



## REGIONAL POLICY

# Structural policy reform

The building of Europe is creating a group of States that are forging close economic links and regulating issues of common interest together. However, the concept of European Union integration can only be considered credible if these States maintain a sufficient level of economic and social cohesion.

With this in mind, the structural policy provisions of the Agenda 2000 package aim to meet successfully two challenges:

- firstly, to improve the effectiveness of the structural policy instruments so that economic and social cohesion can be achieved;
- secondly, to ensure that structural policy plays a continuing role in the Union's future enlargement, bringing in the countries of central and eastern Europe.

Harmonious development has been one of the objectives of the European Economic Community since 1957. In the beginning, the common market was established to ensure the development of the Member States and to overcome the development gaps between certain regions. The Treaty provided for the creation of a European Social Fund (ESF), intended to promote employment and encourage worker mobility within the Community. Given the strong growth and low unemployment in the 1950s and 60s, the Fund had a limited role at the time.

The economic shock of 1973 and the economic restructuring that led from it highlighted development gaps between some Member States. These regional disparities increased significantly with the accession of the United Kingdom and Ireland, then Greece, Spain and Portugal.

The introduction of a genuine structural policy to lessen the gaps in development and living standards became a necessity. In addition to the European Social Fund measures, other "Structural" Funds were introduced over the years, each one with a specific target. Thus, the Community created the European Agricultural Guidance and Guarantee Fund (EAGGF) to finance the common agricultural policy, the European Regional Development Fund (ERDF), assistance from which relates specifically to the regions whose development is lagging behind, and the Financial Instrument for Fisheries Guidance (FIFG).

Alongside the Structural Funds, a Cohesion Fund has likewise existed since 1993. It finances transport and environment infrastructure in the Member States whose gross domestic product (GDP) per capita is less than 90% of the Union average (Greece, Ireland, Spain and Portugal)

The concept of economic cohesion was introduced in the Single European Act (1986), and since the Treaty on European Union (1992) it constitutes one of the three pillars of the European Community, alongside the single market and European economic union. Cohesion is still a priority today, and this is reflected in the budget: structural policy is the second most heavily funded sector in the Union after the common agricultural policy.

The structural measures and the adoption of national macroeconomic programmes to fulfil the criteria laid down for Economic and Monetary Union have resulted in the clear convergence of the Member States' economies for close on ten years now. Thus, the Union's four poorest countries (Greece, Ireland, Spain and Portugal) have improved economically, the most impressive example being undoubtedly Ireland, which has seen its per capita GDP increase from 64% of the Community average in 1983 to nearly 90% in 1995. Such success at national level should not blind us however to the persistence, and indeed exacerbation in some cases, of disparities in living standards between some regions of the Union.

While continuing the current elements of structural policy, the 1999 reform aims:

- to improve the effectiveness of the structural instruments by strengthening concentration through a reduction in both the structural policy objectives and the Community Initiatives, by improving management and by clarifying the share-out of responsibilities between the various parties involved (A);
- to maintain the budget for economic and social cohesion (B);
- to extend efforts on regional cohesion to the future Member States (C).