were approved by the Commission up to the end of 1990 in order to implement Objectives 1, 2 and 5(b).

- (i) In the case of Objective 1, the multifund approach covers a number of programmes with total assistance granted amounting to around ECU 9.5 billion.

In some countries, the Commission had negotiated the assistance to be implemented through the integrated approach when the CSF was prepared. Elsewhere the forms of assistance were selected after definition of the CSF through negotiations which were in some cases quite long and difficult.

- (ii) In the case of Objective 2, the integrated approach was used for around 9% of the programmes approved with total assistance amounting to about ECU 690 million.

Since the Objective 2 CSFs cover limited areas and include ERDF and ESF measures for the same development priorities, priority in implementation should be given to integration between training and other measures.

- (iii) An integrated approach is used in the Objective 5(b) areas and it is expected that up to 90% of the assistance adopted under this Objective will be in the form of multifund programmes. The integrated approach is the logical consequence of the rural development policy objective.

Use of the integrated approach made considerable demands on the Commission, whose staff had to reconcile the need to commit appropriations as soon as possible with the longer appraisal times inherent in this approach.

In general, the integrated approach has enabled the Funds to act in a more coordinated and mutually beneficial manner. However, development of the desired synergy between the Funds may be hindered by administrative structures and allocations of responsibility at national and Community level which are designed for a purely sectoral approach.

Efforts to develop the multifund approach must therefore continue. The Commission has already stated that it will use it more systematically in the second phase of Objective 2 (1992-93), which will involve preparation of new CSFs and approval of the corresponding forms of assistance. Furthermore, it is continuing its efforts to increase the synergy between measures in certain programmes which have already been approved, mainly through the assessment procedure, which may result in some adjustments in the course of implementation (1989-93). The monitoring arrangements (chiefly the Monitoring Committees) also provide an opportunity for achieving greater synergies.

2.1 Assessment of the implementation of the basic principles of the Reform

In accordance with the spirit of the Regulations, assessment must take its place alongside the main principles of the reform as an important aspect of Community structural assistance to the Member States. In particular, ex-ante and ex-post evaluation permit the impact of Community action to be measured in terms of the priorities of the reform and give expression to the principle of transparency which should underlie all Community assistance to the Member States.

Under the heading of technical assistance the Commission has provided the Member States with resources to extend their assessment capacity and it has added to its own expertise by calling on the services of independent assessors.

Assessment involves a wide variety of tasks at various stages of implementation, ranging from evaluation of the CSFs and certain forms of assistance or Community initiatives to thematic or horizontal assessments which, at Community level, provide an overview of the degree of convergence of the policies achieved in a given sector and, at national level, facilitate the adjustment of the strategic objectives of the Member States in the sector in question.

This report presents only the findings of the assessment of the CSFs, since the remainder of the work is less advanced. The assessment studies were designed and launched by the Commission and now cover all the CSFs for Objectives 1 (seven countries), 3 and 4 (nine countries), 15 of the Objective 2 areas and 11 of those eligible under Objective 5(b).

The assessments of the CSFs have two aims. The first, more conventional, aim is to evaluate the socio-economic impact of the CSF on the specific objective(s) for which it was introduced. The second relates to the mechanisms of implementation of the CSFs and seeks to measure the efficiency introduced by the reform and its main underlying principles.

Assessment of the socio-economic impact is forward-looking and seeks to measure the expected impact of correct implementation of the CSFs. It will be undertaken when the problems specific to each Objective are covered. As regards the assessment of the basic principles, the approach relies primarily on interviews, opinion surveys and inquiries in the areas concerned. It is seeking to concentrate on an initial assessment of the practical implementation of the major principles of the reform.

Despite the wide variety of national and regional situations, one initial conclusion seems to be that there is a generally favourable view of implementation, irrespective of the Objective being considered.

The reform of the structural Funds is widely regarded as representing definite progress over the methods of assistance used in the past. Multiannual programming, concentration, partnership and additionality constitute, in the views of those involved and of observers, important gains which should be preserved and consolidated.

Certain Member States have required some time to become accustomed to the novelty of the approach, a process which the Commission has endeavoured to assist. More generally, implementation of the reform has led to requests for the simplification of procedures. The Commission began to introduce these at the end of 1990.

On the basis of both the assessment reports and the lessons learned from a year of actually implementing the reform, the sections below will look in turn at each of the major principles. Since the CSFs for Objectives 3, 4 and 5(b) were adopted later, which has delayed assessment somewhat, the examples given relate principally to the CSFs for Objectives 1 and 2.

2.1.1 Concentration

The principle of concentrating Community assistance on the countries and regions with the greatest development and conversion problems and on certain priority sectors of the economy may be regarded as one of the determining factors for economic and social cohesion. It is an established principle.

Application of the principle in the field involved the selection of geographical areas according to objective Community criteria. Broadly speaking, this produced a geographical division acceptable to all the parties involved.

There appear to be two key factors in determining an appropriate definition of Objective 2 areas:

- implementation of the CSF is more effective where the area corresponds to an existing administrative unit;
- an economically homogeneous area ensures that local problems are effectively taken into account in the operational programmes.

The experience of assessment tends to suggest that a lack of balance between these two factors is a source of potential problems and inefficient implementation of the reform.

The concentration of available financial resources in the selected areas is the second aspect of this principle. Naturally, whatever the objectives, the funds always fall short of the needs expressed, so the amounts set out in the plans submitted by the authorities are often reduced. This approach has sometimes been regarded as undermining the programming effort, which had resulted in a carefully balanced estimate of the resources required for the various priorities.

The third aspect of the principle was concentration on a limited range of priorities. The Community Support Frameworks prepared by the Commission and discussed with the Member States represent a clear departure from the approach previously adopted. For example, the amount of assistance for infrastructure in the Objective 2 area is considerably lower, so permitting greater concentration on measures to create or retain jobs.

2.1.2 Programming of assistance

There is no doubt that the programming approach is one of the major achievements of the reform.

Widely regarded as an excellent formula, the programming exercise was somewhat thwarted by the very short time available for the drawing-up of regional development plans or strategies, by the lack of experience of certain Member States in seeking coherence, by the lack or paucity of economic and statistical indicators on which to base forward analyses and by the fact that little use was made of the techniques of ex-ante evaluation, whose methodology was rarely mastered effectively.

Despite these problems, programming was seen as a significant improvement on the practical side of Community assistance and induced an effort of strategic thinking on the questions of development, conversion and employment.

However, assessment has revealed certain factors which affect the quality of programming:

- the first is undoubtedly the need to base the strategic development of a region on discussions with all those involved in its economy. This approach ensures both that the strategy is soundly based and that it is implemented successfully;
- the second concerns estimating the time required for this strategic approach based on consensus to be put into practice. It is clear that when the reform was first implemented only those regions with experience of programming were able to draw up measures based on a development strategy acceptable to local agents.

However, although pre-existing programming in certain Member States is undoubtedly an advantage, it can also restrict the scope for Community assistance to the extent that the measures have already been defined between the regions and the central government, without the Commission's intervention.

Similarly, the programming process benefited considerably where regional administrations had had experience of integrated programming before the reform (IMP, IDO, non-quota, NPCI, etc.). This confirms the impression that the results of "learning by doing" are of value in later stages of development.

The three-year programming period for Objective 2 was generally regarded as incompatible with implementation of a real industrial conversion programme. By its decision in 1991 to extend unchanged for 1992 and 1993 the list of areas eligible under this Objective, the Commission has already responded in part to this point.

Finally, particularly in the case of certain Objective 1 countries, the Community adjustments made to the plans submitted by the Member States and then translated into the CSFs are not always reflected in the overall picture of supplementary national public investment.

2.1.3. Partnership

Like multiannual programming, partnership is unanimously regarded as one of the strengths of the reform. The hopes raised by this principle have, however, been tempered by its application in practice since its definition and implementation have, for institutional reasons in particular, varied depending on the Member State, especially where the preparation of CSFs is concerned.

The weight of the three partners (Commission, national government and the regions) often seems out of proportion to that of local partners, who are nevertheless involved both in part-financing and management.

This may be a cause of inefficiency if it impedes the mobilization of national resources to match Community funds.

On-the-spot observation reveals considerable differences between partnership in programming and partnership in the management of implementation. The two forms of partnership often bring together different partners, each with its own motivation, expertise and working methods. The results are of higher quality when partners are involved in both functions.

All the national authorities set up a consultation process for preparing the plans and this was of course easier where working relations existed already. An obstacle arose in certain countries where the central government predominantly exercises authority and can impose its view of development strategy on the regions.

Partnership is now in operation virtually everywhere in the monitoring committees for the CSF and OPs. On the basis of this recent experience, reactions are generally positive and expectations of improvement all concern a redefinition of the role of the regions, ranging from the programming process to the management of the measures themselves. Many partners have said they would appreciate the availability of qualified expert assistance and support structures.

2.1.4. Verification of additionality

Under the principle of additionality, Member States which receive transfers from the structural Funds to achieve the objectives of the reform are required not to reduce their own expenditure for that purpose. The principle is established in Article 9 of the framework Regulation and its verification at regular intervals during implementation of the CSFs is the responsibility of the Commission. Accordingly, compliance with this principle has been assessed during the course of 1990. In August the Commission requested the Member States to provide the information required (using a standard explanatory format) before 30 November 1990. This deadline was not generally respected. Most of the Member States asked for more time and/or questioned the validity of the Commission's request, invoking technical problems relating to the difficulty of providing a breakdown of statistical and budgetary data. In view of the difficulties

encountered by the Member States, the Commission decided to send letters to each of them asking for a reply by 15 May 1991 and proposing bilateral meetings to look at specific problems. These have been held with certain Member States, sometimes coinciding with meetings of the Monitoring Committees. As a result of the meetings, several Member States have supplied or are in the process of supplying the desired information.

The Commission is now assessing additionality on the basis of this information. This initial assessment is regarded as ex-ante because the figures concern expenditure planned or anticipated for the period of the CSF (in total or at least for 1991, 1992 and 1993). However, some Member States have also provided details of expenditure actually carried out in 1989 and 1990 as well as in the base year of 1988 and this will permit on-going verification that the principle of additionality has been respected. Obviously, checks on compliance with this principle have to be carried out regularly, as stated in the standard clauses of the CSFs, and will be completed after the CSF has been fully implemented.

So far, the figures received by the Commission and contacts with the Member States through the partnership suggest that additionality is being respected in Ireland, Portugal and Greece (Objective 1) and Germany and Belgium (Objective 2). Spain has presented a study on the verification of additionality for the period 1988-90 using a methodology different from that laid down by the Commission; the Spanish authorities consider that Spain has complied with the additionality requirements. In other cases no conclusions can be drawn, mainly because of the lack of information from the Member States. The situation varies depending on both the Member State and the Objective. As regards the United Kingdom, it is difficult to determine additionality at the regional level on the basis of the present system of public expenditure allocation. Bilateral contacts on this are continuing. Italy is currently preparing data for the base year of 1988.

This situation cannot be regarded as satisfactory. While it is true that the practical verification of additionality may encounter technical difficulties concerning availability of the statistics needed, in general the Member States have been dilatory in giving this matter the importance it deserves and which the Regulations require. Sometimes, the technical difficulties adduced by the Member States are difficult to understand, particularly in the case of regions with a tradition of receiving assistance, such as the Mezzogiorno. It should also be noted that the Commission has always been prepared to assist the Member States to overcome difficulties of this type.

The Commission hopes that the situation will improve in the near future so that the terms of Article 9 of Regulation (EEC) n° 4253/88 (the co-ordinating Regulation) are respected.

3.1 Monitoring of the CSFs and forms of assistance

The decentralized management of the structural Funds which is now a consequence of the programme approach means that monitoring must be strengthened.

This has two main aspects:

- setting up of the Monitoring Committees provided for in Article 25 of the coordinating Regulation;
- establishment of monitoring systems in the Member States to provide effective monitoring of implementation of the reform.

3.1.1 The Monitoring Committees

3.1.1.1 Setting up of the Monitoring Committees

During 1990 the Commission set up the Monitoring Committees in liaison with each Member State and region concerned. The duties of these Committees are defined by the Commission in agreement with the Member State. The Commission is automatically a member and the EIB is an associate member.

In the case of Objective 1, there is a single CSF for each of the countries concerned apart from France, where the CSFs were prepared on a regional basis. In most countries Monitoring Committees at regional level, as well as a national Monitoring Committee, have also been required.

All the Objective 1 Monitoring Committees were set up in 1990, although in some Member States the delays in establishing them prevented them from doing detailed work. It should be noted that the main usefulness of a Monitoring Committee is directly dependent on the existence of approved forms of assistance. Since in some countries programmes were not decided until the end of 1990, the Member States did not consider it necessary to convene meetings of the Committees.

The regionalized nature of the Objective 2 CSFs meant that virtually all the Monitoring Committees were established at regional level. This process took place satisfactorily and quite rapidly, facilitated by the more operational nature of the CSFs for this Objective.

Although there is only one CSF per Member State for Objectives 3 and 4, monitoring is carried out both nationally and, in some countries, at regional level.

Because of the late approval of the CSFs for Objective 5(b), very few monitoring committees met in 1990. There will be one committee per CSF (44 in all), plus eight regional committees for Spain.

To sum up:

- in the cases of the most advanced Objectives, the majority of CSF Monitoring Committees were established and met for the first time in 1990 or at the beginning of 1991;

- programming of the CSF Committees for the current year is clearly laid down. An indicative schedule of meetings in 1991 has been drawn up on the assumption that the CSF Committees will normally be preceded by various committees meeting at operational programme level. The CSF Monitoring Committees will make the adjustments required by any developments that have occurred at the operational level. In the particular case of Objective 2, the meetings in 1991 will also have to handle the operational transition from the CSFs for the first phase (1989-91) to those for the second one;
- the process of approving the rules of procedure for these Committees has either been completed or is in progress. The novelty of the procedure for the administrations concerned is undoubtedly the reason why this has taken longer than expected.

Without going into details of the meetings, the following general comments may be made:

- In most cases, the CSF implementation reports permitted a thorough and individual analysis of each form of assistance. Since the meetings took place at an early stage, they rarely resulted in formal changes to the CSFs in 1990 but a large number of changes have been scheduled for 1991.
- The regional Monitoring Committees have provided an excellent forum for a genuine tripartite partnership (Commission, national government, region). They have also permitted emergence of a certain transparency in the operational decisions which underlie Community assistance and they provide an opportunity for all the partners to keep each other informed. The attitude of the regions in these committees is very open.
- While representation of the regional authorities on the Committees is satisfactory, the socio-professional organizations and employers' and workers' organizations do not always receive adequate information. These bodies have participated more frequently with regard to training or employment measures financed by the ESF. The Commission will continue to encourage the committees to keep them informed, where appropriate outside their formal meetings. This technique met a positive response in the context of the IMPs.
- Most of the CSF Monitoring Committees have concentrated their efforts on financial matters. Many of them have agreed on the use of standard tables to present the requisite indicators. On the other hand, despite some limited attempts, the physical indicators have proved far more difficult to identify and manipulate (difficulty of obtaining composite data). Some Committees have proposed concentrating their efforts on monitoring physical indicators at operational level (i.e. at programme level).

- Establishment of computerized monitoring systems has also been discussed. Although the vast majority of national partners are willing to compile financial monitoring tables fairly rapidly, it will take some time to make the system truly operational. Linking up directly with the Commission departments also raises a number of problems and a pilot-project approach appears to be the only feasible one at the moment.
- Most of the Committees also discussed the use of technical assistance. Although some Member States undoubtedly appreciate the advantage of having monitoring and assessment work financed in this way, it is not certain that all the possibilities have been explored or that sufficiently flexible models have been laid down. The determining factor will be the speed with which the authorities responsible for implementation can respond to obstacles by finding acceptable solutions or immediately preparing alternative projects or measures pursuing the same specific objective.
- In some cases, the allocation of responsibilities between the Monitoring Committees and the supervisory authorities has proved more delicate. The CSF Monitoring Committees must have adequate decision-making powers to be able to make the changes required by the varying pace of the different forms of assistance. Accordingly, during 1991 the Commission reviewed the rules governing amendments to the CSFs and OPs.

A detailed summary of the meetings of the Committees in 1990 and forecasts for 1991 are in Annexes 1 and 2.

3.1.1.2 The role of management and labour in monitoring work

The Commission wishes to encourage the participation of management and labour in achieving the objectives of the reform through sustained dialogue and efforts to find suitable consultation procedures.

Accordingly, it launched a programme of meetings with the social partners and national and regional administrations to discuss the principles of the reform, the objectives and the priorities selected in the Community support frameworks and their application in the regions and areas eligible under Objectives 1 and 2. In all, 16 meetings have been held, covering virtually all the regions concerned.

A series of training and information seminars were held alongside these meetings to familiarize regional trade union leaders with the new structural policies arising from the reform.

Overall, this experiment was regarded as successful both by the social partners and by the Commission.

These bodies have submitted comments and suggestions which may help the Commission when it considers future guidelines for its structural policies.

The constructive dialogue between the parties concerned has induced some Member States to seek ways of keeping management and labour regularly informed or associating them with the Monitoring Committees. The Commission intends to encourage this process further.

However, the regulations concerning the Structural Funds do not impose any obligation to involve the social partners organizations in monitoring work.

It is for the Member States to decide which partners (regional, local/or social) should be associated with these committees.

It is noticeable that the involvement of the social partners is more frequently foreseen in the fields covered by Objectives 3 and 4, where the Member States already have institutionalized dialogue with such bodies. The social partners participate in the monitoring committees in 9 Member States (Spain, Greece, Ireland, France, Germany, Luxembourg, Belgium, the Netherlands and Denmark).

In 3 Member States (Italy, United Kingdom and Portugal), in which the constitution of the monitoring committees does not enable participation of management and labour, the national administrations have given assurances that they will be kept informed.

3.1.2 The preparation of systems for monitoring forms of assistance

The introduction of monitoring systems in each Member State is essential if the Committees are to work effectively and provide the necessary guarantees as regards the implementation of Community commitments, allowing adjustments where necessary to the original programming laid down in the Community Support Frameworks.

The Commission is currently tackling the problem on two fronts, by the preparation of data handling systems (software) and by the provision of equipment (hardware). Technical assistance appropriations have been used for this purpose in most countries.

- Preparation of systems (software)

Software prototypes are being prepared for all the Objective 1 CSFs, either by administrations acting as national coordinators (IRL, GR, Northern Ireland, ES) or by consultancy companies (P). In France and Italy the IMP system has been adapted so that it can be used for new measures

In some cases (GR, IRL), these prototypes have been tested to check that they are adequate and that they comply with the monitoring requirements as laid down in the rules and decisions.

In the case of Objective 2, with a few exceptions (D, UK, ES), the volume of appropriations involved in the various CSFs and operational assistance is inadequate to justify the preparation of dedicated systems. Here, for small programmes, the approach involves simple compilation of financial and other implementation data and appropriate presentation of these data to the Monitoring Committees.

The Commission has prepared a standardized system of forms and computer programs for measures part-financed by the ESF so that all forms of assistance can be monitored from approval to final closure of the dossier.

These programs are available to all the Member States so that they can monitor each type of assistance from the point at which the basic data are entered (application for assistance) to submission of applications for payment of the balance.

This system should permit analysis of the basic financial and physical data relating to measures.

- Computer equipment (hardware)

Two comments are particularly pertinent at present. The first is that the situation varies from one country to another, depending particularly on the level analysed (national or regional), and the second is that steps have been taken to make up for the deficit in equipment.

At national level, the situation as regards computer equipment may be considered satisfactory although leaving room for improvement in certain countries (P, GR, F), while elsewhere (IRL and Northern Ireland) installation is in progress. In Spain and Italy, needs are currently being assessed.

At regional level, in regions other than those covered by IMPs, less progress has been made. However, steps have been taken to acquire the equipment required in all the Objective 1 regions.

In the case of measures part financed by the ESF, the Commission has provided, at central level in all the Member States, the computer equipment needed for transmission between the Member States and the Commission.

- Data provision and operation

At present, operations are monitored on the basis of manual or semi-automatic collection and processing of data. In most countries (I, GR, P, F, IRL), the Monitoring Committees have already produced reports on financial implementation. The Monitoring Committees also base themselves heavily on the tables prepared by the Commission.

The organization of work in the various countries suggests that the financial aspects of computerized monitoring systems could be operational before the end of 1991. But the regular input of data, particularly data on physical implementation, will be a difficult task which should not be underestimated.

Training and information for staff responsible for operating the system have begun and will have to be stepped up once the various systems have been approved by the parties concerned.

Technical assistance to the Member States is one of the ways in which the Commission can help them to set up these monitoring systems.

Provision of data on training and employment measures part-financed by the ESF has been tested centrally in each Member State by the national authorities. This should permit each form of assistance to be monitored on the basis of financial and physical information.

4.1 The need for greater simplification of procedures

In December 1990 the Commission made some procedural improvements to remove certain obstacles to satisfactory implementation.

These concentrated on certain priorities:

- greater flexibility;
- speedy approval of forms of assistance (improved internal Commission procedures);
- improved financial provisions and channels.

New decisions extended these initial provisions in June 1991.

4.1.1 Greater flexibility

The reform of the structural Funds establishes principles common to all the Objectives. The experience of 1990 shows that of the 118 CSFs approved, 65 (40 for Objective 2 and 24 for Objective 5(b)) involve assistance totalling less than ECU 50 million each. In contrast, the estimated amount of assistance for 12 CSFs exceeds ECU 500 million (see table in Annex 3).

Because of the difficulties encountered, the Commission decided that, while respecting the rules in force, it would differentiate between mechanisms on the basis of the amount of the resources programmed and the type of assistance. This new flexibility has two aspects:

- simplification of programming procedures for the CSFs and forms of assistance for the second phase of Objective 2 (1992-93);
- simplification of procedures for amending the CSFs and the forms of assistance by increasing the powers of the Monitoring Committees.

In practice, the Commission rules authorizing the Monitoring Committees to make changes to the forms of assistance under certain circumstances have proved too uniform in the face of the diversity of situations to which they apply. They do not permit sufficient flexibility of implementation.

In the light of the work of the Monitoring Committees in 1990 and requests submitted by the Member States, the Commission has decided to increase their powers enabling them to make necessary changes in the financing plans for the CSFs and the forms of assistance. This has introduced a differentiation according to the Objective (Commission Decision of 29 May 1991).

Naturally, substantial changes to the CSF can still be made only on the basis of a Commission decision taken in agreement with the Member State.

4.1.2. Improved financial provisions and channels

The reform of the Funds clearly established the principle of part-financing instead of reimbursement, which, with some exceptions (existing measures and some Objective 5(a) horizontal measures), is no longer used.

Application of this principle depends on the capacity of the national authorities and the Community to submit, examine and approve forms of assistance and on an improvement in the rate of commitments.

On 20 December 1989 the Commission adopted financial provisions common to all the forms of assistance.

Implementation of these provisions encountered a number of obstacles, in the case of multiannual programmes very often related to the problem of reconciling the rules governing commitments and the payment of public expenditure in certain Member States with those governing the commitment and payment of Community assistance, particularly if the principle of part-financing is to be observed.

In December 1990 the Commission amended the financial provisions governing forms of assistance. Under Article 21 of the coordinating Regulation, appropriations are implemented in the form of annual instalments and an adequate level of utilization of earlier instalments is a condition for subsequent commitments.

It was decided that an annual instalment of Community assistance would be committed once the Member State had certified to the Commission that actual expenditure amounted to at least 40% (instead of 60%) of eligible costs under the preceding instalment and at least 80 % (instead of 100%) of eligible costs relating to the instalment before last), and that the programme was progressing in line with its objectives. To prevent any slackness in budgetary management, it was specified that, although the next commitment could be made, the corresponding payment could not be implemented until 60% of the total cost of the measure had been incurred.

The purpose of these changes was to speed up the commitment of appropriations for multiannual measures in those Member States which desired it. In a number of Member States the budgetary and financial procedures governing commitments and payment of public expenditure for programmes part-financed by the Community required confirmation of the budgetary commitment of Community assistance.

The Commission has also continued its study of the financing channels used in each Member State to see what accounting improvements could be considered to speed up the payment of Community funds to final beneficiaries.

Within its own departments the Commission has improved the procedures governing the booking of its financial commitments in an attempt to reduce delays in paying Community assistance from the structural Funds.

CHAPTER 2 IMPLEMENTATION OF OBJECTIVE 1

1.1 General overview

1.1.1 Difficulties encountered

For many Member States the deadlines for submission of the draft operational programmes were long enough. Indeed, some countries (Ireland, Portugal) submitted programmes during the course of 1989, either just before approval of the CSFs or shortly afterwards so that the Commission could approve them as early as 1989. But the number of such cases was relatively small. For most countries the programmes were submitted during 1990 and some programmes had still not been submitted at the end of 1990.

The case of major projects is somewhat different in that many of them were included in dossiers already well advanced in the Member States, which were able to submit them officially for approval in 1989 (e.g. in Italy and, to a lesser extent, Spain).

In addition to the difficulties experienced by Member States in defining the contents of the measures, there was the time required for the Commission to appraise the programmes. In many cases the main need for clarification related to aid schemes included in the OPs and to verification of the environmental impact of the planned measures. These two considerations, relating to compliance with other Community policies, were the main causes for delay in the approval of the operational programmes.

The CSFs of some countries did not contain sufficient information on the forms of assistance envisaged for the implementation of the CSF priorities. This was requested during the negotiation stage but could not be provided. This imprecision as reflected in the CSFs also resulted in further delay in submission of the forms of assistance. It also shows that the CSF programming exercise was not necessarily based on a clear vision of implementation.

In the case of the ESF, Article 9 of Council Regulation (EEC) No 4255/88 stipulates that applications in respect of measures to be implemented in 1990 had to be submitted by 31 August 1989. In fact the CSFs were approved later and this led to considerable amendment of the applications initially lodged by the Member States.

In the case of the EAGGF, the major change of approach due to the transition from the traditional notions of direct and indirect measures to the operational programme approach created additional difficulties for the Member States which indirectly affected the speed with which programmes were submitted and examined.

On the whole a considerable amount of work had to be done in partnership to improve the contents of the programmes, in particular the financing plans, the project selection criteria, quantification of the objectives and definition of the physical and financial indicators to be used for monitoring purposes.

1.1.2 Multifund approach under Objective 1

As already mentioned, the Commission tried to promote the multifund approach for all the Objectives to which it could be applied.

In the case of Objective 1, a considerable number of multifund operational programmes were adopted. This form of assistance was already planned for some countries and the CSFs were implemented in accordance with the plans. For other countries the multifund approach was agreed on in the course of the negotiations. The integrated approach has been more widely used in the three countries fully covered by Objective 1. The priority "upgrading of basic infrastructure", for which ECU 10 656 million was provided for in the CSFs of the seven countries involved, was implemented mainly in the form of major projects. This is especially true in the countries where the priority is of special importance (Greece, Spain, Ireland, Portugal and Italy). In some cases major projects were included in the operational programmes.

Thus, the greatest scope for applying the multifund approach is offered by the priorities relating to the improvement of business competitiveness (ECU 5 466 million provided for in the CSFs), support infrastructure for economic activities and the development of indigenous potential¹, as well as for measures aimed at training infrastructure.

For the seven countries, these three priorities accounted for ECU 14 022 million in the CSFs. The appropriations committed in the form of multifund operational programmes for these priorities totalled ECU 9 519 million.

1.1.3 Analysis of the forms of assistance by Member State

Although the implementation of Objective 1 has so far necessitated 303 forms of assistance, the situation varies from Member State to Member State.

In the less regionalized countries (Ireland), the number of forms of assistance is smaller. The Irish CSF is being implemented by means of 12 monofund and multifund operational programmes. In the countries with highly regionalized CSFs (Spain, Greece, Italy and Portugal), the number of forms of assistance submitted by the Member State and approved by the Commission is large (some 50 programmes for Portugal). Preparation of the programmes therefore entailed a considerable volume of work for the various partners.

The distribution of responsibility peculiar to each Member State is also reflected in implementation. Thus, in the case of measures relating to human resource development, for which responsibility is regionalized in many Member States, implementation involves a large number of forms of assistance (Greece, Portugal, Spain). The situation is similar in the case of agricultural measures, for which certain countries have long applied a regionalized approach (Spain, France and Italy) whereas others have maintained centralized control (Greece, Ireland).

1 Nomenclature published in the First Annual Report 1989 - Annexes IV-2 ff.

1.1.4 The results of implementation as regards appropriations approved

1990 was a very busy year in terms of submission, negotiation and approval of the forms of assistance. In spite of some difficulties, the combined efforts of the Member States and the Commission made it possible to achieve a satisfactory level of commitment of the appropriations provided for in the CSFs.

At 31 December 1990 assistance approved for measures provided for in the CSFs of Objective 1 countries, taking into account ongoing measures approved before 1 January 1989, was as follows:

COMMUNITY ASSISTANCE APPROVED TO 31.12.1990

MemberState	ERDF	ESF	EAGGF	(ECU million, 1989 prices)	
				AMOUNT APPROV.	AMOUNT IN CSF
Greece	3 220.0	1 449.0	1 277.0	5 946.0	6 667
Spain	4 756.0	2 337.0	1 186.7	8 279.7	9 779
France	389.0	324.0	159.4	872.4	888
Ireland	1 642.0	1 357.0	654.0	3 653.0	3 672
Italy	4 091.0	1 463.0	665.1	6 219.1	7 443
Portugal	3 711.0	2 017.0	1 147.2	6 875.2	6 958
United Kingdom	347.0	312.4	130.0	789.4	793
TOTAL	18 156.0	9 259.4	5 219.4	32634.8	36200

Note: When reviewing implementation in terms of aid granted, it must always be borne in mind that the CSF allocations are in 1989 prices whereas implementation is normally assessed at the prices obtaining in the year of approval of the operational programmes. In order to be able to compare the various prices, the amounts of assistance decided on have been converted to 1989 prices.

The whole of the Objective 5(a) portion of Objective 1 is included in the ECU 5 219 million for the EAGGF.

1.2 Implementation of the CSFs by Member State

1.2.1 General analysis

The purpose of this section is to take an overall look at the forms of assistance and more particularly the main measures included in the operational programmes.

A detailed list of the forms of assistance approved will be published by the Commission separately (Statistical Bulletin). In addition the reports provided for in Article 25 of the coordinating Regulation will complement this Annual Report.

In making an overall analysis the intention is to identify the broad lines of structural intervention as implemented through the forms of assistance approved.

These main thrusts have already been examined within each CSF and examined further in the 1989 Annual Report.

The purpose here is to draw some conclusions from the actual implementation which has resulted from the operational programmes approved in relation to new measures.

A first conclusion is that the programmes' contents appropriately reflect the main action priorities which were jointly negotiated during the preparations of CSFs, whether in terms of sectors assisted or in terms of the distribution of actions between the multi-regional and regional levels.

In this last respect, it is notable that, at the end of 1990, (approximately) 94 regional operational programmes had been approved, representing a level of funding of ECU 8100 millions, excluding Objectives 3 and 4. The bulk of these programmes are multi-fund, drawing on all three funds and covering practically all of the CSF priorities.

Within regional programmes, most of the Community funding is allocated to transport infrastructure. However, more than half of these actions fall within the CSF for Spain.

Other important action priorities in the regions are assistance to businesses for productive investment and measures supporting human resources.

Water-related infrastructure intended to meet local or regional needs also has an important place in regional programmes.

Regional actions are complemented by actions of a multi-regional type.

Multi-regional programmes decided in 1989 and 1990 have attracted more than ECU 10 million in Community funding. Objectives 3, 4 and 5a are not included in this amount.

As in regional programmes, transport infrastructure occupies a major place. Programmes aiming to reduce the effects of peripherality and to improve transport have been approved in four Objective 1 countries (Portugal, Ireland, Greece, and the United Kingdom) as well as in Spain where significant investments are planned for the Madrid-Seville TGV.

A second priority for multi-regional programmes relates to aid towards productive investment in industry and services augmented by aid towards investment in directly related infrastructure. At the end of 1990, programmes concerning this priority area had been approved in all the countries in question except Spain; Further programmes of this type will be added in 1991 particularly in Greece and Italy.

Finally, the third most important priority in multi-regional programmes relates to human resources, which includes a new approach to skill-training as well as the improvement of education and training facilities. In this last respect, Community assistance is concentrated primarily in Greece, Ireland and Portugal.

With regard to agriculture and rural development, the implementation of this priority is distributed more or less evenly between the regional and multi-regional headings. As noted earlier, some countries have for a long time adopted a regionalised approach to the implementation action in favour of agriculture (Spain, France, Italy), whilst other member states maintain central control of operations.

1.2.2 Measurement of the overall socio-economic impact of structural assistance

The 1988 decisions to double the resources of the structural Funds and concentrate their efforts on Objective 1, as laid down in Article 12 of the framework Regulation, were intended to ensure that Community assistance achieves a greater macroeconomic impact.

The potential impact of the reform of the structural Funds should have its most far-reaching macroeconomic impact in the three countries entirely covered by Objective 1 (Greece, Ireland and Portugal). This is borne out by the large amounts of public expenditure (national and Community) entered in the CSFs for these countries, which, as a percentage of GDP, represented in 1989 an average of 6.4% for Portugal, 5.2% for Greece and 3.7% for Ireland. The macroeconomic effects should also be considerable in the Spanish Objective 1 regions and the Mezzogiorno, where eligible public expenditure accounts for between 1% and 2% of GDP.

In addition to a substantial increase in the financial resources available for the economies of these countries, the CSFs also entail an improvement in human capital and an increase in the rate of investment. The latter two are the most important factors for determining the rate of increase of an economy in the medium to long term.

Given the general direction of the Objective 1 CSFs, aimed at reinforcing the productive structure of the regions concerned, major economic effects can be expected on both the supply and demand sides. On the demand side, the effects are short term and result from the direct, indirect or induced increase in demand due to implementation of the CSF. On the supply side, effects are both more important and long-term and represent the most decisive factor for structural improvement of the regions. The supply-side effects result from the creation of new productive capacity, improved skills in the workforce, the setting up of a network of infrastructures to open up the region receiving aid, the dissemination of technological progress and an improvement in production technology.

In the medium term the effects of the CSF on supply will enable the less-developed regions to achieve higher levels of productivity and competitiveness, thereby bringing about levels of development similar to those elsewhere in the Community. But it should be borne in mind that strengthening economic convergence, which is the basic objective of Community assistance, also depends on economic policy. The interplay between Community assistance and national economic policies will, as stressed in the Single European Act, be decisive for ensuring that the anticipated effects of the CSF are achieved in full. In particular, lasting growth can be achieved only within the context of macroeconomic stability, which all the Community is striving to bring about through Economic and Monetary Union.

Any attempt at this stage to quantify the impact of the concentration of Community assistance on the least developed regions runs up against problems of a methodological and statistical nature.

The Commission has responded to these problems in two ways. Firstly, an analysis was undertaken using harmonized Eurostat sources and a common methodology, to assess the general economic impact on selected macroeconomic indicators in a way which permits effects in the different Member States to be compared. The special features of the French Objective 1 areas meant that France had to be excluded from this assessment.

In the second approach, independent national assessors were called in to use existing models in each Member State; this method had the advantage of being more powerful than the first. Since the conceptual basis of the models were different from one country to the other, comparison of the results is more difficult.

The first, more homogeneous, results are given below. The second results are included in the country-by-country analysis.

The main questions to which an answer comparable across the beneficiary Member States was sought may be summarized as follows:

- How much of the economic growth expected in the period from 1989 to 1993 can be attributed to the CSFs in general and to Community grants in particular?
- How will the CSF and the Community grants influence the economic aggregates and the structure of the beneficiary economies? In particular what part of the Community grants will be transformed into demand and production in the target region and what proportion will leak away via increased demand for imports?
- How can we assess the employment effect of the implementation of the priorities agreed in the CSF, i.e. how many jobs depend upon implementation of the measures in the CSFs, and more particularly upon the planned financial transfers from the Community?

The main element of this impact analysis is a system of harmonized input-output tables for the Community established by Eurostat for 1985 and projected for 1989 to 1993. All projections are based on harmonized National Accounts, on the official economic forecasts 1991-92 and on the corresponding medium-term projections 1991-95 produced by the Directorate-General for Economic and Financial Affairs in October 1990 (see models J and K in Annex 4).

CSFs and growth of GDP from 1989 - 1993 - average annual growth rate -			
	Expected growth rate including the CSF	Growth excluding Community grants	Growth excluding the CSF
Portugal	4.1	3.4	2.4
Ireland	4.0	3.7	3.3
Spain(Obj.1)	3.4	3.2	3.0
Italy(Obj.1)	2.6	2.4	2.3
UK (Obj.1)	2.3	2.1	1.9
Greece	1.7	1.2	0.5

In interpreting these results one must keep in mind that the analysis is based on the officially approved and published CSFs and that it also reflects the differing rates of overall Community grants negotiated in the CSFs, as described in the annual report for 1989. The columns representing the average annual growth rate "excluding Community grants" and "excluding the CSF" have been calculated by subtracting from the GDP levels attained in 1993 that part of GDP which is estimated to be due to the CSFs and to Community grants in particular, assuming that all other things remain unchanged.

The efforts made by the Community through its structural policy will be successful if growth in the target regions exceeds the Community average and if they change their economic structure towards innovative and competitive sectors. All CSF regions except Northern Ireland and Greece are expected to grow above the European average estimated in October 1990 at an annual average rate of 2.7% for the five years up to 1993. According to these estimates the biggest contribution to anticipated average annual growth, namely 0.7% and 0.5%, can be assigned to Community grants for Portugal and for Greece. Due to Community transfers Portuguese GDP is expected in 1993 to be some 4.0 % above the level that would have been reached without the transfer of Community funds. Whereas Greek GDP is expected to be 2.6 % higher than it would have been otherwise. The comparably small compound effect of the Funds' transfers in this Member State is due to the weak expected overall performance of the economy which is going through a difficult adjustment process. In Ireland 0.3 %, in Spain (Obj.1), Italy (Obj.1) and in Northern Ireland 0.2 % each of average annual expected growth is explained in the five years to 1993 by Community grants.

These findings demonstrate the significant effect of Community support in the weakest Objective 1 regions. To illustrate the relative importance of Community funds for the regions covered by Objective 1, the effects on the economy were estimated on the assumption that the transfers in 1993 were abruptly withdrawn, all other things remaining constant. The estimates indicate that some economies would suffer from a severe demand shock if the co-operative efforts for promoting social and economic adjustment in the regions lagging behind were not continued beyond 1993.

Economic growth and Community grants - % change in GDP 1993/1992 -		
	Expected growth rate including the CSF	Growth if Community grants were not available in 1993
Portugal	3.9	0.9
Ireland	3.5	2.0
Spain(Obj.1)	3.4	2.4
Italy(Obj.1)	2.6	1.8
UK (Obj.1)	1.9	1.1
Greece	1.6	-0.5

Though the results presented here account only for the demand effects of the CSF, by the extent to which capital formation (GFCF) will be induced, they allow, however, for a rough assessment of the relative influence of the CSFs on the supply potential of the economies concerned. Over the five years of the CSFs' lifetime the potential output of the beneficiary economies has been linked to the increase in the capital stock expected as a consequence of the realization of the investment projects under the CSFs and Community grants in particular. The respective results are consistent with the estimates presented here and confirm in particular the relatively smaller importance of Community support for regions in Member States not entirely covered by Objective 1.

CSFs and Gross Fixed Capital Formation			
	Expected growth rate of GFCF including the CSF - average annual growth rate 1989 - 1993 -	% of GFCF depending on the CSF - 1993 -	% of GFCF depending on Community grants - 1993 -
Portugal	7.9	23.2	8.3
Ireland	8.4	17.7	7.5
Spain(Obj.1)	8.4	6.9	3.5
Italy(Obj.1)	4.1	6.3	2.8
UK (Obj.1)	3.2	12.5	4.8
Greece	5.0	25.3	11.5

These figures clearly illustrate, through the contribution to the increase in the capital stock, the crucial importance of a steady implementation of the CSF for the potential growth of the economies of above all Greece, Ireland, Portugal, but also Northern Ireland.

The selection of the priorities of all CSFs contributes to a structural change of the backward economies in an appropriate direction. Selected industries will emerge as growth poles and the marketable service sector will benefit considerably from the CSFs.

The beneficiary Objective 1 regions can be classified as small open economies with a narrow industrial base, where many capital products or parts of such goods which are vital for the implementation of the priorities of the CSFs are not produced at home but have to be imported from the industrialized EC-economies or from third countries. As a consequence Community grants are only partially transformed into GDP of the regions concerned. An attempt to estimate the leakage effects suggests, however, that production losses due to increased imports are not a significant problem, possibly as a consequence of the concentration of assistance in the construction sector.

Given the importance of the CSFs and of Community grants substantial employment effects are to be expected from the realization of the operations under the CSFs. By 1993 approximately 840,000 jobs or 3.8% of the work force in the Objective 1 regions are estimated to be affected by the implementation of all of actions foreseen under the CSFs, of which some 350,000 may be accounted for by Community grants. In order to avoid possible misunderstandings in this respect, the employment impact as indicated here does not represent new jobs nor a contribution of the Community to reduce un- and/or under- employment in the assisted regions. It only indicates how many jobs in 1993 will depend on Community grants in implementing the CSF.

Estimated work force dependent on Community grants - year 1993 only -		
	Absolute (thousand)	% of total occupied population
Portugal	116.7	3.1
Ireland	17.0	1.5
Spain(Obj.1)	54.2	0.7
Italy(Obj.1)	47.1	0.9
UK (Obj.1)	4.1	0.7
Greece	117.7	3.2

It should be emphasized that the above summary of the short term demand impacts of CSFs in general and of the Community grants in particular elaborated on the basis of a common methodology, which has been made comparable as far as present circumstances allow, depicts the contribution of the CSFs to estimated economic growth. This is only one possible impact analysis amongst many other competing assessment methods.

The results set out in the country-by-country analysis below are based on studies carried out at the Commission's request by independent external assessors, using a variety of macroeconomic models. The methods used are described briefly in Annex 4.

They show that, in overall terms, the potential impact of the Structural Funds could raise the GDP of these countries and regions in 1993 by 1.5% to 2.5%.

For these countries, therefore, the CSFs will increase considerably their ability to catch up with the rest of the Twelve.

Clearly, the actual impact of the measures in the CSFs will depend on the level of implementation of expenditure in the Member States.

In addition, as already explained, the effect estimated at the end of five years does not reflect the greatest benefits accruing from the CSFs. These will become apparent over a longer period in the form of an enhanced potential for sustained growth, a reduction in perceived remoteness and therefore greater participation in the dynamic effects of integration.

1.2.3. Greece

1.2.3.1. Implementation of the CSF

The CSF for Greece was approved in March 1990. In spite of the delay compared with other Member States, for which the CSFs were approved in October 1989, implementation in terms of forms of assistance approved is proceeding satisfactorily and in accordance with the programming in the CSF. Four dossiers covering a total of ECU 590 million still have to be approved, including the Athens underground, a multifund OP on improving business competitiveness submitted in July 1991 and a multifund OP for tourism.

For implementation of the measures great emphasis was placed on regionalization. Thirteen regional multifund operational programmes were approved in 1990.

This made it possible for representatives of the Greek regions to play a major role under the responsibilities devolved upon them by the decentralization law.

By contrast major projects are managed at national level since they are of great importance for the economic development of the country (e.g. Athens underground, natural gas infrastructure, motorway system). There are some difficulties as regards the launching (in the case of the underground) or implementation (natural gas and roads) of these projects. The Commission is monitoring their implementation carefully.

The initial monitoring results show that the rate of implementation of major projects has been satisfactory but there have been delays as regards main roads. For all the measures approved by the Commission, the Greek authorities have set up Monitoring Committees. Most of them met in 1990.

As regards content, implementation of the priority "upgrading of basic infrastructure" will be mainly through major investments in infrastructure.

The priority "development of agricultural resources" is being implemented at both national and regional level. At national level the measures relate to structural aspects (water engineering measures) and schemes to encourage early retirement. In addition there are some sectoral measures approved prior to the CSF and included in it (phylloxera control, apricot programme).

At regional level multifund OPs are being implemented for the following priorities: conservation and improvement of the environment, conservation and utilization of natural resources and agricultural diversification.

Implementation of the priority "development of human resources" has been satisfactory. In 1990 39 forms of assistance were adopted, for a total commitment of ECU 1 159 million out of the 1 438 million planned for the period 1990-93.

The measures are fairly well regionalized, especially those concerning basic training, employment aid and secondary education. Implementation of the CSF has permitted the regionalization of Objective 3 and 4 measures to begin.

The multifund approach is mainly used for the regional section of the CSF, the majority of the other priorities being implemented in the form of monofund OPs.

As regards the take-up of the tranches for 1989 and 1990, the figures provided by the most recent CSF Monitoring Committee were as follows:

- for the national section: 85% in 1989 and 80% in 1990;
- for the regional section excluding the IMPs: 60% in 1989 and 60% in 1990;
- for the IMPs: 75.5% in 1989 and 75.7% in 1990.

The Greek authorities plan to increase expenditure in the regional section in 1991, which started late.

In the Commission's view it might be best to reprogramme the measures to achieve optimum utilization of resources.

1.2.3.2. Socio-economic impact of assistance provided for in the CSF

The economic impact of the Greek CSF was assessed using a Keynesian macroeconomic model. Given the short-term nature of the model, only demand effects could be taken into consideration (see model A in Annex 4).

In order to assess the effects of the CSF on growth and on the main macroeconomic variables of the country, two scenarios were considered: the first without the structural Funds and without a renewal of the previous Community structural policies and the second with Community assistance.

The results cover the period 1989-93. They show that the Structural Funds have brought an average acceleration in the growth of the Greek economy of a little less than 0.5% per annum. As a result of the CSF, Greek GDP will be 2.3% higher in 1993 compared with a scenario without a CSF.

However, as a result of slow growth in Greece during the period concerned, the effect on employment will be rather small: as against a scenario without a CSF, in 1993 the total increase in employment will be only just over 45 000. Consequently, the contribution which the CSF will be able to make in the fight against unemployment in the short-to-medium term will be rather limited. Only if the supply-side effects (more skilled workforce, reduced transport costs, easier access, etc) begin to make themselves felt will there be any hope of an appreciable increase in employment in Greece.

The impact of the structural policies will be considerable on the construction and tourism sectors but, as a result of the restructuring of the Greek economy currently under way, rather less on the exporting sectors. The impact on agriculture is also expected to be considerable, with an increase in investment exceeding 20% per year between 1989 and 1993.

1.2.4. Spain

1.2.4.1. Implementation of the CSF

The structure of the CSF for Spain, and the large number of national, regional and local authorities involved in its implementation, have produced a very large number of forms of assistance. These were prepared in close liaison with the various authorities concerned. The partnership with the regional authorities can be considered to have functioned properly but links between the Commission and the local authorities have been no more than sporadic, given the large number concerned.

This internal complexity of the Spanish CSF was overcome in 1990 and almost all the scheduled forms of assistance were approved by 31 December 1990. Once a decision has been taken on the nine remaining forms of assistance, implementation will have been completed.

Altogether, implementation will involve more than 130 forms of assistance, some of which were approved before the reform and are continuing into the period 1989-93.

This means that assistance is widely dispersed over a number of small programmes. This is true of the implementation of the infrastructures and development of agriculture priorities and of the priority for Objectives 3 and 4.

The majority of new measures provided for in the CSFs under the ERDF were decided upon during the second half of 1990.

In terms of content, the share occupied by major infrastructure projects and productive investment continues to be high. In addition to 32 new major projects, 16 operational programmes involving ERDF participation have been approved.

As regards measures to make optimal use of agricultural resources, three major priorities feature in the programmes: improvement of the natural and structural conditions of production, protection of the environment and conservation of natural resources and conversion and diversification of production. Of the 32 OPs submitted, 25 were decided upon during 1990.

As regards human resources, almost all the appropriations have now been mobilized. The number of forms of assistance for this priority is also high (45, plus three programmes already approved for the IDOs).

The speedy implementation of the CSF should also be noted.

According to the data emerging from the last Monitoring Committee (2 July 1991), almost 75% of the funds committed for 1989 and 1990 have been spent.

1.2.4.2. Socio-economic impact of assistance provided for in the CSF

The economic impact of the Spanish Objective 1 CSF was assessed ex-ante using a macroeconomic model (see model B in Annex 4).

This is an annual demand model using two scenarios in order to assess the effects of structural policies: the first incorporates the effects generated by Community expenditure and national part-financing, the second excludes these investments and analyses the development of the Spanish economy in the absence of structural assistance.

The estimates were made on a model covering all the country, whereas assistance under Objective 1 covers only a part - albeit large - of the Spanish territory and economy. Therefore, the calculated macroeconomic impact will be lower than that calculated for the other Objective 1 countries.

The results show that, over the period 1989-93, as compared with the scenario without a CSF, there will be an annual acceleration in growth of about 0.3%. The cumulative effect over five years will mean that in 1993 GDP in Spain will be 1.5% higher than it would have been without the CSF. The rate of investment will increase from 25.7% in 1988 to 31% in 1993.

The model also shows that the effects of the CSF investment programme, coupled with the current expansion of the Spanish economy, will produce a considerable improvement in the trade balance.

The anticipated acceleration in growth should mean an increase in employment of approximately 117 000 posts over five years, representing an appreciable increase in the number of persons employed even though the impact on the Spanish unemployment rate will remain very limited. Furthermore, the model predicts that, without the CSF, Spain would have 2.6 million unemployed in 1993 whereas in the same year, as a result of the CSF, the number of unemployed should be about 160 000 less.

In sectoral terms and taking the economy of Andalucia as an example, the major boost should be to services, particularly business services to and public services such as education and construction. There should also be a significant impact on energy and agriculture.

1.2.5. France

1.2.5.1. Implementation of the CSF

Individual CSFs were approved for each of the five regions covered by Objective 1. They are therefore being implemented at regional level only. Of these five regions, three are using the multifund approach. In the case of Réunion, the pre-reform IDO has been merged with the new multifund operational programme. It was not possible to do the same for Corsica, which is covered by an IMP as well as a new operational programme.

The regional level of the CSFs meant that the regional partners were able to participate fully in the programme preparation and negotiation phase. This participation is continuing in the monitoring of measures, which is carried out at local level.

In the regions where the multifund approach is used, all the CSF priorities except those relating to Objectives 3, 4 and 5(b) are being implemented through a single programme (Corsica, Guiana and Réunion). For the other two regions several programmes are required for implementation. Because of uncertainty over the choice of forms of assistance and the difficulties encountered by the authorities responsible for drawing up programme proposals there were delays in approval (end of 1990).

The programmes for each region intended to achieve the priorities selected for the CSFs are designed to improve the provision of infrastructure to support economic activities, particularly to offset the considerable isolation of the overseas departments, and to strengthen the job-creating productive sectors, mainly through investment aid and business services. The programmes for the overseas departments also include measures to promote cooperation with countries in the same geographical region.

The priorities selected for the development of agricultural resources and the specific characteristics of each area explain the diversity of content of the measures in the various regions.

On the whole they reflect a dual concern: to improve the self-sufficiency of the regions and the production of regional specialities, and to diversify agriculture in order to reduce reliance on traditional products.

As a result of synergistic effects between the Funds, rural development will also benefit from the implementation of measures to diversify economic activity in general and to protect the environment. The modernization of holdings continues to be a priority.

All the appropriations for agricultural measures provided for in the CSF have been mobilized.

Human resource development is being implemented by means of ten operational programmes (three of them multifund). The programmes distinguish between activities falling under national responsibility and those falling under regional responsibility. In the case of measures relating to the population categories eligible under Objectives 3 and 4 national measures continue to predominate, whereas the regional authorities, except in Guadeloupe, preferred to concentrate their appropriations on vocational training and employment assistance measures to support regional development.

The first CSF monitoring committee meetings were held in each of the regions and information meetings for employers and workers were organized in Réunion and Martinique in October and November 1990.

1.2.5.2. Socio-economic impact of assistance provided for in the CSFs

The economic impact of the structural Funds in the French regions covered by Objective 1 has been quantified by applying a very simple Keynesian macroeconomic model. Principally, this has made it possible to calculate approximately the demand effects on GDP, imports and employment by the increase in investments generated by the CSFs as compared with a scenario without Community aid and without renewal of previous Community structural assistance (see model C in Annex 4).

The estimates of the impact of the structural Funds on demand indicate a low investment multiplier factor for GDP (varying from 0.9% in Réunion to 0.3% in French Guyana), mainly as a result of the importance of transfers and the preponderance of the non-merchant services sector. By contrast the effects of the CSFs on imports are very substantial and significantly higher than on GDP (the impact of the CSF on imports as a percentage of GDP varies from 4.8% for Guyana to 1.8% for Martinique).

The high elasticity of imports in relation to income reflects the particular economic structure of these regions. Although their wage costs are below the Community average, they are very high compared with adjacent, competing countries. The extreme narrowness of the markets and the remoteness of these regions from the main centres of activity of Europe all contribute to severe distortion of goods and factor prices, with very negative repercussions on economic and social development.

While they can help offset the main obstacles which these regions encounter and encourage emergence of a competitive productive sector, the structural Funds can have a significant impact on the productive structure, employment and incomes only in the medium-term. Furthermore, the impact of the structural Funds cannot be separated from that of other Community policies and rules and the implementation of POSEIDOM.

The impact on employment will be relatively significant with some 8 500 new jobs created thanks to the Community Funds. However, this will have only a limited impact on unemployment because of the large numbers out of work and the demographic trends in these regions. From a sectoral point of view, tourism, services and construction will should the most.

1.2.6. Ireland

1.2.6.1. Implementation of the CSF

Approved in October 1989, the CSF for Ireland is being implemented by means of nine operational programmes for the regional development priorities and three operational programmes for Objectives 3 and 4.

The OPs include major projects and aid schemes. Integrated programmes were adopted for the main measures relating to agriculture and rural development (tourism, rural development), the improvement of competitiveness of industry (one large multifund OP for industry and services) and for human resource development (multifund OP for training infrastructures). The measures to improve road infrastructure are being implemented by a large programme entirely funded by the ERDF.

In view of the size of the OPs, special work had to be done on quantifying the objectives and physical indicators. External technical assistance was required in certain cases to make recommendations to the national authorities.

Measures relating to improving agricultural resources (agriculture, fisheries, forestry, rural development) focus on three main aspects: protection and conservation of the rural environment, promotion of forestry (reafforestation, forest roads, support for commercial forestry) and rural development (agricultural diversification, farm tourism, farmer services, fishing ports, assistance to small businesses, road infrastructures in rural areas, which are part-financed by the ERDF and vocational training).

As regards human resources, most of the measures are targeted at supporting economic development. Ireland has not mobilized many appropriations for measures under Objectives 3 and 4 (ECU 342 million). Some emphasis has been placed on measures to promote secondary education.

All the planned forms of assistance in the CSF have been approved.

Monitoring committees have been set up for each operational programme. Employers and workers are represented on OP monitoring committees. The findings of the committees indicate that the measures are being implemented satisfactorily. Estimated expenditure for 1990 was in the main respected. The take-up rates were 95.6% for ERDF measures, 99.3% for ESF measures and 104.8% for measures part-financed by the EAGGF.

1.2.6.2. Socio-economic Impact of assistance provided for in the CSF

The economic impact of the structural Funds on the Irish economy has been quantified in very complex studies based on a series of microeconomic and sectoral studies linked with a macroeconomic model capable of integrating the main results of these studies in the overall impact assessment (see model D in Annex 4).

The projections cover the period up to the year 2000. In order to assess the net contribution of the CSF to Irish growth, two scenarios were used: the first assumes that the flow of EEC structural Fund aid to Ireland will continue in real terms between 1988 and 2000 at the same level as in 1988. The second, by contrast, takes into account the increase in structural assistance between 1989 and 1993 and then assumes that between 1994 and 2000 the flow of funds will level off in real terms at the 1993 level. This exercise therefore measures the expansion effects of the structural policy due to the CSF as compared with the previous Community structural policies and not as compared with a situation without a CSF.

The results show that between now and 2000 the cumulative effects of the CSF should generate a growth in GDP of 2.7%. On the other hand, the effect on per capita GDP should be much weaker, given the sustained growth in the Irish population and the fact that the improvement in the economic situation and the rosier employment prospects generated by the CSF should reduce the phenomenon of emigration. As a result, per capita GDP will increase by only 0.8% over the same period.

The greatest contribution to growth (combined effects of supply and demand) will be due to the effects of investment in human resources. This alone will account for 50% of total growth (although it accounts for only 42% of total expenditure). This is followed in order of importance by investments in infrastructure (27% of expenditure, 22% of the total contribution), aid to firms, investments in agriculture and farm income support.

The effects on employment should be appreciable and cumulative. From 1989 to 1993 an estimated 19 000 stable new jobs should be created plus a further 12 000 between 1994 and 2000 bringing the total increase in net employment due to the CSF to 2.6%. On the other hand, the effects on unemployment will be less encouraging, since, as we have seen above, there should be a fall in emigration. In 1993 the number of unemployed will fall by approximately 16 000 units (1.3% of the labour force).

At sectoral level, the impact of the structural policies on both traditional and high-technology industries will probably be fairly limited in the short-term. Experience suggests that effects of this type require a considerable period of time before they induce lasting changes. On the other hand, the impact on marketed services will be considerably more substantial and quicker. There will probably be only very low growth in the agricultural sector.

1.2.7. Italy

1.2.7.1 Implementation of the CSF

The single CSF for Italy comprises a national section and a regional section. The latter is very large since more than 50% of the measures are managed by the regions.

The pattern of forms of assistance in Italy is similar to Spain in that the measures falling under national responsibility are generally implemented in the form of monofund programmes whereas the integrated approach has been adopted for the implementation of the regional section.

Implementation of the various priorities of the CSF varies according to the difficulties encountered in drawing up the programmes. The progress of decisions is satisfactory for the priority "upgrading of basic infrastructure", which essentially involves major projects at national level. Several major projects were approved from 1989 onwards (natural gas supplies, water resources, telecommunications and industrial areas). By contrast there was a certain delay in multiregional measures relating to tourism and research, which were not approved until the end of 1990. Two large programmes, one concerning aid for the industrial and service sectors and the other aid to Apulia, still had to be approved. The total amount involved is ECU 612 million.

The multiregional section of the CSF on agriculture lays down the priorities clearly: development of new crops, improvement and strengthening of traditional crop enterprises and development of advisory services.

The regional section of the CSF centres mainly on rural development measures, together with support for infrastructure and environmental measures.

As regards human resources, the forms of assistance mobilize the greater part of the funds provided for in the CSFs (ECU 1 463 million out of a total of ECU 1 700 million).

Of the 27 operational programmes approved, 18 cover regional development and nine the implementation of Objectives 3 and 4. In terms of the amount of financing, the measures relating to these Objectives continue to dominate.

Initial information on the implementation of these measures indicates that there have been some difficulties. Of course, the situation varies greatly from one region to the next. Of the 5 major projects, there has been a certain delay in implementing the natural gas project.

As regards the ESF the content of the measures planned at regional level is not entirely appropriate to the basic training needs of young people aged 18 to 25. Some reprogramming should therefore be envisaged to amend the CSF.

The first meeting of the CSF Monitoring Committee was held on 12 December 1990 and the Italian government adopted special provisions on the constitution and composition of this Committee (decree of 21 November 1990).

1.2.7.2. Socioeconomic impact of the assistance provided for in the CSF

An input-output model and a general equilibrium model were used to assess the economic impact of the structural Funds for the Mezzogiorno, making it possible to separate the effect of the Funds on the Mezzogiorno from those induced in the Centre-North of Italy. Two successive scenarios were tested: the first without a CSF and without renewal of the structural measures of 1988, and the second incorporating the CSF (see models E and F in Annex 4).

Thanks to structural Fund assistance, the Mezzogiorno should see a long-term cumulative increase in its GDP of 2%. The impact on employment should also be considerable: 135 000 new stable jobs could be created in Italy through the Funds, 85 000 of which would be in the Mezzogiorno.

The estimates show that the Centre-North of Italy should also benefit greatly from Community structural assistance: in the implementation phase, when the effects on demand will predominate, impact on the growth of the GDP in the Centre-North in absolute terms should be the same as for the Mezzogiorno. The reason for this is that a large part of the demand for capital and consumer goods generated by the implementation of the structural policies in the Mezzogiorno will be supplied by the Centre-North and the whole of Italy will therefore benefit from the Community's assistance.

In the longer term, the effects on supply in the Mezzogiorno should be greater than in the Centre-North of Italy (estimates indicate that 60% of overall effects on supply are likely to be concentrated in the Mezzogiorno and 40% in the Centre-North).

At sectoral level, estimates suggest that there should be a substantial impact on output in the Mezzogiorno, particularly in the tourism, the metalworking and mechanical engineering sectors, the food sector and public administration.

Consequently, if the expected synergy were to materialize, the development of an independent production capacity in southern Italy should have a lasting impact. The Mezzogiorno could then revive its process of catching up with Europe and the Centre-North of Italy, which it was unable to do during half of the 1970s.

1.2.8. Portugal

1.2.8.1. Implementation of the CSF

Portugal has one CSF with a fairly large regional section. Implementation has been satisfactory, 49 of the 51 forms of assistance provided for having been approved. Appropriations for the agricultural section have been mobilized in full, as have those for the section on training. A few operational programmes, covering a total of ECU 111 million, still have to be approved.

The multifund approach was agreed with the Portuguese authorities for a large number of dossiers. Some of the large national programmes based on a sectoral approach (PEDIP, PRODEP) use ERDF and ESF appropriations. At regional level the multifund approach is used almost exclusively to implement the priority "development of indigenous potential".

It is also used for the nine industrial conversion and restructuring measures (Priority 5) in the Setúbal Peninsula and the Vale do Ave (PROAVE).

As regards the development of agricultural resources, the PEDAP is of particular importance and the majority of EAGGF appropriations are being used to implement it.

Agricultural measures in Portugal are being implemented almost exclusively at national level. Although a few regional multifund operational programmes provide for EAGGF participation, it is on a small scale.

As regards human resources, only one technical assistance programme still had to be approved on 31 December 1990. Forms of assistance covering ECU 1 678 were approved in 1990 (34 OPs have been approved, of which 21 were multifund, three IDOs and one PEDIP). If the ECU 339 million for 1989 ESF commitments is included in the amounts for these forms of assistance, almost all the funds in the CSFs have been approved. Under these programmes the ESF will contribute to measures to raise skill levels as required for the CIENCIA programme, and also to major measures to raise the general level of education. There is also a third priority of importance to Portugal, the improvement of training structures. The ESF provides assistance for training to accompany the development of productive investment through PEDIP, a programme approved before 1 January 1989 but to be implemented in the period 1989-93.

The CSF and the forms of assistance are monitored by various Committees. One Committee has been set up for each of the programmes approved. This structure, completely new in Portugal, was introduced by Decree-Law on 12 April 1990.

Thus, by the end of the first two years of implementation, most of the forms of assistance have been approved.

As regards the execution of the 1990 instalment the note of expenditure stands at 64%.

1.2.8.2. Socio-economic impact of the assistance provided for in the CSF

An initial estimate of the socioeconomic impact of the Portuguese CSF has been made using input-output analysis techniques (see model H in Annex 4).

The first results suggest that, if Community transfers had stayed at the same level as in 1988, Portuguese GDP in 1993 would be at least 2% lower than the figure which will be achieved following the reform of the structural Funds. This result is all the more positive in that for the past few years Portugal has had a relatively high rate of GDP increase.

The impact of the CSF on the overall economic situation is likely to be minor: there will be a boost in imports (about +4% per year) and some inflationary pressure is likely, but if the Portuguese economy continues to become more dynamic and international, these imbalances should not pose serious difficulties.

The impact on employment should be considerable. During the five year period of the CSF about 70 000 new jobs should be created. Unemployment should fall from 5.6% to 5.2% - very low in comparison with the Community average.

A second estimate of the impact of the Portuguese CSF has been made using a general equilibrium model in which the supply effects generated by the CSF can be integrated. The scenarios analyse the development of the Portuguese economy with and without Community assistance (see model G in Annex 4).

The results indicate that the acceleration in growth should be around 0.4% per annum in the '90s resulting in accumulated additional growth between 1989 and 2000 of 4.9%. In the long term, as a result of the full attainment of the supply effects, the acceleration in growth should increase further and rise to 0.6% of GDP. Community assistance will have a positive effect on the investment rate, which towards 2000 should be 3.5 points higher than the scenario without a CSF (28.5% as against 25%).

Finally, the structural Funds should have a major multiplier effect, not only on national investment but also on foreign investors, with an increase in foreign financing in relation to the GDP.

At sectoral level, besides the likely changes in agricultural and industrial processing, where foreign investment provides a good indicator, the CSF appears to be establishing a context in which new capacity will be created in the fisheries, public works, tourism and advanced sectors, particularly those concerned with new information technologies.

1.2.9. United Kingdom

1.2.9.1. Implementation of the CSF

Northern Ireland has one CSF, approved in October 1989. It is being implemented by means of seven operational programmes for the Objective 1 priorities and two programmes for the Objective 3 and 4 measures.

In spite of some difficulties in submitting the programmes, all the appropriations provided for in the CSF have now been approved.

With the exception of measures to promote tourism and industrial development, which are being financed by both the ERDF and the ESF, all the priorities are being implemented by monofund programmes.

Joint measures are being implemented by Northern Ireland and the Republic of Ireland in order to reduce the effects of their peripherality. Thus, the transport programme approved in Northern Ireland is linked explicitly to the corresponding programme being implemented in Ireland. A further example of cooperation is tourism, where joint tourism promotion initiatives have been undertaken.

The agricultural measures already taken under Regulation No 1942/81¹ are continuing. The new OP extends the field of application of the specific programme launched in 1981 to the whole of Northern Ireland and the negotiations on content led to an extension of the range of assistance.

As regards human resources, six forms of assistance, four of which are operational programmes, have mobilized all the appropriations provided for in the CSF. There is an ESF contribution towards measures to promote industrial development and tourism. However, its main contribution continues to be towards measures to combat longterm unemployment and to encourage the vocational integration of young people (Objectives 3 and 4).

Monitoring of the CSF and the operational programmes is under way. All the Committees were set up in 1990 or early 1991.

The findings of the Committees make it possible to assess the progress of actual implementation. The implementation rate of expenditure from the tranches for 1989 and 1990 accounts for 75.8% of programmed expenditure.

1.2.9.2. Socio-economic impact of the assistance provided for in the CSF

For the moment it is not possible to quantify the economic impact of the structural Funds in Northern Ireland. It has, however, proved possible to arrive at a qualitative analysis of Community structural policies by analysing the productive structure of the region.

This has shown that the productive structure is heavily influenced by the extent of public subsidies, which account for approximately 65% of income in Northern Ireland. The industrial structure in particular is weak, often undynamic and uncompetitive and tends to specialize in the most traditional and least innovative sectors.

1 OJ No L 197, 20.7.1981.

As a result, Community assistance can make a major contribution towards modernization of the industrial structure, training of a skilled and productive labour force and reduction of transport costs. Its contribution could be far greater if, through a multiplier effect, it succeeded in stimulating a competitive and job-creating private sector. However, for the moment this effect on private investment appears to be very limited.

It is important to remember that Community part-financing represents only a small proportion of public expenditure in Northern Ireland. In addition, some development opportunities, such as tourism or inward investment, may be sensitive to a negative perception of the region's political situation. Furthermore, the region is small and its economy is open, which makes it all the more difficult for the Community to contribute significantly to its development.

CHAPTER 3 - IMPLEMENTATION OF THE OTHER OBJECTIVES

1. Objective 2

It should be noted that Objective 2 concerns nine Member States, as the whole of Greece, Ireland and Portugal are eligible under Objective 1.

With some exceptions (Spain), 54 CSFs were approved in December 1989 and cover the three-year period 1989 to 1991; by the end of 1991, new programmes will have to be drawn up for the second phase, 1992-93.

1.1. General overview

The fact that the CSFs for Objective 2 had to be implemented within three years meant that all the partners had to work on submitting operational programmes as quickly as possible.

1.1.1 Difficulties encountered by the Member States

For a variety of reasons, including programming experience, a CSF structure defined from the outset at the regional level, and the fact that conversion strategies were already under way in the Member States concerned, most of the areas eligible under Objective 2, unlike the Objective 1 regions, succeeded in submitting operational programmes quickly. Some countries submitted draft OPs at the same time as the CSF, sometimes even before the CSF had been formally approved. The Spanish OPs, exceptionally, were submitted after approval of the CSF, on 14 March 1990.

A particularly significant problem arose with regard to the content of the measures and their consistency with competition policy. As a result of the regional policy guidelines adopted and implemented in the course of negotiation of the CSFs, more stress has been placed on improving the competitiveness of firms than on large-scale basic infrastructures. Putting these guidelines into practice in terms of the content of measures led to the submission of a large number of regional aid schemes.

In several countries (Germany, Spain, France and Italy) the aid schemes submitted were new or had not yet been notified in advance to the Commission. Examination and approval of these aid schemes delayed the approval of the operational programmes concerned. In a limited number of cases, the Commission preferred temporarily to suspend the measure rather than hold up the approval of the programmes themselves.

1.1.2. The multifund approach

When the CSFs were prepared, ways of generating synergy between different forms of assistance were sought. CSF priorities involving both the ERDF and ESF incorporated assistance from both Funds and measures existing before the reform were often implemented as IMPs (France) or IDOs (France, Germany, Netherlands, Belgium, United Kingdom), which already combined the two Funds.

Most of the forms of assistance approved were of the monofund type (see Part One) and the multifund approach to implementing the CSFs was adopted only rarely, although some countries used it in part (3 MOPs in Germany, 1 in France, 7 in the United Kingdom and 2 in Denmark).

The Commission clearly expressed its wish to see this approach developed where appropriate during negotiations for the second phase of Objective 2 in order to extend the existing synergies at CSF level.

The predominant form of assistance is the operational programme. In general, major projects above the threshold laid down in the rules were approved individually.

It should also be noted that, even where the forms of assistance are not combined, a single Integrated Monitoring Committee under the CSF is responsible for coordinating measures under the ERDF and the ESF.

Implementation is at regional level, including in Spain where a single CSF is implemented through a series of regional operational programmes.

1.1.3. Results of implementation in terms of appropriations mobilized

This section is concerned with implementation of measures anticipated in the CSFs. As in the case of Objective 1, ESF commitments for 1989, amounting to ECU 238.6 million, were decided during that year.

Apart from some forms of assistance, all the operational programmes required to implement Objective 2 were approved from the beginning of the reform.

Taking new and ongoing measures together, assistance granted under the CSFs at 31 December 1990 was as follows:

(ECU million, 1989 prices)

MEMBER STATE	ERDF		ESF	
	Amount estimated	Amount approved	Amount estimated	Amount approved (incl.1989)
BELGIUM	145.0	145.0	50.0	44.91
DENMARK	22.4	22.4	7.6	7.26
GERMANY	249.0	250.0	105.6	105.60
SPAIN	576.0	558.0	159.0	158.00
FRANCE	515.0	501.0	185.5	179.00
ITALY	179.0	161.0	86.0	86.00
LUXEMBOURG	15.0	3.0	-	-
NETHERLANDS	57.0	49.0	38.2	38.20
UNITED KINGDOM	1 159.0	1 119.0	351.4	342.00
TOTAL	2 917.4	2 808.4	983.3	960.97

As can be seen from this table, implementation in terms of approval of the forms of assistance for Objective 2 has been completed for the bulk of the appropriations in the CSFs. Appropriations for new measures total ECU 2 306 million¹

Some forms of ERDF assistance are still being finalized. These comprise one RESIDER OP for Spain, one RENAVAL OP for France, three RENAVAL OPs and three RESIDER OPs for Italy and a number of RENAVAL OPs for the United Kingdom.

A RESIDER OP for Luxembourg will be approved in 1991 but the Member State has not yet submitted any operational programmes. One form of assistance in the Netherlands has still to be approved.

1.2. Implementation of the priorities

1.2.1. General

This section gives a summary of the contents of the forms of assistance for a better appreciation of the main trends emerging at the implementation stage.

In 1989 and 1990 approval was given to 109 operational programmes, 11 major projects and three global grants in implementation of the priorities laid down in the CSFs. The aggregate Community contribution to these measures is ECU 2 297 million. This corresponds solely to new measures decided after 1 January 1989.

In the Objective 2 regions the Commission sought to concentrate the limited funds available on measures to create employment in place of jobs lost as a result of industrial decline. The funds were channelled primarily into measures to provide training in new skills for workers made redundant and measures directly associated with job-creating productive activities.

Almost 26% of Community assistance in 1989-91 was spent on training measures. Most of the appropriations were allocated to monofund programmes covering priorities defined in the CSFs.

Support for measures directly associated with productive activities represents 21% of all the assistance. Support took the form of investment subsidies in the industrial and service sectors and measures to promote business services. These types of measure account for a large part of all the Objective 2 programmes, especially in countries such as Germany and Denmark, where they use more than 40% of the appropriations. In Belgium the corresponding percentage is 50%.

Support for infrastructure essential to the growth of new economic activities also occupies an important place in the programmes. In most cases the operations entail financing of fully serviced new sites for industry or the rehabilitation of old sites. According to the figures in the programmes, Community assistance should represent ECU 460 million, or 20% of all new measures and 27% of ERDF appropriations.

1 Cf. Annex I.4 of first Annual Report.

Operations of this type, already financed by the Community before the reform, represented less than 20% of available appropriations. The present figures show the distinct trend towards this type of investment.

Measures contained in OPs concerned with environmental protection can also be included in this category, as they are concerned with rehabilitation of industrial wasteland, although not always for the purposes of industrial re-use. Environmental protection measures, which come in for 9% of Community aid, include aid for the recycling of industrial waste and measures to control pollution.

Subsidies granted for transport infrastructure continue to enjoy a fairly important place in the OPs for Objective 2, accounting for almost 14% of all the appropriations (ECU 316 million). But this aid is mainly concentrated in Spain and the United Kingdom, where measures of this type use up 30% and 21% of Community aid respectively. In overall terms, the share of aid channelled into transport infrastructure has dropped considerably in relation to the pre-reform situation.

Support for tourism-related measures takes ECU 170 million of Community assistance, or 8% of the available total. This priority features prominently in the Netherlands and United Kingdom (15% of the appropriations). In global terms, the situation is not very different from the situation before the reform.

The remainder of the appropriations (4%) is allocated mainly to investments in training infrastructure in France and Spain. Under the French programmes 8% of all the appropriations is used for this purpose.

The general conclusion to be drawn from the figures is that, for Objective 2, Community assistance is being focused on a smaller range of types of investment compared with the situation prior to the reform.

1.2.2. Changes noted at the monitoring stage

During implementation and monitoring of implementation, some changes were made to the original programming of the CSFs.

In Germany the changes brought about by unification necessitated substantial amendment of the CSF and OP for the City of Berlin. Following submission of the changes to the Monitoring Committee and the opinion of the Advisory Committee on the Development and Conversion of Regions given on 28 November 1990, the Commission the approved amendment of the Berlin CSF on 20 December 1990. This introduces a revised breakdown of ERDF resources among the various priorities for assistance in order to make Berlin more attractive and the introduction of a new priority to encourage the restoration of physical links between the two parts of the city. This involves no extra Community contribution nor extension of eligibility, since only western Berlin is eligible under Objective 2 while eastern Berlin is covered by the CSF approved for the new Länder.

In Spain the changes made during implementation have led to considerable ERDF budget transfers between the priorities of the multiregional sub-framework. These entail increased assistance for the establishment and development of productive activities (Priority 1) at the expense of, in particular, support for measures to promote research and development and training facilities.

Implementation has also involved an increase, as compared with the original breakdown, in the share of part-financing of assistance borne by local authorities.

In Italy under the CSF for Piedmont, the lack of local submissions of schemes under the CSF priority "business support structures" will result in a transfer of ESF funds to the priority "innovation in technology, research and development". This change has already been incorporated in the OPs with the agreement of the Monitoring Committee concerned.

There have been no significant changes in implementation of the CSFs for the other countries concerned.

1.3. Assessment of the Community Support Frameworks

Work to assess the potential economic impact of Community assistance has begun in a representative sample of 15 of the sixty areas eligible under Objective 2. These were selected from the nine Member States involved on the basis of a set of criteria designed to encompass a wide variety of situations. Besides the amount of Community aid, the criteria were designed to select areas particularly hit by the size of declining sectors and old industries, the high level of job losses in industry and the impact of a particular geographical location (frontier areas).

Although the impact analyses were carried out by different groups of independent experts, they led to similar conclusions:

The concentration of Community assistance on geographically small areas (NUTS level III or smaller), often with no reliable statistical indicators, and the marginal level of Community grants as compared with national public expenditure in those areas makes attempts to measure potential macroeconomic impact at regional level impossible. Furthermore, most of the operational programmes studied have rather imprecise objectives to be achieved, which restricts the judgments which can be made about the effects expected from Community assistance.

However, quantification of the role of Community grants will be possible ex post by using a series of microeconomic indicators showing the extent of physical implementation of the objectives laid down, the financial resources committed and, where possible, the degree of satisfaction in value terms attached to achievement of those objectives by firms and consumers. It is nevertheless clear that, while many of these indicators are laid down by the Monitoring Committees throughout the period of implementation of the measures selected, the most relevant can be measured only some time after the measures in progress have been completed.

A comparison of the costs incurred and the objectives achieved will permit appropriate cost/benefit analyses to be undertaken ex post.

There is only limited scope for a quantitative ex ante assessment even though it is possible in some cases to evaluate the leverage effect of Community assistance. But a more qualitative approach can yield some conclusions as to whether the measures adopted are appropriate to the objectives sought.

By assessing the content of programmes in the light of local development strategy, local needs, resources and potential, it is possible to evaluate their possible contribution towards the creation of competitive advantages specific to the target area and likely to enhance its development capacity.

This approach involves consideration of the effectiveness and efficiency of the programming chain from the development plans prepared by the national authorities to the CSFs and operational programmes as finally approved.

In terms of economic effectiveness, stress on the creation of specific areas of strength (physical and human capital) which provide the area with lasting competitive advantages should guarantee it sustained growth provided the choice of measures results in beneficial externalities, that is significant incidental benefits.

For example, considerable beneficial externalities are expected from measures intended to correct problems in the way the local labour market works, to improve human resources and to develop the linkages within production chains, synergies between sectors and economies of scale.

The overall efficiency to be expected from Community regional assistance will be greater the more the expected externalities are concentrated in the region.

The assessment of efficiency should concentrate on whether the measures are appropriate to the special features of the area. This implies a precise analysis of its specific regional assets and the quality of implementation, something which relies on the active support of those involved locally.

The absence of a detailed analysis of the competitive advantages of the Objective 2 areas has restricted systematic application of this approach, but a number of examples have been worked up. For instance, it has been estimated that in the Nord/Pas-de-Calais region more than half the Community aid under the ERDF operational programme has been allocated to measures which meet recognized efficiency criteria for regional development and that a further third has been allocated to projects of general interest providing as much benefit to the rest of the country as to the region itself. As for the remainder (about 10%), there are grounds for believing that, taking account of anticipated profits, the proposed projects might in any case have been undertaken at the initiative of the private sector.

Using the same approach, analysis of the ERDF programme in Tuscany has demonstrated that measures offering services to firms and those concerning infrastructures and the improvement of sites introduce significant externalities by creating conditions for more balanced economic development. It also shows that improved coordination between certain actions increases the efficiency which may be expected from these measures.

Similarly in the case of ESF programmes, vocational training can readily be seen to give rise to positive externalities which justify public financing. However, the incidental benefits for a region would be even greater if the training programmes selected were designed to point trainees towards sectors corresponding to the specific local advantages which it is hoped to develop.

By contrast, the benefits to be derived from financing university schemes, for example, may spread far beyond the boundaries of an area if the courses developed do not correspond to the area's specific needs. They therefore give rise to a general externality without making a targeted contribution to regional development. Such measures should rather be included in a national development programme.

Furthermore, measuring the externalities expected from certain measures permits evaluation of the return from Community assistance. Thus a comparison of investment aid in the European Development Pole (an area including French, Belgian and Luxembourg territory) demonstrated that, given the present value of the externalities related to job-creation and the amount of the grants paid per job created, the profitable application of public funds appeared assured in both France and Luxembourg, while the rate of assistance in France could even be increased without risk. In Belgium, on the other hand, the return on public assistance appeared less certain in more than 80% of cases.

The limited nature of these examples means that no general conclusion should be drawn from them. However, they are worth citing since they help to direct the discussion in a field notable for its methodological complexity and lack of information. This line of research, though much elaboration remains to be done, provides a framework within which a tool could be found for carrying out more systematic ex ante assessments, without losing sight of the fact that the main objective is to contribute to decision-making.

2. Objectives 3 and 4 outside the Objective 1 regions

These two Objectives cover the whole of the Community. Where the countries and regions are eligible under Objective 1, the measures approved for Objectives 3 and 4 are included in the CSF for Objective 1. As regards the other countries, the Commission approved CSFs for these two Objectives in December 1989 (eight countries) and in March 1990 for Spain. The nine CSFs cover the entire territory of each country with the exception of those parts eligible under Objective 1 (Spain, France, Italy, United Kingdom).

The planned Community contribution for the two Objectives is ECU 4 128 000 for 1990-92, plus the share of measures under Objective 1 (ECU 3 972 000 - see First Annual Report on the Implementation of the Reform).

Details of implementation of the nine CSFs are given below.

2.1. General

2.1.1. Forms of assistance

As for the other Objectives under the ESF, the forms of assistance were formally submitted in August 1989. Following approval of the CSFs, they had to be amended by the Member States, especially in order to match the priorities for assistance and the financial envelopes contained therein.

Virtually all the forms of assistance are operational programmes. Global grants have been used only rarely, mainly in Germany and for innovative measures in Italy.

43% of the measures relate to Objective 3 and 57% to Objective 4; this corresponds broadly to the forecasts in the CSF financing plans.

By 31 December 1990, 99 forms of assistance had been approved. Two countries, France and the Netherlands, submitted two operational programmes each, one for each Objective. The other countries submitted and had approved a number of operational programmes (Belgium, 12; Germany, 27; Spain, 26; Italy, 16; United Kingdom, 8) (See Annex 5). Generally the Member States have preferred to submit one programme for each CSF priority.

The structure chosen by the Member States was determined in the first place by the priorities laid down in the CSFs (e.g. United Kingdom and Luxembourg).

In other countries, the large number of operational programmes is a consequence of the allocation of responsibilities within the Member State (e.g. Germany, where vocational training is partly the responsibility of the Länder, and Spain).

Similarly in Belgium, the forms of assistance were structured to take account of the fact that six authorities are responsible for vocational training, with seven operational programmes submitted by the Flemish Community, three for Objective 3, three for Objective 4 and one joint programme for Objectives 3 and 4.

One operational programme was submitted by the Ministry of Employment and Labour, one by the Brussels Region, one by Wallonia (still being examined in 1990), two by the German-speaking Community and one jointly by the Francophone Community and the regions of Brussels and Wallonia.

In other cases, the structure used was determined both by the Community Support Framework and by internal structures. For example in Italy:

- the number of forms of assistance reflects the number of regions involved in the implementation of those Objectives (13 OPs for Italian regions other than those eligible under Objective 1, three operational programmes implemented nationally, one by the Foreign Ministry, for migrant workers, and two by the Ministry of Employment.
- the presentation of the regional operational programmes is standardized, that is, it includes basic training for young people from 15 to 18 years of age, second-level training for young people from 18 to 25 years of age and common measures for Objective 3 and 4, the long-term unemployed, disadvantaged groups and work-place training.

Naturally, the stress placed on each of the measures in any particular region of Italy depends on the local demographic situation and labour market.

Spain submitted a large number of forms of assistance. The structure of the operational programmes is uniform, comprising basic training qualifications, training in the new technologies, training for disadvantaged groups and recruitment aid.

2.1.2. Monitoring Committees

A Monitoring Committee was set up for each CSF, usually with responsibilities extending to cover the forms of assistance. In certain cases, besides overall monitoring there is separate monitoring for the forms of assistance (e.g. Belgium, where three Monitoring Committees for operational programmes were set up). In some cases, there are also monitoring subcommittees at regional level.

Most Committees could not hold their first meetings until the end of 1990 or the beginning of 1991.

2.2 Implementation in terms of appropriations mobilized

At 31 December 1990, the forms of assistance approved for each country were as follows:

(ECU million, at 1989 prices)

MEMBER STATE	Amount estimated in the CSFs	Amount approved
Belgium	174.0	160.8
Denmark	99.0	95.0
Germany	573.0	553.4
Spain	563.0	551.3
France	872.0	871.85
Italy	585.0	563.0
Luxembourg	7.0	6.5
Netherlands	230.0	229.96
United Kingdom	1 025.0	1 013.10
Total	4 128.0	4 045.0

The amounts approved mean that virtually all the resources in the CSFs can be used. Some programmes have still to be approved in 1991 concerning technical assistance measures.

To the best of the Commission's knowledge, implementation rates vary from 77% to 90%, although these figures cannot be confirmed until it has considered the applications from the Member States for balances of the 1990 instalment. Implementation will require the reprogramming of measures, as certain Member States (Belgium, Germany, Spain and Italy) have already requested.

2.3 Main types of measure

The forms of assistance approved correspond fairly closely to the priorities and financing plans laid down in the CSFs.

For Germany 47% of the approved budgets relate to Objective 3 and the remainder to Objective 4. Measures to assist categories experiencing difficulties on the employment market (migrants, disabled persons and severely underprivileged young jobseekers) are receiving 75% of the assistance earmarked for Objective 4.

In Belgium the operational programmes approved for the various administrative authorities include basic training and further training schemes, technological skill training, special schemes for disadvantaged groups and employment subsidies.

A transfer is planned from the programmes for young people in risk groups to basic training.

For Denmark three priorities have been identified for Objectives 3 and 4: the first covers measures to raise the skill levels of those who are inadequately trained (ECU 23 million for the long-term unemployed and ECU 24 million for the young out-of-work), the second covers employment subsidies and the third groups measures for categories with special difficulties on the employment market (ECU 20 million for Objective 3 and ECU 20 million for Objective 4).

In Spain, apart from the programmes devoted to basic vocational training, efforts have been focused on training in new management and organizational skills, with emphasis on the needs of SMEs. Assistance will also be granted for training of the underprivileged categories.

For Luxembourg, of the five forms of assistance approved for the two objectives, one concerns new technologies (for women entering the employment market, under Objective 3, and for new technologies, under Objective 4), another concerns handicapped persons (for vocational training, employment subsidies, under Objectives 3 and 4), a third operational programme concerns direct employment subsidies, a fourth transnational schemes and one technical assistance.

For the Netherlands two operational programmes have been approved, one for each Objective. They cover the following:

- 1) basic and further training
- 2) new technologies
- 3) measures to help women and categories with special difficulties (migrants, the disabled).
- 4) recruitment subsidies
- 5) transnational projects.

France has submitted only one operational programme per objective, with one subprogramme grouping measures to be managed by the central administration and another grouping initiatives by decentralized and regional authorities.

For Italy, the bulk of the funding is directed towards second level training and training directly related to jobs in the workplace, particularly in order to facilitate the development and structuring of the sectors most advanced in national training systems. Support is also being provided for new forms of basic training. Finally, substantial aid has been approved for the most disadvantaged categories.

In the United Kingdom, approved assistance is based on the priorities laid down in the CSFs: three programmes relate to Objective 3 (the first for basic training, the second for employment subsidies and the third for categories with special problems on the labour market), and three relate to Objective 4 (basic training, specialized training and vulnerable categories); finally, assistance is to be given for measures under Article 1(2) of Regulation (EEC) No 4255/88.

As a general rule, the forms of assistance for all the countries correspond closely to the CSFs. Whether under Objective 3 or Objective 4, they focus on the priorities of basic and further training, second-level training and new technologies, and, finally, training for the vulnerable categories on the employment market (women, the disabled and migrant workers).

2.4 Initial results of assessment of the CSFs

The following preliminary comments may be made on the basis of the assessment of the CSFs:

- The potential impact of Community aid on the problems involved in finding jobs for young people and combating long-term unemployment depends on the relative contribution of Community funding towards the national employment policy effort. Although difficult to quantify, it is estimated that it represents between 3% and 11% of total funding for training and employment support outside the Objective 1 regions.

In cases where the Community contribution represents only a small percentage of the Member State expenditure, the impact of the ESF can only be modest, given the available means of assistance encountered; in all these Member States, the ESF amounts essentially to a complement to public programmes and it can bring a substantial qualitative improvement to assistance provided for certain target groups.

Where only a small share of national employment policies is part-financed, it is impossible to require national or regional administrations to make a major effort of specific and differentiated planning.

By contrast, in other regions, especially those which should, in line with the Reform regulations, be the main beneficiaries of Community structural action, i.e. Objective 1 regions, the ESF constitutes the engine of the development of vocational training.

- Objectives 3 and 4 are clear but so large, and the problems so important, that it has sometimes been difficult to target the measures at specific categories or measures.

- It is not always easy to distinguish, in the areas selected under Objectives 1, 2 and 5(b), the training and employment measures directed towards local development from those which are covered by Objectives 3 and 4 (combating long-term unemployment and helping young people find work).

- In short, therefore, it is difficult to evaluate the impact of training and employment programmes : assessment methodologies are fairly complex, little standardised and depend on access to detailed data which is not always available.

Nevertheless, a number of positive points still arise from the first assessments:

- The ESF brings about a Community "added value" in its main field of activity: vocational training. By facilitating exchanges of experience and the spread into certain Member States of policies which have proved useful elsewhere, it constitutes a tool for promoting consistent policies of vocational training in the Member States of the Community.

The radical change introduced by the reform is the transition from a project-based approach to a multiannual programming approach. The national and regional partners regard this as a step forward, even though the lack of experience of some of the parties has necessitated a running-in period.

- The partnership has developed both in the context of the national monitoring committees and in the course of informal meetings. The number of bodies involved in implementation of the reform has grown, and the participants are adjusting to their new roles and new responsibilities. In most of the countries, the regional and local authorities are taking more part in the decision-making.

An increasing decentralisation of the Fund: Commission services have given priority to regional actions considered to be better adapted to local needs than national provision. In some cases, there has been a significant increase, compared to earlier years, of the Fund's assistance to vocational training measures carried out by regional bodies.

The wish to establish a link between qualifications and employment has led to supporting certain types of measures, for example, those that combine alternating classroom training and enterprise-based experience.

As a complement, and on the basis of the first results of assessment exercises, the Commission and the Member States are directing their assessment work as follows:

1. As regards the overall impact of the assisted measures, activities are centered on the improvement of the qualitative aspects of monitoring, the preparation of ex-post assessments and the development of methods to estimate both direct and indirect effects of assistance (not just placement rates or numbers of jobs created).
2. In addition to the overall assessment of CSFs, thematic evaluations are being carried out in relation to specific and important aspects of training and employment policies to identify the role and impact of assisted measures. This concerns, for example, certain types of action: recruitment incentives, vocational training promotion of local employment initiatives.

Other studies seek to analyse the impact of measures on special groups: women, disabled people, long term unemployed people. Others, again, seek to clarify the methods used to improve the management of labour market policies e.g. systems for regional planning, management and assessment of training measures.

In this context, technical assistance must play a major role in the implementation of systems to monitor and assess. This is particularly important in view of the observed relationship between, on the one hand, the quality of measures and level of funding and, on the other hand, the availability of instruments at regional and/or local level with which to improve the diagnoses and the measures undertaken.

3. Objective 5(a)

This Objective is intended to adapt the structures of production, processing and marketing of agricultural and fisheries products.

During 1990 Regulations (EEC) Nos 866/90 and 867/90 were implemented, as was Regulation (EEC) No 4042/89 on fisheries.

Commitments continued to be made in the usual way for the other horizontal measures under Objective 5(a).

These relate essentially to Regulation (EEC) 797/85, the revision of which was described in last year's annual report. The principal measures are intended to support investment in agriculture, the establishment of young farmers and, under the regime for compensatory payments, agriculture in the less-favoured areas. Measures relating to the environment, forestry and set-aside, have been applied more widely. As regards extensification measures, however, these have only been applied to a limited degree up to now.

3.1 Adaptation of structures for the production and marketing of agricultural and forest products

3.1.1 Preparation of the sectoral plans and the CSFs on marketing and processing structures

Regulations (EEC) Nos 866/90 and 867/90 on improving the processing and marketing conditions for agricultural and forest products define the new procedure as follows: the Member States submit to the Commission sectoral plans (instead of the specific sectoral programmes under the old aid scheme) for each product or group of products. These describe the situation in the sector and the investment needs of processing and marketing firms. On the basis of these sectoral plans the Commission negotiates with the Member State through the partnership mechanism the sectoral CSFs which set out the priorities and the available financial resources.

The CSFs adopted by the Commission through the management committee procedure (Committee on Agricultural Structures and Rural Development - STAR) are essential for approval of the applications for assistance in the form of operational programmes or global grants which the Member States then submit to the Commission. The OPs may be regional in scope and cover a number of sectors. They comprise a series of specific multiannual projects for which more detailed information may be requested regarding the investments, the origin of the supplies and any increases in capacity. Financial assistance from the Community remains subject to part-financing by the national authorities. Several OPs may be submitted in the course of a year.

Under Regulation (EEC) No 867/90 (forest products) two sectoral plans were submitted by France and Greece in 1990. Under Regulation (EEC) No 866/90, four plans were submitted (organic farming, Netherlands; wine, Luxembourg; crop and livestock products, United Kingdom).

In 1990, however, the OPs were dealt with under a mixed procedure since Regulation (EEC) No 355/77 continued to apply to the financing of individual projects until the end of the year and the three OPs submitted, for Portugal and Greece, were adopted under the new rules. Two of them were multisectoral.

During 1990 21 OPs were submitted but not adopted: 3 by Germany, 6 by Belgium, 7 by the Netherlands and one each by Luxembourg, France, Italy, the United Kingdom and Greece.

The criteria for selecting investments in the marketing and processing of agricultural and forest products are laid down in a Commission decision and must be applied by the Member States. The conditions of eligibility for applications for assistance financed under the OPs are also laid down¹. The conditions of priority eligibility and ineligibility are specified for all sectors and for certain specific ones.

3.1.2 Implementation of the Regulations

3.1.2.1. Structures of production

The Commission considered and approved the national provisions amplifying and specifying in accordance with regional requirements the general criteria laid down by Community rules for the granting of structural aid to farmers.²

3.1.2.2. Protection of the environment and forestry measures

Implementation of measures to protect the environment³ is restricted to areas which are sensitive from the point of view of protection of the environment and natural resources. These areas are designated by the Member States and take account of maintenance of the countryside and the landscape.

Farmers in such areas receive aid in return for using more environmentally-friendly methods of cultivation. Depending on the type of area to be protected, there is a wide range of cultivation practices such as the retention of trees and hedgerows to preserve the landscape and late mowing of grasslands to protect birds nesting there. Some of these measures involve reductions in the quantities of fertilizers and pesticides (or plant health products) used and limits on the number of head of cattle per hectare.

1 Decision 90/342/EEC of 7 June 1990 on the selection criteria to be adopted for investments for improving the processing and marketing conditions for agricultural and forestry products and Regulation (EEC) No 1935/90 of 3 July 1990 on applications in the form of operational programmes for aid from the Guidance Section of the EAGGF.

2 Regulation (EEC) No 797/85 (OJ No L 93, 30.3.1985), as last amended by Regulation (EEC) No 3808/89 (OJ No L 371, 20.12.1989).

3 Regulation (EEC) No 1609/89 (OJ No L 165, 18.6.1989)

By the end of 1990 areas of this type had been defined in Germany (1 731 000 ha), Denmark, France, Italy, the Netherlands (47 000 ha) and the United Kingdom (544 000 ha). In some cases the areas are quite large.

In order to extend the scope of Community legislation on the environment, in mid-1990 the Commission sent the Council a proposal for a Regulation on the introduction and the maintenance of agricultural production methods compatible with the requirements of the protection of the environment and the maintenance of the countryside. This is designed to:

- encourage methods of production which are less polluting than those currently used;
- encourage extensive cropfarming methods;
- preserve the countryside and the landscape and prevent soil deterioration and erosion;
- prevent depopulation due to the abandonment of agricultural and forest land;
- encourage the training of farmers able to apply alternative production methods.

The measures contained in this proposal are no longer restricted to certain areas but are now available to all farmers. Areas threatened by natural hazards or fire are, however, specifically identified.

This proposal is still before the Council.

Of the horizontal forestry measures, Article 20 of Regulation (EEC) 797/85 on farmland afforestation was applied in Denmark, Germany, Greece, Ireland and the United Kingdom during 1990. Article 20a (annual premium following afforestation) was applied in Ireland and the United Kingdom. France, Greece and Portugal have expressed an interest in implementing these two measures.

3.1.2.3. Extensification

The Community scheme for the extensification of production is implemented under Objective 5(a)¹. The Community grants aid to farmers who give an undertaking to reduce production in sectors in surplus.

Extensification may be achieved either by reducing production by at least 20% in a sector in surplus over five years ("quantitative method"), or by adopting less intensive production methods ("production techniques" method). It applies to beef and veal, sheepmeat and goatmeat, cereals, rape, sunflower seed, soya, peas, beans, tobacco, cotton, vegetables, wine, olive oil and certain fruits.

1 Regulation (EEC) No 797/85, as last amended by Regulation (EEC) No 1094/88 (OJ No L 106, 27.4.1988, p.28) and Regulation (EEC) No 4115/88 (OJ No L 361, 29.12.1988, p.13).

This scheme should have come into force on 1 January 1990, at least on an experimental basis in the form of pilot schemes for the products eligible. Application by the Member States has remained fairly limited, being restricted to Germany, Italy, the United Kingdom, Belgium and France. The quantitative method has applied principally to cattle (about 180 000 head in all) while the qualitative method (production techniques) affects about 50 000 ha given over to annual crops in Germany. The current extensification scheme could be readjusted when aids for environmental protection are revised.

3.1.2.4. Set-aside

The aim of the scheme for the withdrawal of arable land was to restrict the supply of surplus products by reducing the area cultivated and helping farmers to adjust to the realities of the agricultural markets. Half the money for it comes from the EAGGF Guarantee Section and half from the Guidance Section. To encourage more take-up of the scheme the rates of part-financing were raised in 1990 to 60% for aid up to ECU 300 per ha and 25% for aid in the range ECU 300 to ECU 600 per ha).¹ During 1990 the scheme was implemented everywhere except Portugal, which is exempt until 1994. Between 1988 and 1990, some 800 000 ha were withdrawn from production, of which Italy accounted for 45% and Germany for 28%.

Following bilateral discussions with certain Member States, premiums were increased from the 1990/91 marketing year to make the scheme more attractive (United Kingdom, Belgium, France, Ireland, Spain, Greece, Italy).

From 1990 special arrangements for the use of arable land for purposes other than growing food was introduced under this scheme.

3.1.3 Take-up of the measures

To the extent that the Member States have not yet submitted all relevant plans to the Commission, measures to improve the structure of the processing and marketing of agricultural and forest products are only in their infancy. This means that assessment has not yet become operational.

However, on the basis of the interim report of a study on rural change carried out by the Arkleton Trust,² the Commission has drawn some preliminary conclusions on how farmers are making use of horizontal measures.

Utilization is highest in the case of compensation schemes, the most successful of which is the compensatory allowance, followed by the aid scheme for improving the marketing and processing of agricultural products, and investment aid at farm level. Start-up aid for young farmers has a particular impact in countries where national aid makes a significant extra contribution or where the aid is substantial in relation to average incomes.

1 Council Regulation No 752/90 (OJ No L 83, 30.3.1990)
Commission Regulation No 1941/90 (OJ No L 174, 7.7.1990).

2 Arkleton Research (1989) "Rural change in Europe" - First Report to the Commission.

On the other hand, measures concerning diversification and the environment, which should appeal more readily to part-time farmers in less-favoured areas, have had practically no impact. The measure on environmentally sensitive areas however, came into force only recently.

Under the other regulations concerning Objective 5(a) (Regulations (EEC) Nos 797/85 and 1096/88) the Commission examines and approves national implementing provisions through a specific procedure (STAR Committee) which, except in the case of the Objective 1 regions, does not involve a CSF.

There is a special monitoring procedure for the measures via the Committee on Agricultural Structures and Rural Development entailing ex ante assessment, on the basis of implementing provisions through a twin-track procedure for reviewing national provisions, and continuous assessment on the basis of data supplied annually by the Member States in accordance with their obligations under the regulations or in response to specific requests from the Commission.

These assessments demonstrate the success of the use of the measures in viable applications and by young farmers, as well as the benefits derived by countries which have applied them for some time, such as Portugal and Spain in order to modernise their agriculture. They also underline the limiting factors resulting from legislation, which is sometimes restrictive, and from the peripheral situation of certain areas.

3.2 Implementation of the Regulation on improving the marketing and processing of fishery products

Council Regulation (EEC) No 4042/89 on the improvement of the conditions under which fishery and aquaculture products are processed and marketed has replaced, as far as that sector is concerned, Council Regulation (EEC) No 355/77 which applies to agricultural and fishery products.

Besides incorporating the common measure into the reform of the structural Funds, the main Community objectives are to:

- achieve a significant and lasting improvement in the economic competitiveness of the sector in preparation for completion of the Single Market and to meet greater competition from non-member countries;
- help improve the basic production situation and guarantee to producers an appropriate and lasting share in the resulting economic benefits;
- take account of changes in supplies of raw materials due to the increasing scarcity of certain resources in Community waters and uncertainties surrounding access to certain fishing areas in international waters;

- contribute to market stability;
- prevent the build-up or help to reduce excess production capacity;
- encourage compliance with new Community rules on hygiene and public health and greater respect for the environment.

To implement this Regulation, between March and July 1990 the Member States submitted sectoral plans at national level covering all problems in the sector.

3.2.1. Partnership

Bilateral negotiations as part of the partnership mechanism were held in October and November 1990. In three cases (Germany, Portugal and the United Kingdom), representatives of the regional authorities were directly involved in the discussions with the Commission.

In all cases agreement was reached on the text. Two priorities were selected: processing and marketing. This breakdown was decided in order to simplify future management given that any reallocation of funds between priorities as compared with the original estimates in the indicative financing plans is subject to certain constraints. Each priority sets out the various measures to be taken to improve structures, competitiveness and marketing conditions.

In most cases, agreement was also reached on the indicative financing plan.

Some Member States stressed the dangers of unduly increasing capacity in the industries concerned and the overriding need not to distort competition.

The negotiations led to the following conclusions:

- although in general the Member States sought to secure the largest possible range of financial assistance in order to develop their industries and marketing networks, priorities concentrated on:
 - . compliance with future Community standards of hygiene and public health in the workplace and at infrastructural level;
 - . restructuring and modernization of poorly adapted sectors of the industry while avoiding the risk of creating surplus production capacity;
 - . the promotion of technological innovation and greater added value;
 - . improving the returns on aquaculture products;
- those Member States with more developed infrastructures (Belgium, Denmark, Germany, Netherlands, United Kingdom) are able to concentrate on processing rather than marketing and so direct the bulk of the financial resources to direct support for their industries, which gives them an advantage over their competitors in other Member States, where infrastructures inevitably require improvement.

3.2.2. Preparation of financing plans and breakdown of appropriations among the Member States

The indicative financing plans were drawn up on the basis of the following data:

- in the case of two Member States (Greece and Portugal), the Objective 1 Community Support Frameworks contain explicit financial envelopes to be allocated to the common measure for the processing and marketing of fishery and aquaculture products under Objective 5(a) during the period 1989-93;¹
- three of the Integrated Mediterranean programmes (IMPs), those for Greece, France and Italy, include investments under the common measure for the processing and marketing of fishery and aquaculture products. Under the programme contracts, until December 1992, these investments must be financed by the fisheries section of the EAGGF, i.e. from the financial envelope laid down in the CSFs. This situation is due partly to delays in implementing some IMPs and in some cases reduces the scope for assistance to new priority measures.

The indicative financing plans for the Member States partially covered by Objective 1 (Spain, France, Italy and the United Kingdom) are in two separate parts, one for the Objective 1 regions, which have to be linked with the Objective 1 CSFs, and one for the other areas.

In general, the Member States have expressed a preference for assistance in the form of operational programmes although Portugal has stated that it will ask for some assistance in the form of global grants.

1 For the other Member States concerned, the Objective 1 Community Support Framework includes an overall amount for EAGGF Objective 5(a) without specifying a figure for the processing and marketing of fishery and aquaculture products.

The CSFs and addenda set out the planned financial envelopes for Community assistance in 1991-93 as follows:

(ECU million, 1991 prices)

COUNTRY	AMOUNT	OBJECTIVE 1 REGIONS
B	2.3	-
DK	9.7	-
D*	10.4	-
E	33.6	28.4
F	22.0	1.5
GR	9.2	9.2
IRL	10.0	10.0
I	20.3	12.4
NL	5.2	-
P	14.1	14.1
UK	19.5	2.0
TOTAL	156.3	77.6

* Excluding the five new Länder.

The layout of the CSFs varied depending on the country concerned. In the case of the Objective 1 countries with a single CSF covering all forms of assistance, it was decided to conclude addenda to the CSFs decided on in October 1989 (seven addenda). Provisional amounts for such measures were entered in the CSFs, so no additional appropriations were required for the Objective 1 countries.

Specific CSFs were approved for the other countries or parts of countries not covered by Objective 1 (eight in all). After consulting the Standing Committee on the Fishing Industry and, in the case of the Objective 1 regions, the Committee on the Development and Conversion of Regions, the Commission took a decision on all the CSFs and addenda on 11 March 1991¹.

It is still too soon to draw conclusions about the operational phase of implementation although all the Member States have availed themselves of the procedures provided for in Regulation (EEC) No 4042/89, thereby dispensing with the transitional provisions which enabled them to continue using the old procedure under Regulation (EEC) No 355/77.

Implementation of the reform of the structural Funds requires the Member States to undertake more programming than hitherto. Management of the common measure by the Commission will therefore have to concentrate on the smallest possible number of applications for financial assistance, with the Member States submitting no more than two operational programmes (one per priority).

¹ OJ No L 99, 19.4.1991.

4 Objective 5(b)

On 6 and 27 June 1990 the Commission approved 44 CSFs for rural areas eligible under this Objective.

The first Annual Report listed the general problems, and it is not necessary to repeat these here. The financial aspects relating to the allocation of appropriations under the Objective among the nine Member States concerned may be found in Annex I.6 to that Report.

The following aspects of this Objective will be considered here:

- the main priorities defined in the CSFs;
- progress in the forms of assistance.

4.1 The priorities laid down in the CSFs

4.1.1 General guidelines

In order that the limited financial resources available for Objective 5(b) could have real impact in the regions, assistance was concentrated on priorities which could make a significant contribution towards the realisation of indigenous potential. The CSFs for the nine 5(b) countries have in general focused on the following main priorities:

- 1) diversification and conversion in the agriculture and forestry sectors;
- 2) development of other economic sectors, in particular investment in small and medium-sized enterprises and supporting infrastructure;
- 3) development of tourism including innovation, promotion, market surveys, the development of tourist facilities, accommodation and activities;
- 4) conservation and development of the natural environment;
- 5) development of human resources, particularly vocational and management training in support of the activities implemented under the above priorities.

Community support under Objective 5(b) is complementary to intervention under the horizontal Objectives, i.e. Objectives 3, 4 and 5(a). The priorities elaborated in the CSFs take into account the operation of these horizontal measures and have been defined in such a way as to promote synergy in the application of the various structural schemes.

In the case of the EAGGF, the Commission clarified the difference between measures to be funded under Objective 5(a) and those for support under 5(b) so as to ensure a coordinated application of both series of measures in Objective 5(b) regions. The emphasis under Objective 5(b) is on the promotion of a collective approach to rural development and the installation and development of all aspects of locally based production.

In the light of the need to adapt agricultural production to market conditions, a significant aim of the Objective 5(b) policies is to promote the diversification, conversion and reorientation of rural economies. In the negotiations on the CSFs the Commission consequently stressed the importance of prioritizing measures directed at the diversification and conversion of agricultural production towards non-surplus products, including also the development of the forestry sector as a source of alternative income for farmers. Forestry development in general represents an important resource in a number of regions and its on-farm and regional potential as well as its environmental significance are reflected in the measures contained in the CSFs.

The priorities for the development of other economic sectors, under the regional fund (ERDF), focus on the development of endogenous economic potential through, in particular, support for the development of small and medium-sized businesses, tourism, and infrastructure linked to the realisation of these and other development priorities. A premise underlying these measures is that rural development schemes should be designed to ensure a dynamic balance between the agricultural and non-agricultural sectors.

Tourism is identified in many of the plans as a major priority and will be funded as appropriate under both the ERDF and EAGGF. The types of measures allowed for in the plans are typically the development of farm or other accommodation for tourists and the provision of ancillary infrastructure.

The need to reinforce Community policy on the environment in the implementation of all measures was stressed in the negotiations. Many countries' CSFs include separate priorities for the environment, in particular those for France, Germany, Italy and Spain. Other countries have integrated various environmental concerns into the design of economic activities under other priorities. In general close attention has been paid, in the preparation of the CSFs and the operational programmes, to the requirements concerning the environment.

Intervention under the European Social Fund will be directed towards the elaboration of training programmes, in terms of both vocational and management training schemes underpinning the activities being implemented under the other priorities.

A rough estimate of the allocation of funds per priority, on the basis of a horizontal classification of priorities for all CSFs, shows that agricultural development and diversification has been allocated the largest public expenditure, followed by development of human resources, development of other economic sectors, the environment and tourism.

4.1.2 The role of each Fund in the priorities

The allocation of resources among the three Funds for the period 1989-1993 is as follows:

- ECU 1 103.00 million to the ERDF
- ECU 435.87 million to the ESF
- ECU 1 068.09 million to the EAGGF.

The first point to note is that during the negotiations on the CSFs the Member States concentrated on measures under the ERDF, mainly because the regions eligible under Objective 5(b) already had considerable existing commitments which had been entered into before 1 January 1989 and which would continue during the period 1989-93. Furthermore, the ERDF provides the bulk of the funds for tourism (ECU 150 million out of total planned assistance of ECU 192 million) and measures to encourage the development of other economic sectors, which are required to support investments in small and medium-sized businesses and to develop certain infrastructures. Appropriations for measures of this type total ECU 294 million, of which the ERDF will contribute ECU 292 million.

This allocation of appropriations between Instruments reflects the fact that the specific concerns of rural development, particularly the efforts to achieve greater diversity of economic activities in rural communities, are comparatively new.

The ESF is called on to support training and aid to employment in the development priorities selected for the ERDF and the EAGGF. Secondly, the synergies between the Funds have not been formally laid down at the level of the priorities, as was done for Objective 1, but are to be found rather in the implementation and content of the measures selected.

4.2 Progress

4.2.1 The forms of assistance submitted

Following approval of the CSFs, the Commission has endeavoured to assist the Member States to prepare programmes through a "Guide to the preparation of operational programmes", which was submitted to the Committee on Agricultural Structures and Rural Development (STAR).

On 31 December 1990 about 70% of the forms of assistance had been submitted by the Member States and 74 operational programmes were expected to be approved to implement this Objective.

This result was obtained through extremely close cooperation with the Member States. Informal partnership meetings were held with the regions concerned in order to finalize the OPs rapidly.

There are two main reasons why the number of programmes is greater than the number of CSFs. Since some CSFs cover several rural areas, the measures to be taken in each area must be distinguished and so the Commission has approved an OP for each area concerned. Secondly, some Member States have presented monofund operational programmes.

However, the multifund approach is the one most widely used for Objective 5(b) and will be used by 52 of the planned 74 OPs.

4.2.2 Approval of the forms of assistance

In view of the delay in approving the areas eligible and the consequent late adoption of the CSFs, a special effort had to be made to begin implementation of this Objective.

By 31 December 1990 five operational programmes had been approved for 1990 (two each for Germany and France and the OP for Denmark). That position does not reflect the recent progress achieved in implementation since by 10 October 1991, 63 operational programmes had been approved and 9 approval decisions were in the course of preparation.

4.3 First results of assessment

The results available for this Objective are still too general and are based on a methodological study ordered by the Commission and on preliminary reports of CSF evaluation studies (ex ante) undertaken in eleven Objective 5(b) regions.

The studies show that, in general, the CSFs and OPs correspond to the requirements expressed by the bodies concerned, most of them being included in the development plans submitted by the Member States and providing a basis for the CSFs. The programmes could not cover all the requests for assistance, given that funds are limited. A balance was sought between aid for the provision or modernization of infrastructure (regional only) and aid for investment in production and services.

The diversity of the Objective 5(b) areas suggests that in some cases their entirely rural character is open to doubt, while others are severely disadvantaged. Some areas which might well have been eligible are not included at all.

The priorities have been grouped on the basis of the measures they cover but frequently priorities with the same title have different contents. It has also been found that, while human resources and the environment have been given prominence, the development of services and the expansion of new technologies and information media are often neglected. Non-agricultural activities absorb the bulk of the funds for the private sector (36%) followed by agricultural development and diversification (23%) (see Annex 6).

There appears to be no conflict between the various priorities of the CSFs, or at least none is evident. The side-effects of certain measures, particularly those concerned with the environment and especially the effects of the development of tourism, have not been investigated.

Participation at regional level (by public authorities rather than the private sector) is heavily underlined. The effect has been beneficial, ensuring that genuine needs, sometimes overlooked by the central authorities, receive attention. Such participation leads to choices which correspond to the needs of the local economy, and ensures better living conditions for the inhabitants, better use of local resources and less risk of a drift towards urban areas.

The studies underline the need to encourage the programme coordinating agency to play a more determinant role and advocate the use of simpler and more direct instruments to achieve more effective implementation.

CHAPTER 4 COMMUNITY INITIATIVES AND INNOVATIVE MEASURES

1. Community initiatives

1.1 New Initiatives approved in 1990

Community Initiatives are launched in the form of Commission guidelines inviting Member States to apply for aid for measures of special interest both for regional development and the Community as a whole. The Member States then draw up, on the basis of the guidelines, operational programmes tailored to the situation in the regions concerned.

An initial series of initiatives was adopted by the Commission in 1989 for ECU 2.1 billion (RECHAR, ENVIREG, STRIDE, INTERREG and REGIS).

In 1990 the Commission approved a second series. The principle was decided on in the course of the year and the formal decisions were taken at the end of 1990 after consultation with the Advisory Committees referred to in Articles 27, 28 and 29 of the Coordinating Regulation, the Parliament and the Economic and Social Committee. The total amount of appropriations earmarked for these new initiatives is ECU 1.7 billion⁽¹⁾, with an extra ECU 100 million for INTERREG.

REGEN, for which ECU 300 million has been allocated, is intended to promote the development of networks to supply natural gas to outlying regions which do not yet have the infrastructure, and to accelerate the linking up of gas and electricity networks in the outlying regions with those of the rest of the Community. This will help achieve the Community's energy objectives for 1995, since the introduction of gas will help the regions concerned to diversify their sources of energy while reducing their dependence on oil.

PRISMA, to which ECU 100 million has been allocated, is to help firms in the least-favoured areas of the Community to make the most of the opportunities offered by the single market.

Through PRISMA, the Commission intends:

(a) to support the development of certification and testing infrastructures and services in the field of calibration and metrology in order to help firms develop a quality policy for their products;

(b) to prepare small businesses for greater competition in the field of public contracts, as well as firms which used to enjoy protection under Article 115 of the EEC Treaty. The measures involve technical assistance, in particular in matters of public contracts, production management, quality policy and distribution methods.

(1) See Annual Report for 1989.

TELEMATIQUE, for which ECU 200 million has been allocated, will promote the use of advanced telecommunications services in the least-favoured regions (Objective 1), particularly through better access to the advanced services available elsewhere in the European Community.

To this end, TELEMATIQUE steps up the efforts begun under the STAR programme to encourage the use of advanced telecommunications services by small and medium-sized firms. It is also intended to help small firms in Objective 1 regions to create or develop such services themselves.

Emphasis will be given to the development of public telecommunications services able to contribute to regional development.

Funding will focus on services rather than investment in infrastructure, except where this is directly linked to the promotion of services to which the initiative relates.

Most Member States submitted their OPs during the sixth month. By the end of 1990 examination of the RECHAR programmes had been practically completed and the first programmes had been approved. The ENVIREG programmes received in November were being examined. The Commission estimates that decisions should have been taken on all the OPs under the Community initiatives by the end of 1991.

On 18 December 1990 the Commission approved three initiatives to lend support to employment policies in the Member States.

EUROFORM relates to the new qualifications, new skills and new employment opportunities which the single market should create (indicative amount available from the Community budget ECU 300 million).

NOW aims at promoting equal opportunities and vocational integration for women in the field of employment and vocational training (indicative Community contribution: ECU 120 million).

HORIZON is aimed at improving the access of the disabled and certain disadvantaged groups to the labour market (indicative Community appropriation ECU 180 million).

These three initiatives have certain features in common:

- In their respective fields, they should give Community added value to ongoing vocational training and job promotion measures by setting up or developing Community networks linking Objective 1 areas to the other regions of the Community in order to promote, in the various fields of

vocational training and employment, transfers of experience to the least-developed regions.

- They contribute towards the attainment of greater economic and social cohesion. They should strengthen economic cohesion because efforts will be directed mainly towards the Objective 1 regions, helping to reduce regional disparities. They should also reinforce social cohesion by encouraging the occupational integration of the more vulnerable categories of the workforce.

- In addition, they dovetail with several ongoing Community programmes:

- * EUROFORM reinforces the action taken under the FORCE and EUROTECHET programmes, and under the LEDA and ERGO programmes. It can use the networks set up under these programmes to implement and develop measures coordinated by them and enhance their transnational dimension;

- * for the NOW initiative, which covers the same area as the third programme for equal opportunities adopted at the end of 1990, it is planned to use the existing networks (IRIS, ILE) and the experience obtained in analysis, assessment and management;

- * HORIZON is based on HANDYNET (computerized database on the handicapped in various fields) and reinforces the HELIOS programme, part-financing pilot training and occupational retraining schemes not covered by that programme. In addition, as part of the fight against social exclusion, and in conjunction with the Pauvreté programme, the objective of Horizon will be to increase the scope for local action and set up an experience exchange network at Community level.

Lastly, the purpose of the LEADER initiative, for which ECU 400 million has been allocated, is to introduce innovative solutions which will serve as a model for all rural areas through support for integrated initiatives submitted at local level. A further special feature of this initiative is the method adopted for its implementation, i.e. the use of a network of local action groups for rural development which may apply for global grants rather than having to work through operational programmes managed by the national authorities.

1.2. Implementation of the Community initiatives

Under the Community initiatives the Member States must draw up concrete programmes and submit them within six months of publication of the decision on the Community initiative in the Official Journal.

On the whole, the Member States submitted their programmes during the sixth month, i.e. in July 1990 for RECHAR and in October–November for ENVIREG.

Since decisions on the other initiatives had been taken during the second half of 1990, the programmes were submitted during the first half of 1991.

In 1990 only one operational programme submitted by France under RECHAR (Objective 2) was formally approved. All the forms of assistance should be approved in 1991. It is therefore too early to assess the complementarity of action under the Community initiatives with the measures provided for in the CSFs. This will be done in the next Annual Report.

2. Innovative measures and pilot projects

2.1 Measures to promote Community regional development (Article 10 of Regulation (EEC) No 4254/88 on the ERDF)

Implementation of the measures under Article 10 continued in 1990, taking into account, among other things, the discussion at the first informal meeting of the Ministers responsible for regional policy (24 November 1989).

1990 was marked by the finalization and approval by the Commission of the "Europe 2000" document¹, which was submitted in November 1990 to the Advisory Committee set up by Article 27.

With the aid of a forward analysis of the trends of use of the Community land area the Commission wants to provide a reference framework to help the national, regional and local authorities and business leaders in their long-term planning choices.

The document has opened up a debate on European regional policy, involving the Parliament, the Economic and Social Committee and regional and local authorities. The results of the consultations will be incorporated into the final document to be published at the end of 1991.

Measures to promote interregional cooperation, which began in 1989, continued.

In 1990 there were 70 exchanges of experience under the arrangements launched in December 1989 in cooperation with the AER (Assembly of European Regions), CEMR (Council of European Municipalities and Regions) and IULA (International Union of Local Authorities). Special emphasis was placed on the participation of Objective 1 regions in this process.

Furthermore, the Commission set up the scheme of regional networks to help the regions and urban centres to take advantage of the opportunities offered by the single market and to develop cooperation between the public and private sectors. Twelve networks were launched in 1990 on the initiative of the Commission.

Ten innovative urban pilot projects have been launched covering various aspects of the operation of towns and cities. These pilot projects provide demonstration models for other regions in the Community and can yield

1 COM(90) 540 final of 16 November 1990.

valuable inputs into future policies adopted by the Member States and at Community level.

In 1990 transfrontier cooperation measures under Article 10 received fresh impetus from two sources:

- the setting up of the monitoring system for transfrontier cooperation (Commission Decision of 27 July 1990);
- the new Community initiative INTERREG: Article 10 of the ERDF will be used to support action in favour of transfrontier regions which are not eligible for INTERREG funds under Objectives 1, 2 and 5(b).

2.2 Pilot schemes for rural development (Article 8 of Regulation (EEC) No 4256/88)

Under Article 8 of Regulation (EEC) No 4256/88, the EAGGF can finance pilot development or demonstration projects involving new production technology up to a maximum of 1% of its annual budget.

In 1990 a total of ECU 1.5 million was committed to such schemes, generating an overall volume of ECU 4 million. The projects funded are mainly concerned with environmental protection (reduction of nitrates reaching the soil), dissemination of farming techniques (protein plants, integrated pest control) and training schemes. It is planned in future to expand these activities to include integrated rural development projects as a stimulus to new development strategies.

2.3 Innovative schemes for the development of employment (Article 1(2) of Regulation (EEC) No 4255/88)

Innovative schemes can be financed by the ESF under Article 1(2) of Regulation (EEC) No 4255/88. To be eligible for financing, such schemes must offer new approaches to vocational training in terms of content, organization or methodology. They are meant to help prepare the ground for later ESF activities in a number of Member States. More generally, innovative schemes should be capable of supporting any initiatives for developing employment.

The rules allow the ESF to allocate up to 5% of its annual budget to innovative schemes as well as to technical assistance, schemes involving both sides of industry and programmes to aid and counsel the long-term unemployed in seeking employment.

This section is concerned with innovative projects only. Under various CSFs a number of programmes (or global grants) have already been approved covering innovative schemes that involve teaching methods, career development, technology (e.g. in the field of robotics) and management techniques for small and medium-sized businesses.

In addition, the Commission has been financing innovative projects in sunrise industries. These projects involve new occupations and trades, management skills, marketing, financial services and import-export operations, giving preference to the transfer of know-how to the less developed regions of the Community (organization of training courses, training of trainers, seminars to promote sharing of experience).

CHAPTER 5 INTEGRATION OF THE GERMAN REGIONS AFTER UNIFICATION

The unification of Germany was one of the most important political developments for the Community in 1990. It did not require lengthy accession negotiations because the Treaty of Rome had anticipated such an event and made it possible to integrate the five new Länder and east Berlin without amendment of the Treaty and with only very minor changes to the 'acquis communautaire'.

In order to help the new Länder to reform their economies, the Council adopted Regulation (EEC) No 3575/90¹ on 4 December 1990 to demonstrate the Community's solidarity in a practical way. Under this Regulation, the Community is supporting the economic adjustment process in the areas concerned through the structural policy machinery and the three structural Funds. This Community assistance is additional to the appropriations approved in the context of the reform of the structural Funds (Article 12 of Regulation (EEC) No 2052/88).

Since Community legislation relating to the structural Funds is now applicable to the new Länder, Germany submitted a development plan for these territories covering 1991-93 to the Commission on 19 December 1990.

After effective and constructive negotiations between the German Government and the Commission, and with the approval of the committees referred to in Articles 27 to 29 of the coordinating Regulation, the CSF was approved formally by the Commission on 13 March 1991.

In all, ECU 3 billion (1991 prices) has been put at the disposal of the Community structural Funds as a contribution towards structural improvement in the new Länder in the period from 1991 to 1993, of which ECU 1.5 billion comes from the ERDF, 900 million from the ESF and 600 million from the EAGGF Guidance Section.

The Community's contributions are designed to facilitate the transition from a planned to a market economy, and one which also faces competition from a highly efficient economy in the western Länder that is likely to attract migrants from the eastern territories. This means not only adjusting the economic, social and agricultural structures in the new regions but also ensuring that general living conditions there provide encouraging prospects for the future.

The following priorities have been chosen in order to concentrate Community support on primary needs.

Priority 1

Promoting business-related infrastructure

Since infrastructures are a basic prerequisite for industrial development, the aim is to modernize or create appropriate infrastructure in the

1 OJ No L 353, 17.12.1990, p.19.

following sectors: industrial and tourist areas, local transport networks, energy and water supply.

Priority 2

Aid towards investment in production

The needed overhaul of the system of production in industry, the service sector and tourism will involve the modernization, reorganization and expansion of existing businesses and the creation of new businesses - particularly SMEs, which are the foundation stones of a market economy. The stress will be on creating highly skilled jobs and the transfer of new technologies.

This approach will go hand-in-hand with a reinforcement of training schemes appropriate to the new technologies.

Priority 3

Development of human resources

The development of human resources and promotion of employment will be key factors in increasing productivity and incomes. This means applying a range of measures to improve vocational training policy. These measures include course at training centres (off-firm training), the creation of educational establishments, the introduction of apprenticeship schemes, aid towards recruitment costs, training for vocational training teachers and aid towards the creation of self-employed activities.

Priority 4

Combatting long-term unemployment

There is likely to be an increase in the numbers of the long-term unemployed. Provision therefore has to be made for aid to finance various measures such as new types of training, training for the self-employed and schemes for persons have special difficulty in finding a place on the labour market.

Priority 5

Providing jobs for young people

It is likely that the closure of firms will put young people out of work, who will then not be able to complete an apprenticeship. Provision is being made for some of them to continue their training by granting aid to create traineeships in SMEs or in vocational training establishments.

Priority 6

Development of agriculture, forestry and fisheries and restructuring of the food industry

Measures to develop agriculture, forestry and fisheries and restructure the food industry (Objective 5(a)) are planned. The Community's aid will be concentrated on three goals:

- a return to family-based holdings and redirection of agricultural output to different products;
- granting of compensatory allowances;
- aid towards investment in processing and marketing facilities.

Priority 7

Improvement of working and living conditions in agricultural areas

Measures will be needed to achieve better working and living conditions in rural areas. These schemes will be an essential supplement to the action under Objective 5(a) to bring about a return to family-based farms and are the basis for diversifying agricultural activities including farm holidays and rural tourism.

Priority 8

Agriculture and the environment

This priority covers measures to protect the environment in the agricultural sector. Speedy changes need to be made to farming methods to help re-establish an ecological balance and improve the quality of groundwater. The improvement of woodland and new plantings of trees will contribute to safeguarding the environment and enhancing landscape amenity.

In order to ensure flexible management of funds, the allocations to priorities 6 and 7 will be administered together.

Priorities	ECU million			
	ERDF	ESF	EAGGF	Total
1. Infrastructure to support economic activities	590	95	-	685
2. Productive investment	640	35	15	690
3. Human resources	110	360	-	470
4. Combatting long-term unemployment	-	90	-	90
5. Combatting unemployment among young people (under 25 years)	-	225	-	225
6/7 Structural development in agriculture and fisheries	-	-	354	354
8. Rural development, environment, forestry	115	50	231	396
Technical assistance	45	45	- *	90
Total	1 500	900	600	3 000

* Up to 2.5% for this item is included under the priorities.

In allocating the funds among the new Länder, total population has served as a base as regards priorities 3, 4 and 5, while for priorities 1 and 2 there has been an adjustment for the size of the gainfully active population (industry and services) and the size of total population. In the case of priorities 6, 7 and 8 the distribution of funds has been based on agricultural area (except for woodland). The distribution among the new Länder is given below.

ECU million				
Länder	ERDF	ESF	EAGGF	Total
Mecklenburg-Western Pomerania	177.3	80.1	151.8	409.2
Brandenburg	239.9	103.7	132.2	475.8
Saxony-Anhalt	268.2	114.9	122.3	505.4
Saxony	444.0	182.8	105.9	732.7
Thuringia	244.4	102.3	86.0	432.7
Eastern Berlin	116.2	46.2	1.8	164.2
Non-regional	10.0	270.0	-	280.0
Total	1 500.0	900.0	600.0	3 000.0

In addition to these general allocations the EIB envisages granting loans worth ECU 1.5 billion and the ECSC ECU 1.1 billion, and the provision of these loans seems to have been well-received by the recipients in the new Länder. It is also planned to provide aid for retraining workers in the coal and steel sectors (ECU 110 million are included in the CSF).

On 26 March 1991, two weeks after the adoption of the CSF, the Commission approved six monofund programmes and one technical assistance programme under the ERDF to help create between 50 000 and 60 000 permanent new jobs.

The main objectives of these six programmes are the improvement of background infrastructure of direct relevance to businesses, support for investment in production and upgrading of human resources.

The ERDF will also be supporting measures to improve working and living conditions in rural areas as well as the environment. To this end, a series of measures are included in the programmes which are directed mainly towards providing incentives for private initiatives in the economic sector and reinforcing competitiveness and economic performance among SMEs.

The remainder of the proposed measures involve efforts to widen and develop the middle range of firms and make them more efficient, as well as to improve the business environment at local authority level, with the emphasis on overcoming communications problems and modernizing housing.

On 17 May 1991, the Commission approved six monofund programmes, one for each of the new Länder plus one for the eastern part of Berlin, and a horizontal programme at federal level (Bundesanstalt für Arbeit, Bundesministerium für Arbeit und Sozialordnung), grouping all the ESF projects. These programmes are designed to improve skill levels and help retrain workers and to provide recruitment subsidies in connection with the restructuring of the labour market. Priority is being given to those with employment difficulties, that is women, immigrants and the handicapped. Over the period of implementation, some 50 000 persons will benefit under the various projects.

More specifically, the measures include schemes to integrate workers with outdated skills, above all where their past training can be upgraded in the process of the changeover from present conditions to the new market economy. In this connection, the idea will be to provide supplementary training in organizing office automation and telecommunications. Provision is also made for schemes to prepare people for self-employed occupations.

On 21 June 1991, six monofund programmes were approved for measures under the EAGGF covering rural development, environmental improvement and forestry measures.

More particularly, these programmes aim to stem the foreseeable drift from the land by creating a structure within agriculture which is well-balanced and efficient, while at the same time improving working conditions, housing and transport in rural areas.

Efforts will also be made to safeguard jobs by developing new types of employment and supplementary sources of income for the farming population.

The measures in this field are principally the diversification of agriculture, the inclusion in farming activities of farmhouse tourism and, lastly, the promotion of investment that will create jobs in SMEs.

Finally, a major programme will be necessary to help improve the processing and marketing of agricultural, forest and fishery products. This key sector is of prime importance for ensuring outlets for local products, so that the farming sector in the new Länder can be sustained and developed.

Together these programmes should lead to greater benefits from farming, reduced environmental pollution and an adjustment of agriculture to the goals of the common agricultural policy.

CHAPTER 6 : THE CONTRIBUTION OF THE LOAN INSTRUMENTS

1. PRINCIPLES

Article 5 of the Framework Regulation (2052/88) outlines the principle that assistance from the Structural Funds should be combined with that of the EIB and the other Community lending Instruments (in practice the ECSC) in order to maximise the stimulus provided by the budgetary resources. Article 3 of Regulation 4253/88 goes on to call for coordination and consistency between assistance from the Funds and support from the loan instruments. It provides for joint financing of individual investments by the loan and grant instruments. This Regulation also calls for the EIB to be involved in the preparation of the CSFs, and for the indicative financing plans of each CSF to specify allocations from the EIB and the other loan instruments (Article 8).

The framework for integrated action was further defined by the Commission in a Communication*) calling in a regional context for a new emphasis by the loan instruments on concentration, programming and efficiency. Concentration was to involve a reinforcement of the priority given to regional development, and within that a new emphasis on Objective 1, 2 and 5b regions. Programming was to be reflected in the integration of the loan instruments into CSF financial plans; Efficiency would mean greater emphasis on follow-up and ex-post evaluation.

2. THE EXPERIENCE OF THE FIRST TWO YEARS

The experience of the first two years enables some preliminary judgments to be made about the translation of these principles into practice. The EIB and ECSC are each considered separately.

2.1. The EIB's Contribution

2.1.1. Concentration

During the two first years of the implementation of the Reform total EIB lending to assisted areas¹⁾ amounted to 14.5 milliard ECU. This was equivalent to nearly 63 % of total EIB lending activity.

Table 1 shows that some 85 % of lending to assisted areas went to the regions eligible for Structural Fund assistance (Objectives 1, 2 and 5b), a further 4 % to regions otherwise supported by the Community (IMPs, IDOs, etc.), 3 % to nationally assisted areas and the remainder to projects which cannot be allocated to individual intervention areas. Objective 1 regions accounted for 47 % of the Bank's total regional lending; Objective 2 and 5b regions for 38 %.

*) COM(88) 244 final of 23.12.1988

1) i.e. Lending under Article 130 a of the EEC Treaty covering Objective 1, 2 and 5b regions, regions eligible for other Community assistance (IMPs etc.) and those covered by national aid schemes.

In 1990 there was a slight fall in the share of lending to Objective 1 regions, which hardly grew in absolute terms, and a rise in the share of lending to Objective 2 and 5b regions. This followed a similar trend in the previous two years, which may have been accentuated by the recession. Figures for the first half of 1991 suggest that the trend is now being reversed, but Objective 2 and 5b regions will remain in relative terms substantially more important in the Bank's portfolio of loans than in the portfolio of activity of the ERDF:

TABLE 1

EIB: Direct Loans and Allocations from Global Loans

(MECU)

	1986-88	%		1989-90	%	
<u>Total</u>	<u>21 182</u>	100		<u>23 093.3</u>	100	
<u>Regional Development</u>	<u>12 405.9</u>	59	100	<u>14 510.5</u>	63	100
Zones 1/2/5b	10 877.5		88	12 330.9		85
1	7 239.6		59	6 822.5		47
2/5b	3 637.9		29	5 508.4		38
Spec. Cty. Actions/IMP (1)	600.9		5	613.4		4
National Aid Zones (2)	295.3		2	479.3		3
Non-attributable	650.2		5	1 086.9		8

	1989	%		1990	%	
<u>Total</u>	<u>10 919.1</u>	100		<u>12 174.2</u>	100	
<u>Regional Development</u>	<u>7 071.0</u>	65	100	<u>7 439.5</u>	61	100
Zones 1/2/5b	6 052.3		86	6 278.6		84
1	3 392.6		48	3 429.9		46
2/5b	2 659.7		38	2 848.7		38
Spec. Cty. Actions/IMP (1)	317.7		4	295.7		4
National Aid Zones (2)	222.9		3	256.4		4
Non-attributable	478.1		7	608.8		8

- (1) Zones covered by "Specific Community Actions" + IMPs.
 (2) Zones covered by national aid regimes.

2.1.2. Links to Community Support Frameworks

In the case of Objective 1 regions the CSF financing plans included estimates of possible EIB lending, broken down in some cases by priority axes. In the case of Objective 2 and 5b regions, where global loans were expected to be the main mechanism of EIB finance linked to the CSFs, no quantitative estimates were made and a pro memoria entry alone was provided. Even where quantitative estimates were included it was made clear that the actual volume of loans would depend on the projects submitted by promoters with the agreement of the competent national authorities and approved by the EIB and the Commission.

The CSFs for Objective 1 regions estimated lending over 5 years of 8.1 milliard ECU (1989 prices) linked to the CSFs. Almost all of this represented EIB lending.

The figures for 1989 and 1990 show cumulative EIB loan signatures of already some 5.9 milliard ECU (current prices)¹⁾ to projects in Objective 1 regions assessed by the EIB to be linked to the axes of the CSFs. In addition, some 2,021 MECU of loans linked to CSFs were signed in Objective 2 and 5b regions (Table 1 at Annex). These figures cover both joint financing operations with the Structural Funds and lending to projects within priority axes which are not in receipt of Structural Fund finance.

On this global measure the offers of loans included in the CSFs appear from these figures to be meeting with a satisfactory response.

The picture is more variable, however, if the performance relative to CSF estimates is examined country by country:

- (a) the total lending figures are dominated by Italy (2.6 milliard ECU or 45 % of total Objective 1 loan signatures). Absorption in the framework of the Italian CSFs has proceeded at a much faster rate than estimated when the CSFs were established;
- (b) the pace of absorption relative to CSF estimates ranges in the other Member States from 70 % in Spain, 58 % in Ireland, 48 % in Portugal to 28 % in Greece.

In absolute terms moreover some of the figures are particularly low. The volume of EIB loans in Ireland is actually below that of Greece which is only 29 % of that of Portugal. Lending to Portugal, on the other hand, is significantly higher than that to Spain. The reasons for these absolute and relative differences are considered below.

1) 4.6 milliard in direct loans, 1.3 milliard global loan allocations.

2.1.3. Project Characteristics

The largest volume of EIB lending linked to the CSFs has been in the form of direct loans to infrastructure projects. Support for industry has come largely through the provision of global loans to SMEs. The infrastructure loans have been focussed on four main kinds of project, mostly revenue-earning: telecommunications, transport, water and sewerage, and energy. This can be seen most clearly in the case of the three countries which have total Objective 1 status, Greece, Ireland and Portugal.

Some of the specific projects involved are listed in the box below. Many of these projects have also qualified for grant aid from ERDF.

EIB-Supported Projects in Objective 1 Countries - examples			
		MECU *	
		Total cost	EIB Loans
Greece	: PPC Transmission Lines and Electricity Distribution	56.97	28.3
	: Greek Towns Sewerage	205.60	22.8
	: Thessalonika Roads, Korint Tripoli Road	218.75	4.4
	: Athens-Katerini Motorway	302.20	19.7
	: Megalopolis Power Station & Lignite Mine	1182.86	82.8
	Ireland	: Athlone By-Pass	51.40
: Irish Telecommunications		196.40	45.6
: Dundalk Water Supply		32.83	6.2
Portugal	: Lisboa Norte-Sul Highway, Brisa Motorway (III+IV)	432.00	87.9
	: CTT Telecommunications		
	: Electricity Transmission	848.00	82.8
	: Financing of Glass and Chemical Industries	86.70	33.9

Source : EIB Annual Report 1990

* Loan tranches signed in 1989+1990. In most cases there will be further tranches in subsequent years.

In relative terms global loans have been more important in Objective 2 and 5b regions than in Objective 1 regions. In these regions a significant share of global loans has been allocated to infrastructure rather than industrial projects. (Tables 2 and 3).

TABLE 2

GLOBAL LOANS -- ALLOCATION BY SECTORS

(MECU)

1989 & 1990 GLOBAL LOANS ALLOCATION								
REGIONS	INFRASTRUCTURE		INDUSTRIAL AGRICULTURAL SERVICES		TOTAL		linked to CSF	
	1989/1990	1990	1989/1990	1990	1989/1990	1990	1989/1990	1990
Objective 1	145.6	81.0	1,147.4	543.5	1,293.0	624.5	1,293.0	624.5
Objective 2, 5b	402.3	220.1	1,083.7	524.9	1,486.0	745.0	1,083.7	524.9
Total	547.9	301.1	2,231.1	1,068.4	2,779.0	1,369.5	2,376.7	1,149.4

TABLE 3

EIB: Direct loans and allocations from Global Loans

(MECU)

	Regional Development		Objective 1/2/5b zones		Objective 1 zones		Objective 2/5b zones	
	1989/90	1990	1989/90	1990	1989/90	1990	1989/90	1990
Direct Loans	11 174.0	5 733.5	9 552.1	4 909.3	5 529.6	2 805.6	4 022.5	2 103.7
Allocat. from G. Loans	3 338.7	1 706.1	2 779.0	1 369.5	1 293.0	624.5	1 486.0	745.0
TOTAL	14 510.7	7 439.6	12 331.1	6 278.8	6 822.6	3 430.1	5 508.5	2 848.7

2.1.4. Complementary and Joint Action

Tables II-V (Annex) look in more detail at EIB lending in the form of direct loans, distinguishing between total direct loans to the regions covered by the Reform, loans linked to CSFs and loans involving specifically joint financing with ERDF. It should be noted that these figures cannot be precise, depending as these do on judgments about the allocation of particular projects to CSF priorities (see general note to tables). But they give a clear enough picture of the trends, notably:

- In most countries there is a very heavy concentration of EIB regional activity in Objective 1, 2 and 5b regions. Only in three countries (Denmark, Germany and France) does lending to nationally assisted areas remain of significance. In France and Germany in particular this reflects the relative importance of such areas in terms of size and population. It should be noted, however, that the share of lending to Community regions in these three countries may be somewhat understated because of the practical difficulties in making precise estimates of the regional breakdown of global loan commitments, notably where small regions are concerned.
- In the three countries that are wholly eligible for Objective 1 assistance (Greece, Ireland, Portugal) there is a high level of correspondence between total EIB lending and lending linked to CSF priorities (this is a little less clear-cut in the case of Ireland than that of the other two). This is also true of Spain, where some 91 % of total lending in Objective 1, 2 and 5b regions is assessed to be linked to the CSF priorities. This is all the more striking in view of the fact that one-third of this lending is in Objective 2 and 5b regions.

This correspondence is much weaker in the case of Italy and strikingly less so in the case of the United Kingdom (24 %) and France (1 %), where Objective 2 and 5b regions predominate. This is explained in part by the general absence of grant aid for infrastructural investment in Objective 2 and 5b CSFs, while, as noted earlier, an important share of global loans from EIB in these regions have been allocated to infrastructure. In this sense the EIB loans to Objective 2 regions can be seen as complementary to the CSF priorities, while in Objective 1 regions the level of joint operations is much higher.

- This is suggested also by the figures on joint financing (projects which receive both EIB loans and ERDF grants). For the three Objective 1 countries, a relatively high level of lending has gone to CSF projects in receipt of ERDF grant (63 % of CSF-linked projects in Greece, 70 % in Portugal, 56 % in Ireland). In the United Kingdom by contrast the figure is low and in France for the moment zero. One surprising feature is the low level of joint financing operations in Spain both in absolute terms and in relation to total lending linked to CSFs (6 %) However, a number of loans approved by the Bank are only now in the implementation phase and are not included in the figures for 1989 and 1990.

Analysis of the trends for 1989 and 1990 suggests that joint financing operations are increasing in the three Objective 1 countries.

2.1.5. Constraints on the Absorption of EIB Loans

There are some encouraging trends from the analysis presented above, notably with respect to the Objective 1 countries where a significant ex post level of joint operations can be identified. There are continuing grounds for concern, however, about the low absolute level of loan absorption in some Objective 1 regions and signs of some deterioration in the situation between 1989 and 1990 (notably in Greece and Spain).

Four interlinked factors have played a rôle in limiting the absorption of EIB loans:

- a) **Constraints on indebtedness** at the regional or national level. In Ireland and Greece increased external indebtedness has been discouraged for balance-of-payments reasons. In Spain regional authorities have been constrained by central government in their recourse to loan finance. Even in Italy the growth of EIB operations has been affected in some regions by ceilings on indebtedness.
- b) Some countries have relatively easy access nationally to other **sources of long-term loan finance** for regional development purposes and do not need necessarily to resort to Community loans. This is particularly true of Objective 2 regions where there are often well-developed indigenous sources of finance. It is less true for Portugal, Greece and even Spain; where the indigenous banking system is less experienced in the provision of long-term lending than other forms of finance and where the EIB is in consequence in a favourable position.
- c) Where other sources of loan finance are available the EIB is **not necessarily a more competitive alternative**. There are several factors involved here.

As a general point, the Bank is now operating in an increasingly complex commercial environment framed by the Single European Market, progress towards Economic and Monetary Union and increasing liberalisation and competition in financial services. Measures such as exchange risk cover schemes from which the Bank has traditionally benefited have been withdrawn in one Member State after another and now exist only in parts of Italy, Portugal, Greece and, for certain public sector investments, United Kingdom.

A second factor is that in some countries (France is an example) schemes for subsidized loans from national financial institutions for regional purposes have rendered EIB unattractive on certain markets.

Thirdly, governments have become less willing to offer their security for projects financed by the Bank and there has been increasing recourse to private sector guarantees, adding fees which can increase significantly the real interest rate.

Finally, the EIB has not always been able to offer financing packages geared to the exploitation of important market niches: one example is the provision of finance for SMEs where so far the Bank has only been able to offer traditional low-risk or risk-free loan facilities and where the recourse to a financial intermediary under global loan arrangements inevitably leads to an increase in the cost of credit as a result of the intermediary's management costs to SMEs, compared with that available to larger enterprises.

- d) In some cases the EIB involvement so far has been limited as a result of the degree of realisation of projects included within the CSFs. This is particularly true for some large infrastructure projects which can take several years from drawing-board to completion. The EIB figures given earlier represent tranches of finance that have been assigned and paid over to projects under way. In most cases there will be further tranches of loans to the same projects as they move towards completion. But the figures do not include amounts already authorised by the EIB Board of Directors for projects that are not yet off the ground. In the case of some countries there is a significant stock of approved projects on which loan contracts have not yet been completed since the projects themselves have taken longer than expected to come to maturity. This is a major factor explaining the low level of absorption in Greece.

2.1.6. Programming and Evaluation

Whereas, with some qualifications, a high degree of complementarity and joint action between ERDF and the EIB has in practice been achieved in some countries despite these constraints, the coordinated ex ante joint programming and evaluation of investment has been relatively limited. It has been the most successful in relation to some individual large projects such as Megalopolis in Greece where the Bank and the ERDF have been able to work closely together in the preparation of financing packages. But ex ante joint programming of other measures has proved more elusive.

This situation reflects some important differences in philosophy and decision-making procedures. The Bank remains primarily project-orientated rather than programme-orientated and indeed the Treaty and its own Statutes speak for the moment only of project financing. Thus the Bank is unable normally to lend except to specific identifiable projects which can be appraised from a financial and economic point of view, even if the borrower can provide all the necessary

guarantees¹⁾. The exception is the signature of so-called "framework loans" with some public authorities for the financing of groups of similar projects (e.g. local roads programmes) where the individual projects are not known fully in advance. These operations, which were introduced initially before the reform of the Funds, have been small in number. There are, however, examples of such loans in Ireland and Greece (under negotiation), which are linked to CSF measures.

2.2. ECSC Lending

There are two main categories of ECSC lending:

- Conversion loans (under Article 56(2)(a) of the ECSC Treaty) which are designed to help revitalise the areas affected by the reduction in activity and employment in the coal and steel industries. These loans normally carry interest-rebates (up to 3 percentage points) calculated by reference to estimated employment creation. Most of these loans are made through financial intermediaries in the form of global loans. Demand for these loans has been rising - from 304 MECU in 1987, 452 MECU in 1988, 458 MECU in 1989 and 585 MECU in 1990.
- Loans under Article 54 to enterprises in the coal and steel industries or to investments using Community coal and steel.

2.2.1. Programming

While the ECSC loan instruments are sectoral rather than regional policy instruments the major eligibility criterion for loans under Article 56 is the regional location of the project within an ECSC designated area. The texts of the Reform of the Funds envisaged increased collaboration between the ECSC instruments (notably Article 56 loans) and the Structural Funds. In order to give effect to improved coordination new guidelines and operational rules for Article 56 loans were published by the Commission in July 1990²⁾.

These broadened the eligibility criteria for ECSC loans in respect of investments carried out within specific programmes involving the Structural Funds. Whereas loans to individual projects would be restricted, as in the past, to investments in the productive sector, eligibility for loans carried out within programmes was extended in addition to cover certain kinds of infrastructure projects (redevelopment of derelict industrial sites, large transport schemes), technology transfer and participation in the capital of innovative SMEs. Such projects would fall within Objective 1, 2 and 5b areas.

It was further provided that conversion loans to the latter categories of investment might benefit from interest rebates provided out of ERDF funds up to a maximum of 3 percentage points a year over 5 years. This rebate system was to be implemented on the basis of partnership between the Commission, the Member State and the competent national authorities. The guide amounts of rebates were to be laid down in the corresponding Community support frameworks.

1) In the case of global loans the Bank devolves the responsibility to the intermediary.

2) OJ C 188/9 of 28.7.1990

The CSFs were negotiated before the adoption of these new guidelines. It has not therefore proved possible yet to explore with member States and regions their application, notably in Objective 2 regions, where the bulk of ECSC zones lie. In the CSF financing plans, ECSC loans were normally mentioned pro memoria only, though some operational programmes have subsequently included quantitative estimates. In its proposals on RECHAR the Commission has provided for a certain volume of ECSC interest-rebates on ECSC loans linked to RECHAR programmes to be proposed by Member States. Efforts are currently under way to integrate satisfactorily these projections into the annual procedures of the ECSC budget.

Up to now ECSC conversion loans have continued therefore to be allocated outside the Community regional programmes and the corresponding partnership arrangements. The main choice of projects has been initiated by the intermediary banks handling global loans. Direct loans under Article 56 have also continued to be processed outside programming and partnership arrangements although member States present the individual loan applications to the Commission and give their support.

2.2.2. Trends in Lending

Tables VI - VIII (Annex) show ECSC lending under both Articles 54 and 56 during the first two years of the Reform. Out of total lending of 1.66 milliard ECU, conversion loans accounted for 1.04 milliard or 62 %. Four-fifths of Article 56 loans were located in the regions covered by Structural Fund interventions, all of them (except in Spain) in Objective 2 regions. In the case of France and of the United Kingdom, which alone accounts for 53 % of total ECSC Article 56 loans, nearly 80 % of lending went to Objective 2 regions. In Germany the percentage was somewhat lower (63 %).

Similarly 77 % of Article 54 loans have been allocated in the regions designated by the Reform of the Funds, with Italy, Spain and Portugal accounting together for 55 % of total allocations.

All the Article 56 loans so far have been to the productive sector alone, involving a wide range of industries, commerce and services in the regions. None as yet has been programmed with specific CSF measures.

The Article 54 loans are a mixture of investments in the steel industries and some major projects consuming Community steel (including parts of the HST network). Though falling to a large extent within Objective 1 and Objective 2 regions and justified on the basis of their contribution to other Community objectives the investments concerned do not necessarily fall within the corresponding CSFs. They can serve to support projects of European interest and can be seen as part of the transeuropean transport networks policy.

CHAPTER 7 BUDGET IMPLEMENTATION IN 1990

7.1 Concentration of ERDF resources

Under Article 12 of Regulation (EEC) No 2052/88, the ERDF can allocate roughly 80% of its resources to the areas covered by Objective 1.

In 1989 an analysis of commitments showed a substantial increase in allocations to regions lagging behind in their development (see Annual Report for 1989).

In 1990 this share was 75.8% of resources, excluding transitional and innovative measures, compared with 80.6% in the previous year, calculated on the same basis.

This is explained by the fact that Objective 2 (mainly) and Objective 5(b) (to a lesser extent) saw their share of appropriations increase because implementation of the CSFs gathered pace.

The Commission still takes the view that the concentration of resources in Objective 1 regions should be evaluated over a five-year period. It currently estimates that a very noticeable increase is likely in the last two years of implementation. The implementing of Community initiatives in Objective 1 regions should make it possible to improve the concentration level further.

Lastly, it should be pointed out that the actual distribution of appropriations between the Funds is very largely the outcome of the partnership discussions and that it reflects the specific needs in each country.

7.2 Budget Implementation in 1990

Following on from the 1988 and 1989 budgets, the appropriations in the 1990 budget represented the third concrete stage towards the aim of doubling the commitment appropriations of the structural Funds by 1993 compared with 1987. It must also be remembered that 1990, while being the second year of the reform, was in fact the first full year of implementation subsequent to the adoption of the majority of the Community support frameworks.

The budget presentation of the appropriations for the structural Funds was largely identical to that of 1989; a heading for combatting fraud was added as a "token entry" to the individual headings covering the appropriation for each Fund.

7.2.1 Budget implementation in 1990 by Objective

The general budget of the Community for 1990 included in the "remarks" section, as in 1989, an indicative breakdown by Objective of the appropriations for all the structural Funds. The table below compares this breakdown with the outturn in 1990.

(ECU million)

	Indicative breakdown 1990 budget	Outturn '90 TOTAL	EAGGF (Guidance)	ERDF	ESF
Objective 1	7 175.0	6 606.2	1 107.5	3 737.9	1 760.8
Objective 2	1 334.0	1 378.1	--	1 039.8	338.3
Objective 3-4	1 351.0	1 368.8	--	--	1 368.8
Objective 5(a)	598.0	765.7	765.7	--	--
Objective 5(b)	311.0	202.4	43.1	153.1	6.2
Transitional and innovative measures	414.0	385.2	57.6	296.8	30.8
TOTAL	11 183.0	10 706.4	1 973.9(1)	5 227.6	3 504.9

Note that appropriations for Objective 1 are to double by 1992 compared with 1987 (Article 12(3) of Regulation (EEC) No 2052/88), and rise linearly from 1988 to 1992. The forecast amounts for Objective 1 regions are therefore as follows (in million ecu, at 1988 prices):

1987	1988	1989	1990	1991	1992
4 084	4 900.8	5 717.6	6 534.4	7 400	8 168

The figure which should have been devoted to Objective 1 regions in 1990 (at 1990 prices) was therefore ECU 7 108 million instead of the actual ECU 6 606 million. However, it has to be remembered that budget implementation in 1989 in the Objective 1 regions was greater than forecast, and that the 1990 under-spend was not due to redistribution towards other Objectives but to a general under-utilization of appropriations available in 1990.

As a result, the funds made available for Objective 1 regions can be carried over or transferred so as to maintain the volume required to double the appropriations allocated to them and keep up the increments needed to attain that goal.

(1) Figure includes schemes in the fisheries sector.

7.2.2 Allocation of budget appropriations and outturn in 1990 (by Fund)

The commitment appropriations available and their implementation were as follows:

(ECU million)

	EAGGF Guidance Section	ERDF	Social Fund	TOTAL
1. Appropriations entered in budget	1 700.0	5 408.0	4 075.0	11 183.0
2. Appropriations carried over	2.0	44.2	26.0	72.2
3. Appropriations made available again	61.4	10.9	91.0	163.3
4. Transfers	213.0	-121.0	-92.0	--
5. Total appropriations available	1 976.4	5 342.2	4 100.0	11 418.6
6. Implementation	1 973.9	5 227.6	3 504.9	10 706.4
7. Appropriations not used	2.5	114.6	595.1	712.2

The appropriations made available again under Article 7(6) of the Financial Regulation (line three in the table) include ECU 71.4 million released in 1989 from commitments made in 1987 and previous years. Strictly speaking, therefore, they do not form part of the doubling of the volume of the structural Funds between 1988 and 1993. However, the remaining balance was released from commitments made from 1 January 1988 onwards and counts towards the doubling.

In working out how the implementation of all the appropriations was distributed between the three Funds, account has to be taken of the transfer - shown in line four of the table - of ECU 213 million to the Guidance Section of the EAGGF from both the ERDF (ECU 121 million) and the ESF (ECU 92 million) as the result of a re-evaluation during the year of the needs of the different Funds in the light of progress in implementing projects and budget forecasts.

The rate of utilization of EAGGF Guidance Section and ERDF appropriations was generally satisfactory (the non-implementation of ECU 114.6 million in ERDF funds being mainly due to delays in starting programmes under Community initiatives which were only adopted in principle in the course of the year). The under-utilization of ESF funds totalling ECU 595 million can be explained by reference to the following factors:

- In the case of most of the CSFs, the partnership discussions have revealed greater preference among the Member States for operations financed by the EAGGF Guidance Section and the ERDF than originally thought when the 1990 budget was being drawn up. The result has been ECU 160 million more than the requirement worked out from the financing schedules for CSFs and Community initiatives. Of this amount, ECU 92 million was transferred over during the budget year; at the same time, ECU 68 million remained unused because of the over-estimate of ESF appropriations.
- A total of ECU 195 million had been earmarked for implementation by the ESF of various programmes under Community initiatives. Decisions in principle on the latter were only taken during the year so the implementing programmes could not be submitted by the Member States in time for aid to be approved before 1991.
- A sum of ECU 40 million is accounted for by the fact that Member States were not able to send in all their operational programmes under the Objective 5(b) CSFs (adopted in July 1990) in time for approval in 1990.
- A further ECU 292 million was tied up with submissions still under examination at 31 December. Of this amount, ECU 20 million is accounted for by transitional measures (IDOs and IMPs) and ECU 10 million by innovative measures.

For the three funds together out of the ECU 712.2 million still unused at the end of the budget year, ECU 217.8 million was carried over under Article 7(2) of the Financial Regulation and has already been implemented, while another ECU 494.4 million has lapsed. However, the latter sum can be put at the disposal of the Funds again, as can any monies released from commitments entered since 1 January 1988. Consequently, the Commission has decided to propose to the budget authority that the above amount be transferred to the 1992 and 1993 budget years under Articles 10 and 11 of the Interinstitutional Agreement.

The situation as regards payment appropriations is as follows:

		(ECU million)			
		EAGGF Guidance Section	ERDF	Social Fund	TOTAL
1.	Payment appropriations available	1 849.5	4 564.2	3 233.9	9 647.6
2.	Implementation	1 826.3	4 554.0	3 212.0	9 592.3
3.	Appropriations not used	23.2	10.2	21.9	55.3

The take-up of payment commitments, for the three funds together, rose from 96.8 % in 1989 to 99.4 % in 1990, which can be attributed in particular to the improvement in execution of the ESF (from 91.7 % in 1989 to 99.3 % in 1990).

Commitments remaining to be taken up totalled:

		(ECU million)	
		31 December 1988	31 December 1989
EAGGF Guidance Section		1 266.7	1 337.2
ERDF		7 529.0	8 071.6
Social Fund		2 261.6	2 539.5
TOTAL		11 057.3	11 948.3

It is worth pointing out that the increase in commitments remaining to be taken up (8%) is directly due to the doubling of commitment appropriations and not to a slowdown in payments.

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ANNEXES

Meetings of monitoring committees
for CSFs under Objective 1

COUNTRY	NUMBER OF CSFs	1990	1991 (proposed)
Spain	1 + 10	1 multiregional 10 régional	2 multiregional 10 regional
France (overseas depts and Corsica)	5	5 regional	10 regional
Greece	1	2	2
Ireland	1	2	2
Italy	1 + 8	1 multiregional	2 multiregional May/June–Nov./Dec. 18 regional March/Apr.–Sept./Oct.
Portugal	1	2	2
UK (Northern Ireland)	1	2 regional	2 regional

Meetings of monitoring committeesfor CSFs under Objective 2

COUNTRY	NUMBER OF CSFs	1990	1991 (proposed)
Belgium	5	4 regional (1)	10 regional
Denmark	2	1 multiregional	2 multiregional
Germany	7	2: 1 coordination 1 multiregional	2
Spain	1	-	2 multiregional 4 regional
France	17	20 regional	34 regional
Italy	9	9 regional	18 regional
Luxembourg	1	1	1 before end-June(2)
Neth'lands	3	3 regional	6 regional (at least)
U. Kingdom	9	8 regional	1 on 29.1.91 plus 18 regional

(1) No meeting for Limburg.

(2) Operational programme not yet received.

COMMUNITY ASSISTANCE BY CSF

ANNEX 3
million ECU

OBJECTIVE	UNDER 50	50/100	100/500	500/1000	1000/5000	5000	
1	-	1	4	1	1	4	11
2	40	4	9	1	-	-	54
3 - 4	1	1	2	4	1	-	9
5(b)	24	13	7	-	-	-	44
TOTAL	65	19	22	6	2	4	118

100

7

Chapter 2
Socioeconomic Impact of assistance under CSFs

Models used

- Model A: Macroeconometric demand model for the Greek economy, Keynesian approach. This is a relatively small model (24 equations, 45 variables), aggregated throughout, based on a purely macroeconomic approach. All the variables are defined in real terms and the monetary sector is essentially missing. Output reasonably reliable.
- Model B: Wharton-UAM macroeconometric demand model for the economy of Spain. This is a large-scale demand model (558 equations, 743 variables), with a block of equations dealing with value-added by sector. Integrates into the calculations both the monetary side of the Spanish economy and the economy in real terms. Output is reliable.
- Model C: Simplified economic demand models for the French overseas departments and Corsica. These are not econometric models but models of the economy without a monetary section. The parameters are pre-set by consultants using available data, into which the CSF data are injected. Formal structure very simplified (7 equations, 12 variables). Output somewhat approximate.
- Model D: Macroeconometric model, HERMES-Ireland. This is one of a family of models created by DG XII to study the medium-to-long term development of the Community countries on the basis of microeconomic analyses. The model is designed to estimate both demand effects and some supply effects. To enable the latter to be integrated better into the analysis of the impact of the structural Funds, seven microeconomic studies have been carried out (industrial competitiveness, transport costs, industrial market structure, labour market, agriculture and food industry, services, industrial sector). The model is a disaggregated one with six sectors. Its features allow it to analyse the feedback mechanisms and dynamic properties (monetary and real) of an economy over the long run. The HERMES-Ireland model is made up of about 650 equations and 850 variables. Output is very reliable.

- Model E: General equilibrium model for two regions (Mezzogiorno and Centre-North region of Italy). This is a model to study economic interdependence between two Italian macro-regions. The monetary block is not developed. The model consists of 57 equations and can estimate the demand effects and some supply effects created by Community structural policies. Output fairly reliable.
- Model F: Input-output model for two regions (Mezzogiorno and Centre-North region of Italy). This is a comparative static model with nine equations (matrix design) which can be used to evaluate macroeconomic impacts on the demand side and sectoral effects. It does not include monetary variables in the economy. In analysing the potential effects of structural policy implementation, the model can also take some supply effects into account. Output fairly reliable.
- Model G: General dynamic equilibrium model with endogenous growth. This is a long-run growth model for evaluating the impact of the structural policies on the Portuguese economy on both demand side and supply side by analysing optimal accumulation of public and private capital. The model consists of nine equations and, because of its complexity, is not resolved analytically but by being parameterized and resolved numerically.
- Model H: Macroeconomic and sectoral model for Portugal employing input-output tables. This model takes macroeconomic forecasts made by the Commission and the Portuguese authorities to try to isolate the impact of the structural Funds on the Portuguese economy. Output fairly reliable.
- Model J: Input-output models. These take macroeconomic and sectoral forecasts by DG II and try to isolate the impact of the structural policies on the main economic variables using an input-output analysis. At the moment the results are not cumulative. Sectoral analyses are possible. Output is reliable.
- Model K: Macroeconomic and sectoral forecasting models used by DG II.

**Forms of assistance approved in connection with Objectives 3 et 4
in countries other than those covered by Objective 1
(at 31 December 1990)**

Member State	Objective 3	Objective 4	Forms of assistance common to both Obj.	Total
Belgium	4	4	4	12
Denmark	-	-	3	3
Germany	10	10	7	27
Spain	10	10	6	26
France	1	1	-	2
Italy	-	-	16	16
Luxembourg	-	1	3	4
Netherlands	1	1	-	2
U.Kingdom	3	3	1	7
Total	29	30	40	99

ANNEX 6

Distribution of public and private expenditure by
priority axis : Objective 5b

	TOT.PUBLIC	PRIVATE
Agricul. development and diversification	25.7	23.1
Development of human resources	16.1	5.1
Development of non-agricult.,non-forestry activ.	14.4	36.1
Environment	11.9	4.0
Tourism	8.9	14.2
Agriculture and forestry	5.5	5.3
Economic development (general)	4.2	1.5
Forestry development	3.1	3.0
Development of SMEs and business	2.5	1.6
Agricultural and fisheries development	2.3	2.7
Development of tourism and environment	1.7	2.2
Minimising problems of peripherality	0.8	0.05
Agricultural and horticultural development	0.7	0.2
Implementation and monitoring	0.6	0.1
Development of infrastructure	0.6	-
Management of rural areas	0.4	0.6
Miscellaneous	0.3	0.1
Improvement of economic life	0.1	0.05

Commitments of EAGGF by Country and Objective in 1990

(ECU million)

Member State	Total	Obj. 1	Obj.5(a)	Obj.5(b)	Transit. measures
B	23.1	-	23	-	0.1
DK	18.6	-	18.6	-	-
D	185.9	-	182.8	3	0.1
GR	270.6	270.6	-	-	-
E	311.6	249.9	35.4	7.7	18.6
FR	388.6	32.4	324.2	21.7	10.3
IRL	130.9	130.9	-	-	-
I	278.9	147.6	94.8	8	28.5
L	5	-	5	-	-
NL	11	-	11	-	-
P	249.2	249.2	-	-	-
UK	100.5	26.9	70.9	2.7	-
TOTAL	1 973.9	1 107.5	765.7	43.1	57.6

Commitments of ERDF by Country and Objective in 1990

(ECU million)

Member State	Total	Obj. 1	Obj. 2	Obj.5(b)	Transit. measures	Innovat. measures	Art. 7
B	66.803	-	59.608	-	7 159	-	0.036
DK	18.390	-	9.614	1.866	6.910	-	-
D	113.941	-	40.869	28.762	38.910	5.400	-
GR	561.693	561.675	-	-	-	-	0.018
E	1 802.226	1 470.164	224.439	6.184	100.919	0.520	-
FR	442.739	72.496	245.480	53.908	66.038	4.817	-
IRL	291.997	289.673.	-	-	-	-	2.324
I	837.113	776.030	61.083	-	-	-	-
L	2.975	-	2.975	-	-	-	-
NL	45.677	-	24.359	4.586	14.102	2.630	-
P	533.722	533.675	-	-	-	-	0.047
UK	469.548	34.197	371.341	57.783	1.127	5.100	-
Comm- ission	40.747	-	-	-	-	38.854	1.893
EC	5 227.571	3 737.910	1 039.768	153.089	235.165	57.321	4.318

Commitments of ESF by Country and Objective in 1990

(ECU million)

Member State	Total	Obj. 1	Obj. 2	Obj. 3/4	Obj.5(b)	Innovat. measures
B	65	-	14.297	48.963	-	1.744
DK	39.67	-	0.979	35.807	0.4	2.479
D	211.42	-	40.411	169.336	1.673	-
GR	339.23	337.78	-	-	-	1.443
E	722.241	443.98	62.384	215.876	-	-
FR	400.262	40.38	60.304	283.659	4.093	11.823
IRL	307.19	304.90	-	-	-	2.29
I	508.840	284.434	31.286	183.481	-	9.637
L	2.164	-	-	2.164	-	-
NL	86.22	-	13.634	72.585	-	-
P	284.126	284.126	-	-	-	-
UK	537.846	65.157	115.054	356.947	-	0.686
Comm- ission	0.698 (1)	-	-	-	-	0.698
TOTAL	3 504.9	1 760.8	338.3	1 368.8	6.2	30.80

(1) Amount not subdivided by country.

ANNEX TO CHAPTER 6: THE CONTRIBUTION OF THE LOAN INSTRUMENTS

METHODOLOGICAL NOTES ON THE TABLES

1. In connection with ECSC lending, the fact that the borders of ECSC employment areas do not always coincide with the areas defined for the structural Funds, especially Objective 2 areas, can lead to minor discrepancies in the figures.
2. In connection with EIB lending, the following should be noted:
 - 2.1 The figures giving all the financing granted in 1989 in the Community and granted in 1989 for regional development (Tables 1 and 5) diverge slightly from the figures published in the EIB's Annual Report for 1989. These differences are due to reallocations of some global loans.
 - 2.2 The allocation of EIB loans among areas covered by the structural Funds (Objectives 1, 2 and 5(b)) and monitoring of their conformity with the priorities set out in the CSFs are the responsibility of the Bank's staff. However, the Commission's staff has carried out its own analysis, particularly with regard to Objective 1, and the conclusions very largely agree with those of the Bank.
 - 2.3 The figures given here take into account both individual loans and lending in the form of global loans. Since global loans cover a broad range of sectors and objectives and no precise geographical locations can be given when they are signed, no analysis can be made until the monies have been allocated to projects.

Individual loans considered to fit the schemes set out in the CSFs are not necessarily included explicitly in operational programmes.

There are several possible variants:

- (a) A loan pertains to a NUTS III area which is closely defined.
- (b) A loan may be for a grid or network or part of a network involving several geographical areas (telecommunications, railways, roads, etc.). The loans are then split up over the areas concerned in proportion to population or in line with other indications in the background documentation. This splitting can lead to the total of the loan as signed not being reached.

- (c) A loan may relate to an operation which cannot be imputed to a given region (the purchase of aircraft, for instance). These are included in "Other", except where the whole of a country is eligible under Objective 1.

As regards the allocation of global loans, all CSFs refer to aid for investment in industrial and craft-industry enterprises and to supporting SMEs. Allocations to a productive sector (industry, agriculture, services) have been counted as matching the requirements of the CSFs. By contrast, allocations to infrastructure projects or energy schemes have in most cases not been included.

TABLE I

Estimates of lending in the CSFs and
actual signed EIB loans corresponding to CSFs

CSF estimates for 1989- 1993 (1989 prices, MECU)			Actual 1989 & 1990 Cumulative signed loans (current MECU)		total (MECU)
Member State	Objectives		Objectives		1,2,5b
	1	2 & 5b	1	2 and 5b	
Belgium	-	p.m.	-	63.0	63.0
Denmark	-	p.m.	-	29.0	29.0
Germany	-	p.m.	-	90.0	90.0
Greece	1402.0	p.m.	394.0	-	394.0
Spain	1811.0	p.m.	1279.0	692.0	1971.0
France	121.0	p.m.	6.0	391.0	397.0
Ireland	500.0	p.m.	292.0	-	292.0
Italy	1475.0	p.m.	2630.0	395.7	3025.7
Luxembourg	-	p.m.	-	-	-
Netherlands	-	p.m.	-	16.0	16.0
Portugal	2805.0	p.m.	1347.0	-	1347.0
United Kingdom	-	p.m.	-	345.0	345.0
TOTAL	8114.0	p.m.	5948.0	2021.7	7969.7

TABLE II
EIB DIRECT LOANS 1989 & 1990
(current MECU)

Member State	1	2	3	4	5	6	7
	Regional Development	Obj. 1, 2 & 5b Regions	2 : 1	Corresponding to CSF Measures	4 : 2	To Projects receiving ERDF grants MECU	6 : 4
	MECU	MECU	%		%		%
Belgium	-	-	-	-	-	-	-
Denmark	611.5	282.8	46	-	-	-	-
Germany	243.8	145	60	-	-	-	-
Greece	318.2	318.2	100	293.5	92	183.8	63
Spain	1,721.2	1,689.3	98	1,544.3	91	91.6	6
France	1,346.7	898.5	67	10	1	-	-
Ireland	378.5	378.5	100	282.4	74	159.6	56
Italy	3,683.7	3,211.6	87	2,107.7	66	370.5	18
Luxembourg	11.8	11.8	100	-	-	-	-
Netherlands	74.1	74.1	100	-	-	-	-
Portugal	1,246.4	1,246.4	100	1,044.0	84	728.4	70
United Kingdom	1,538.1	1,295.9	84	311.8	24	25.8	8
TOTAL	11,174.0	9,552.1	85	5,592.7	59	1,559.7	28

Source : Calculated from EIB data.

TABLE III
EIB DIRECT LOANS 1989 & 1990

MEMBER STATE	1 Regional Develop.	2 Obj. 1	3 2:1 %	4 Corresp. to CSF measures	5 4:2 %	6 projects received ERDF	7 6:4 %	8 Obj.2&5b	9 8:1 %	10 Corresp. to CSF measures	11 10:8 %	current MECU	
												12 projects received ERDF	13 12:8 %
BELGIUM	-	-	-	-	-	-	-	-	-	-	-	-	-
DENMARK	811.5	-	-	-	-	-	-	282.8	46.2	-	-	-	-
GERMANY	243.8	-	-	-	-	-	-	145.0	59.5	-	-	-	-
GREECE	318.2	318.2	100.0	293.5	92.2	183.8	62.6	-	-	-	-	-	-
SPAIN	1721.2	928.3	53.9	928.1	100.0	45.3	4.9	761.0	44.2	616.2	81.0	46.3	7.5
FRANCE	1346.7	-	-	-	-	-	-	898.5	66.7	10.0	1.1	-	-
IRELAND	378.5	378.5	100.0	281.4	74.3	159.6	56.7	-	-	-	-	-	-
ITALY	3683.7	2656.7	72.1	2107.7	79.3	370.5	17.6	554.9	15.1	-	-	-	-
LUXEMBOURG	11.8	-	-	-	-	-	-	11.8	100.0	-	-	-	-
NETHERLANDS	74.1	-	-	-	-	-	-	74.1	100.0	-	-	-	-
PORTUGAL	1246.4	1246.4	100.0	1044.0	83.8	728.4	69.8	-	-	-	-	-	-
UNITED KINGDOM	1538.1	1.5	0.1	-	0.0	-	-	1294.4	84.2	311.8	24.1	25.8	8.3
TOTAL	11174.0	5529.6	49.5	4654.7	84.2	1487.6	31.9	4022.5	36.0	938.0	23.3	72.1	7.7

TABLE IV
EIB DIRECT LOANS 1990
(current MECU)

Member State	1	2	3	4	5	6	7
	Regional Development	Obj. 1, 2 & 5b Regions	2 : 1	Corresponding to CSF Measures	4 : 2	To Projects receiving ERDF grants MECU	6 : 4
	MECU	MECU	%		%		%
Belgium	—	—	—	—	—	—	—
Denmark	254.6	111.5	44	—	—	—	—
Germany	132.3	93.5	71	—	—	—	—
Greece	110.4	110.4	100	110.4	100	45.8	44
Spain	843.9	812.0	96	700.9	86	—	—
France	709.2	493.5	70	—	—	—	—
Ireland	191.7	191.7	100	148.7	78	110.6	74
Italy	1,844.6	1,622.5	88	1,184.3	73	353.9	30
Luxembourg	11.8	11.8	100	—	—	—	—
Netherlands	18.3	18.3	100	—	—	—	—
Portugal	671.3	671.3	100	666.3	99	433.9	65
United Kingdom	945.4	772.8	82	162.0	21	18.5	11
TOTAL	5,733.5	4,909.3	86	2,972.6	60	962.7	33

Source : Calculated from EIB data.

TABLE V

EIB DIRECT LOANS 1990

current MECU

MEMBER STATE	1 Regional Develop.	2 Obj. 1	3	4	5	6	7	8	9	10	11	12	13
			2:1	Corresp. to CSF measures	4:2	projects received ERDF	6:4	Obj.2&5b	8:1	Corresp. to CSF measures	10:8	projects received ERDF	12:8
			%		%		%		%		%		%
BELGIUM	-	-	-	-	-	-	-	-	-	-	-	-	-
DENMARK	254.6	-	-	-	-	-	-	111.5	43.8	-	-	-	-
GERMANY	132.3	-	-	-	-	-	-	93.5	70.7	-	-	-	-
GREECE	110.4	110.4	100.0	110.4	100.0	45.8	41.5	-	-	-	-	-	-
SPAIN	843.9	415.1	49.2	415.1	100.0	-	-	396.9	47.0	285.8	72.0	-	-
FRANCE	709.2	-	-	-	-	-	-	493.5	69.6	-	-	-	-
IRELAND	191.7	191.7	100.0	148.7	77.6	110.6	74.0	-	-	-	-	-	-
ITALY	1844.6	1417.1	76.8	1184.3	83.6	353.9	29.9	205.4	11.1	-	-	-	-
LUXEMBOURG	11.8	-	-	-	-	-	-	11.8	100.0	-	-	-	-
NETHERLANDS	18.3	-	-	-	-	-	-	18.3	100.0	-	-	-	-
PORTUGAL	671.3	671.3	100.0	666.3	99.3	433.9	65.1	-	-	-	-	-	-
UNITED KINGDOM	945.4	-	-	-	-	-	-	772.8	81.7	162.0	21.0	18.5	11.4
TOTAL	5733.5	2805.6	48.9	2524.8	90.0	944.2	37.4	2103.7	36.7	447.8	21.3	18.5	4.1

TABLE VI
ECSC LENDING IN 1989

current MECU

MEMBER STATE	LOANS UNDER ART. 54 OF THE ECSC		LOANS UNDER ART. 56 OF THE ECSC				TOTAL ECSC LENDING (ART. 54 & 56)			
			GLOBAL	DIRECT	OF WHICH IN REGIONS OF					
		OBJ. 1	OBJ. 2			OBJ. 1	OBJ. 2		OBJ. 1	OBJ. 2
BELGIUM	-	-	-	12.9	-	-	12.9	12.9	-	12.9
DENMARK	1.0	-	-	-	-	-	-	1.0	-	-
GERMANY	2.8	-	-	146.7	2.2	-	74.5	151.7	-	74.5
SPAIN	-	-	-	9.3	-	7.6	1.7	9.3	7.6	1.7
FRANCE	10.7	-	7.2	35.7	7.6	-	43.3	54.0	-	50.5
ITALY	67.2	-	51.5	40.0	-	-	33.1	107.2	-	84.6
LUXEMBOURG	-	-	-	1.2	-	-	-	1.2	-	-
NETHERLANDS	70.6	-	-	1.8	-	-	-	72.4	-	-
PORTUGAL	40.7	40.7	-	-	-	-	-	40.7	40.7	-
UNITED KINGDOM	32.7	-	21.8	154.5	46.5	-	192.6	233.7	-	214.4
TOTAL	225.7	40.7	80.5	402.1	56.3	7.6	358.1	684.1	48.3	438.6

Source : Commission services

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Table VII
ECSC LENDING IN 1990

current MECU

MEMBER STATE	LOANS UNDER ART. 54 OF THE ECSC		LOANS UNDER ART. 56 OF THE ECSC				TOTAL ECSC LENDING (ART. 54 & 56)			
			GLOBAL	DIRECT	OF WHICH IN REGIONS OF					
		OF WHICH IN REGIONS OF OBJ. 1	OF WHICH IN REGIONS OF OBJ. 2			OF WHICH IN REGIONS OF OBJ. 1	OF WHICH IN REGIONS OF OBJ. 2		OF WHICH IN REGIONS OF OBJ. 1	OF WHICH IN REGIONS OF OBJ. 2
BELGIUM	-	-	-	15.9	-	-	15.8	15.9	-	15.8
DENMARK	6.1	-	-	-	-	-	-	6.1	-	-
GERMANY	3.0	-	3.0	186.3	-	-	136.3	189.3	-	139.3
SPAIN	114.9	68.9	45.9	12.6	-	2.1	10.5	127.5	71.0	56.4
FRANCE	107.9	-	82.7	39.1	1.5	-	31.1	148.5	-	113.8
ITALY	76.2	-	71.7	55.0	-	-	47.8	131.2	-	119.5
LUXEMBOURG	-	-	-	2.4	-	-	-	2.4	-	-
NETHERLANDS	-	-	-	-	-	-	-	-	-	-
PORTUGAL	67.3	67.3	-	-	-	-	-	67.3	67.3	-
UNITED KINGDOM	22.9	-	22.9	247.1	25.5	-	228.2	295.5	-	251.1
TOTAL	398.3	136.2	226.2	558.4	27.0	2.1	469.7	983.7	138.3	695.9

Source : Commission services

Table VIII
ECSC LENDING IN 1989-1990

current MECU

MEMBER STATE	LOANS UNDER ART. 54 OF THE ECSC			LOANS UNDER ART. 56 OF THE ECSC				TOTAL ECSC LENDING (ART. 54 & 56)		
		OF WHICH IN REGIONS OF		GLOBAL	DIRECT	OF WHICH IN REGIONS OF			OF WHICH IN REGIONS OF	
		OBJ. 1	OBJ. 2			OBJ. 1	OBJ. 2		OBJ. 1	OBJ. 2
BELGIUM	-	-	-	28.8	-	-	28.7	28.8	-	28.7
DENMARK	7.1	-	-	-	-	-	-	7.1	-	-
GERMANY	5.8	-	3.0	333.0	2.2	-	210.8	341.0	-	213.8
SPAIN	114.9	68.9	45.9	21.9	-	9.7	12.2	136.8	78.6	58.1
FRANCE	118.6	-	89.9	74.8	9.1	-	74.4	202.5	-	164.3
ITALY	143.4	-	123.2	95.0	-	-	80.9	238.4	-	204.1
LUXEMBOYRG	-	-	-	3.6	-	-	-	3.6	-	-
NETHERLANDS	70.6	-	-	1.8	-	-	-	72.4	-	-
PORTUGAL	108.0	108.0	-	-	-	-	-	108.0	108.0	-
UNITED KINGDOM	55.6	-	44.7	401.6	72.0	-	420.8	529.2	-	465.5
TOTAL	624.0	176.9	306.7	960.5	83.3	9.7	827.8	1,667.8	186.6	1,134.5

Source : Commission services

GLOSSARY

C.I.	Community Initiative
C.P.	Community Programme
CSF	Community Support Framework
EAGGF	European Agricultural Guidance and Guarantee Fund
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EIB	European Investment Bank
ENVIREG	Commission initiative on the regional environment (C.I.)
ESF	European Social Fund
ERDF	European Regional Development Fund
ERGO	Community programme aimed at the long-term unemployed
EUROFORM	Initiative for the development of new skills and new employment opportunities (C.I.)
EUROTECNET	Community programme of pilot training projects in the field of new technologies
FORCE	Community action programme for the development of continuing training
GDP	Gross domestic product
GNP	Gross national product
HORIZON	Community initiative for handicapped persons and certain other disadvantaged groups (C.I.)
HELIOS	Community action programme aimed at the handicapped
IDO	Integrated Development Operation
IMP	Integrated Mediterranean Programme
INTERREG	Community initiative for border areas (C.I.)
IRIS	European network of training programmes for women (1989-1992)
LEADER	Links between activities for the development of the rural economy (C.I.)
LEDA	Programme for local employment development

MOP	Multi-fund operational programme
NOW	Community initiative to promote equal opportunities for women in the field of employment and vocational training (C.I.)
NPCI	National Programme of Community Interest
NUTS	Nomenclature of Territorial Statistical Units
N.Q.	Non-Quota Community programmes (C.P.)
OP	Operational programme
PEDAP	Specific programme for the development of Portuguese agriculture
PEDIP	Specific programme for the development of Portuguese industry
POSEIDOM	Programme of specific options aimed at remote and isolated departments
PRISMA	Preparation of firms for the Single Market (C.I.)
RDP	Regional development plan
RECHAR	Community initiative for the economic conversion of coalmining areas (C.I.)
REGEN	Community initiative concerning energy supply networks (C.I.)
REGIS	Community initiative for the remoter regions (C.I.)
RENAVAL	Conversion of shipbuilding areas (C.P.)
RESIDER	Conversion of steel areas (C.P.)
SMEs	Small and medium-sized enterprises
STAR	Community programme: Special Telecommunications Action for Regional Development (C.P./C.I.)
STRIDE	Community initiative: Science and Technology for Regional Innovation and Development in Europe(C.I.)
TELEMATIQUE	To promote the use of advanced telecommunications services in regions whose development is lagging behind, including improved access to advanced services located elsewhere in the E.C. (C.I.)
VALOREN	Community programme for exploiting endogenous energy potential (C.P.)