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The Structural Funds and the Cohesion Fund from 2000 to 2006

On 16 July 1997, the European Commission presented a communication entitled Agenda 2000 describing the outlook for the European Union for the early years of the next century. The communication refers to economic and social cohesion in a chapter on the Structural Funds and the Cohesion Fund, which is summarised below.

For the period 2000-06, the European Commission proposes a budget for economic and social cohesion policy (aid for less prosperous regions and less-favoured social groups) of 0.46% of the Union's gross national product (GNP). This is the percentage decided by the European Council in Edinburgh for the end of the period 1993-99. On this basis, ECU 275 billion (at 1997 prices) would be available for operations under the Structural Funds and the Cohesion Fund between 2000 and 2006, as compared with ECU 200 billion (at 1997 prices) for 1993-99. ECU 45 billion of this amount would be earmarked for the new Member States. As a rule, total transfers from the Structural Funds and the Cohesion Fund to a curent or future Member State should not exceed 4% of its GNP.

Simplification and concentration

The European Commission proposes that the current seven priority Objectives be reduced to three: two regional Objectives, and a horizontal Objective for human resources. It is planned that the percentage of the Union population covered by Objectives 1 and 2 be reduced from the present 51% to 35%-40% by 2006. The total amount allocated to the Objective 1 regions, including those receiving transitional (phasing-out) support, should cover about two thirds of the Structural Funds available for the 15 Member States, a share comparable to the average for the current programming period.

For the Structural Funds, the Commission proposes co-financing a single multi-annual programme for each region. The number of Community Initiatives would be limited to three (cross-border, trans-national and inter-regional cooperation; rural development; human resources) and their share of Structural Fund resources would be reduced to 5%. Where possible, more room for manoeuvre would be left to the committees managing the implementation of the Funds.

Greater efficiency would be sought by more systematic use of financial instruments other than grants (low-interest loans, loan guarantees, equity participation), and a reserve of at least 10% of the funds would be set aside to be allocated not earlier than mid-term to regions with good performance in terms of effective use of European aid already distributed.

Objective 1

After 1999, the Commission proposes the strict application of the criterion by which only regions whose per capita GDP is less than 75% of the Union average would be eligible under Objective 1. Aid intensities would reflect the size of the population, the gap between regional wealth and the Union average, and national wealth. Additional support would be granted to regions with very high unemployment.

For those regions currently eligible under Objective 1 which come out above the 75% threshold, a phasing-out mechanism should be defined. Regions with very low population density which are currently eligible for Objective 6 would have special arrangements. The particular situation of very remote regions should be dealt with within Objective 1 between 2000 and 2006.

Objective 2

For all the regions confronted with major economic and social restructuring needs, the Commission proposes a "new" Objective 2. This would include areas affected by change in the industrial, services or fisheries sectors, rural areas in serious decline, and urban districts in difficulty.

For this Objective, the Commission is proposing a geographical concentration on the worst affected areas and a coverage as consistent as possible with the areas assisted by the Member States. Similar to Objective 1, Union intervention under the new Objective 2 areas should combine all forms of structural support, including measures linked to human resources. Areas currently eligible for Objectives 2 and 5(b) which would no longer be eligible under the future selection criteria should continue to benefit during a transitional period from limited financial support.

Objective 3

According to this proposal, a new Objective 3 would be introduced for regions not covered by Objectives 1 and 2. It would help them adapt and modernise their systems of education, training and employment. A determined effort should be made to modernise labour markets in accordance with the multi-annual plans for employment and the new chapter on employment introduced in the Treaty of Amsterdam.

Objective 3 would promote activity in four areas:

- accompanying economic and social change;
- lifelong education and training systems;
- active labour market policies to fight unemployment;
- combating social exclusion.

The Cohesion Fund

The Commission proposes that the Cohesion Fund be kept in its present form after 1999. The Cohesion Fund would therefore pursue its co-financing of trans-European transport networks and projects in the environmental field in Member States with a per capita GNP of less than 90% of the Union average. Financing from this Fund would continue to depend on convergence efforts made by the countries concerned (conditionality principle). For those countries eligible for Cohesion Fund assistance that adopt the single currency (i.e. those taking part in the third phase of EMU), this would mean observing the terms of the Pact for Stability and Growth. As regards the GNP criterion, the Commission proposes a mid-term review in 2003. The annual financial endowment of the Cohesion Fund for the current Member States would be of the order of ECU 3 billion per year at the beginning of the 2000-06 period.

Providing structural support for enlargement

The proposal indicates that support from the Structural Funds and the Cohesion Fund should support development in all the States which become members, especially in infrastructure, the environment, the productive sector and human resources.

As the applicant countries need time to adapt to the workings of the Structural Funds, the Commission is proposing the introduction of pre-accession aid from 2000. From accession onwards, Structural Fund programmes and Cohesion Fund projects would replace pre-accession aid, taking account of the absorptive capacity of credits in each country.

In concrete terms, the Commission proposes allocating ECU 38 billion to the new Member States preceded by ECU 7 billion for pre-accession during the period 2000-06 for the Structural Funds and Cohesion Fund. At the end of this period, structural aid for enlargement would represent almost 30% of total Union structural funding.

All these Commission proposals will be discussed within the Member States, between the Member States, and in the other European institutions. It may be possible to adopt final decisions for the European Union's financial perspectives between 2000 and 2006 at the Luxembourg European Council next December. Negotiations on the new Regulations to govern the Funds after 1999 will begin in 1998.

The full text of the Structural Funds chapter of Agenda 2000 is available on request, which may be faxed to the following number: (+32.2) 230.49.15.
It will also be found on DG XVI's web site at the following address: <http://europa.eu.int/en/comm/dg16/dg16home.htm>

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