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European Union
Regional Policy

inforegio panorama

| No 26 | June 2008 |

EU Cohesion Policy 1988-2008: Investing in Europe's future

1986 1989 1992 1993 1997 1999
2008 1999 2003 2002 2001 2004

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Photographs: European Commission

Cover: © Digital Vision/Getty images, © DG REGIO

Concept and text (if not otherwise stated): Wolfgang Petzold with special thanks to Jean-Charles Leygues, Hugo Poelman, Daniel Mouqué, Caroline Taylor and Thomas Durieux (Tipik Communications).

Editor: Raphaël Goulet, European Commission, Regional Policy DG.

This magazine is printed 22 languages of the European Union on recycled paper.

It is available in 22 languages of the European Union at:
http://ec.europa.eu/regional_policy/index_en.htm

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the European Commission.

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REGIOgis

Structural Funds 1989 - 1993 : Eligible Areas

- Objective 1*
- Objective 2
- Objective 5b
- Objective 2 & 5b
- New German länder

New German Länder eligible for aid from 1990
Situation of Non EU countries in 1993.

* with a GDP/head below 75% of the EU average

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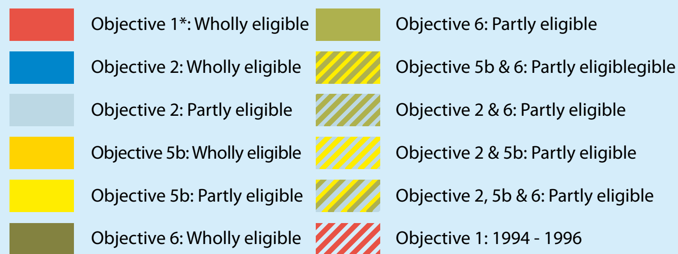
Structural Funds 1994 - 1999 : Eligible Areas



Sweden, Finland and Austria eligible for aid from 1995.
Abruzzo eligible for aid under Objective 1 for the period 1 January 1994 to 31 December 1996.
Situation of Non EU countries in 1999.

* with a GDP/head below 75% of the EU average

DIRK AHNER, EUROPEAN COMMISSION, DIRECTOR-GENERAL FOR REGIONAL POLICY

Foreword

Dear Reader,

This issue of Panorama Magazine is exclusively dedicated to the first 20 years of EU Cohesion Policy. On 24 June 1988, the Council agreed on a regulation which put existing EU funds into the context of 'economic and social cohesion', a term which the Single European Act had introduced two years earlier. Since then, Cohesion Policy has become one of the most important and most debated EU policies. We therefore thought it worthwhile to check how robust its rationale, implementation and impact has proven over the years.

During 1988, we saw not only the beginning of this new policy, but also the end of a debate which had begun some years earlier. Since the end of the 1970s, integration of EU funds within targeted, multi-annual programmes had been tested in 'Integrated Development Programmes' and later in 'Integrated Mediterranean Programmes'. Both marked a radical turn in comparison to what the funds were normally earmarked for: reimbursing existing projects introduced by Member States on an annual basis, a system which was no longer seen as convincing and which was meant to be replaced by a more efficient approach.

Since then, Cohesion Policy has framed the Community's interventions by using a strategic approach at European, national and regional level. It has adapted over time without losing sight of its core orientation, namely to work towards the balanced and sustainable development of Europe's regions. It has made and continues to make it possible for national, regional and local governments to engage in overarching strategies and networks across policies and country borders.

"Cohesion Policy has adapted over time without losing sight of its core orientation, namely to work towards the balanced and sustainable development of Europe's regions."

There is no one-size-fits-all recipe for regional development. However, principles such as partnership, transparency, subsidiarity and civil society participation combine to form an essential asset of development policies. They reinforce cooperation between the public and private sectors and have the potential to link efficiency with decentralisation and active involvement. In this sense, Cohesion Policy is still as modern as it was in 1988.

I trust you will enjoy reading this publication.

Dirk Ahner

DANUTA HÜBNER,
MEMBER OF THE EUROPEAN COMMISSION
RESPONSIBLE FOR REGIONAL POLICY

Regions matter

The objective of economic and social cohesion was expressed in the Single European Act and became reality in 1988 with the adoption of the first regulation which gave birth to Cohesion Policy. The Treaties of Maastricht, Amsterdam and Nice reaffirmed the policy's importance and its scope was even broadened by the draft Lisbon Treaty by a new, territorial dimension. European Councils in 1988, 1992, 1999 and 2005 confirmed the importance of Cohesion Policy by allocating increasing shares of the European budget to it.

However, when we look back today on the first 20 years of EU Cohesion Policy, 1988 remains a crucial year. Discovering Europe's economic geography has since then marked a radical turn for EU, national and regional policies alike. Identifying the regions in most need, defining priorities, involving local institutions and imposing common management, control and evaluation standards – all these elements have not only created tangible results but also a unique system of multi-level governance.

Cohesion Policy makes clear that everybody, wherever they are in the Union, has the opportunity to participate in and benefit from the common market. Cohesion Policy is the market's 'visible

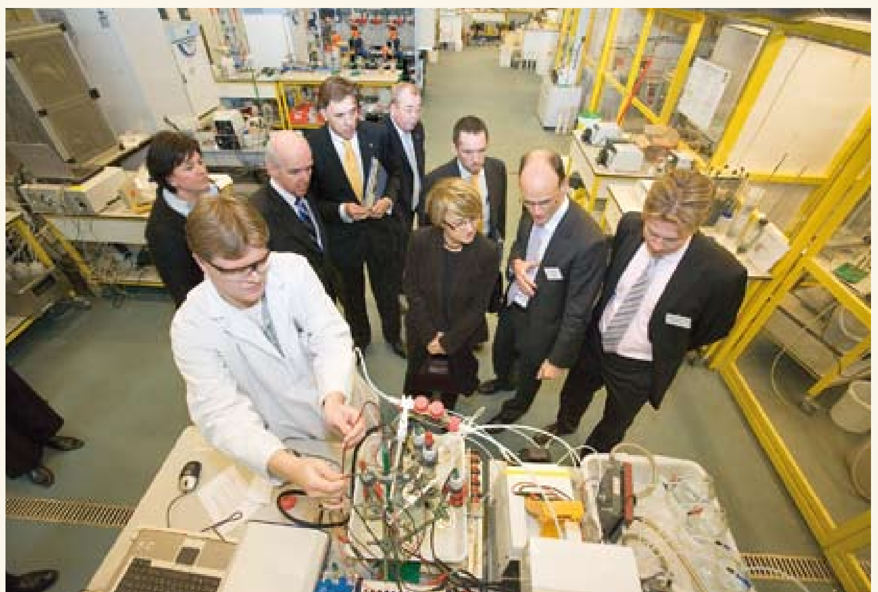
“Cohesion Policy is the market’s 'visible hand' which aims at balanced and sustainable development while fostering economic integration throughout the EU as a whole.”

hand' which aims at balanced and sustainable development while fostering economic integration throughout the EU as a whole. And it is a place-based policy which gives a role to each European territory in the sense that it is not an obstacle to the optimal allocation of economic activity but can become a source of growth on its own. Recent economic theory confirms this approach in numerous case studies which show that ‘geography matters’ and that regional policy can make a difference.

In its first 20 years of existence, has EU Cohesion Policy been able to deliver?

In fact, the EU has achieved impressive economic and social convergence since 1988. At national level, Greece, Spain, Ireland and Portugal – the largest beneficiaries of Cohesion Policy in recent years – have experienced significant growth. Between 1995 and 2005, Greece reduced the gap with the rest of the EU-27, moving from 74 % to reach 88 % of the EU’s average gross domestic product per head. By the same year, Spain had moved from 91 % to 102 %, and Ireland reached 145 % of the Union's average starting from 102 %. We can expect similar results in the new Member States, where Cohesion Policy has just begun to take effect, underpinning the high growth rates.

At the level of the regions, relatively strong economic growth of those with a low GDP per head has meant that EU regions have been converging. Between 1995 and 2004, the number of regions with a GDP per head below 75 % of the EU average fell from 78 to 70 and the number of those below 50 % of the EU average declined from 39 to 32.



Cohesion Policy improves the competitive position of regional economies by providing 'European' public goods that the market cannot provide. Major networks of transport and energy, a genuine European environmental policy, investment in education, research and development are all examples of this. It is worth mentioning that during the current period, Cohesion Policy has made a radical shift in investment priorities. A quarter of resources are now earmarked for research and innovation and about 30 % for environmental infrastructure and measures combating climate change.

But Cohesion Policy's added value goes beyond investment in growth and jobs. Through its unique model of multi-level governance it involves local and regional actors in the policy design and delivery, bringing in more efficiency and local knowledge. It 'levers-in' and safeguards compliance with other Community policies – be it in the field of state aids, environment, transport, support for innovation or the information society. It works as a 'Trojan horse' to improve and modernise public administrations, to enhance transparency, and to foster good governance. Last not least, it makes people work together through numerous cross-border and transnational programmes and networks.

Today Cohesion Policy is a fully fledged development policy, based on assets and people which are on the spot. This is a key advantage in addressing new challenges which face European territories. They will be confronted with the need to adjust to the pressures of the global economy, climate change will pose threats and opportunities to several sectors, demography and ageing populations will require changes in labour market policies and new social risks emerging from economic change will require new approaches.

Economists tell us that regional and local development – combining economic growth and reduced geographical disparities – will be increasingly important in meeting these challenges. The debate on the future of Cohesion Policy must be seen in this context.

The achievements of our policy have been also noted by other countries. In recognition of this interest, the Commission has concluded Memoranda of Understanding on regional policy cooperation with China, Russia and Brazil, each of them confronted with increased regional disparities and major challenges in terms of better governance, with further weight to be given to the bottom-up flows of information in the

"Through international cooperation Cohesion Policy is projecting European values beyond the territories of the Union."

policy and decision-making processes. Many other countries and organisations (South Africa, Ukraine, MERCOSUR, the West African Economic and Monetary Union) have expressed strong interest in the EU's Cohesion Policy model, because it is considered to be a highly efficient mechanism given its limited budgetary scope. Through international co-operation Cohesion Policy is projecting European values beyond the territories of the Union.

Commissioner **Vladimír Špidla**

VLADIMÍR ŠPIDLA, MEMBER OF THE EUROPEAN COMMISSION RESPONSIBLE FOR EMPLOYMENT, SOCIAL AFFAIRS AND EQUAL OPPORTUNITIES

Investing in people

The European Social Fund has been investing in people for more than 50 years. The Union's founding fathers proved both their visionary foresight and pragmatism when they enshrined the fund in the Treaties of Rome. Today, the ESF finances activating measures, quality jobs by means of better qualifications, is crucial for equal opportunities and it supports disadvantaged people. Of the approximately 10 million people who participate in ESF actions every year, half are women and some 1.2 million are older workers.

Whilst the ESF was initially designed to offset the loss of jobs in the traditional industries by retraining workers, a new era began in the 1970s. For the first time, youth unemployment became a problem. The European Commission therefore made support programmes for people under 25 a priority. This was also the era when support was extended to women, especially those with few skills and those returning to work. The energy crisis, economic decline and record unemployment in the early 1980s brought new challenges but also new approaches. The Commission took an important decision to support further training for new technologies through the ESF.

The 1988 reform marked an important change for the ESF in several respects:

> A new, more extensive vision of European solidarity was established; ESF support was extended to embrace the dimension of social cohesion in order to support poorer regions with high unemployment;

> Furthermore, multi-annual programmes planning made it possible to concentrate on long-term objectives; and

> Finally, the principle of partnership was born and has been developed steadily since. Instead of administering thousands of projects itself, the Commission now shares the programming and administration of ESF resources with the Member States and the regions.

A new era of European integration began with the end of the Cold War including the perspective of accession for the countries of central and eastern Europe. In parallel, a new phase of globalisation began, with more rigorous demands on our citizens' occupational and geographical mobility. With the entry into force of the Amsterdam Treaty in 1997, the European Employment Strategy was launched and, since then, has played a central role in coordinating EU policies in order to create more and better jobs. The ESF became the European financial

"Together with the other Structural and Cohesion Funds, the ESF transforms the meaning of Europe's values and solidarity into reality."

instrument for implementing the European Employment Strategy and is also one of the keystones of the Lisbon strategy.

In the Union of 27 Member States, the two hundred million members of the European labour force are highly skilled but we need to raise our standards even higher, as there are global challenges ahead. Demographic ageing means that we cannot afford to waste anyone's potential, be they young or old, nationals or migrants, university graduates or people without academic qualifications. In addition, rapid technological and economic change calls for a high degree of flexibility on the part of companies and people in Europe. The ESF can help to reconcile individuals' needs with labour market requirements. It can help the Member States to realise their own flexibility and security – flexicurity – agendas. Our asset is our human resources and our human potential and the ESF helps us to play this card strategically and successfully.

ESF support is not only about money, as the fund's contribution to national labour market policies can sometimes be small. The fact that ESF programmes are often used to test new approaches and ideas and to learn from other Member States through cooperation and networking can generate an added value at low cost. In the larger and more diverse European Union we need cooperation across borders more than ever. Such added value is not expensive but worth the effort, since the European Union must become more innovative and dynamic if it wants to compete in the global economy.

ESF programmes meet both national and local needs and they are built on a wide partnership. Negotiated and decided between the Member States and the European Commission, programmes are implemented through a wide range of organisations, both in the public and private sector. These organisations include national, regional and local authorities, educational and training institutions, non-governmental organisations and the voluntary sector, as well as social partners, industry and professional associations, and individual companies.

One hundred and seventeen ESF programmes worth over €75 billion were recently put on track for the period 2007-2013. For the years to come, these have to be converted into tangible results and progress on the ground. More than ever, we must use the ESF where it has the greatest impact and concentrate our budget on corresponding priorities.

Together with the other Structural and Cohesion Funds, the ESF transforms the meaning of Europe's values and solidarity into reality. In my view, this is the most important aspect of the European Social Fund's history and future.

1985

Signature of Act of Accession by Spain and Portugal

1986

London European Council

On 5 and 6 December 1986, the European Council agreed in London on the Single European Act.

1988

Brussels European Council

On 11 and 12 March 1988, the European Council agreed in Brussels on the first multi-annual Community budget for the years 1989-1993, often referred to as the 'Delors I Package'.

1989-1993

From projects to programmes

Although the origins of Community policies addressing regional imbalances can be traced back to the Treaty of Rome, it was not until 1975 that the European Regional Development Fund was created. In its early years, operations remained purely national, financing predetermined projects in the Member States with little European or subnational influence. An annual system of selecting and refinancing existing projects was applied in a similar way by other Community funds with territorial impact such as the European Social Fund and the European Agriculture Guidance and Guarantee Fund. Hence, at the beginning of the 1980s 'efficiency' of Community instruments became an issue and their integration was sought for in a number of pilot programmes. In 1986 key events brought with them the impetus for a more genuine 'European' Cohesion Policy, most notably the Single European Act, the accession of Greece, Spain and Portugal and the adoption of the single market programme. In March 1988, the European Council in Brussels decided to allocate ECU 64 billion[1] to the Structural Funds which represented a doubling of annual resources over the period 1989-93. On 24 June 1988, the Council adopted the first regulation integrating the Structural Funds under the umbrella of Cohesion Policy. This landmark reform introduced key principles such as focussing on the poorest and most backward regions, multi-annual programming, strategic orientation of investments and the involvement of regional and local partners.

THE WAY TO REFORM

Following the accession of Greece in 1981 and Portugal and Spain in 1986 regional disparities in the then European Community of 12 Member States had widened significantly. Before accession one European in eight had an annual income 30 % below the Community average; this became one in five after accession in 1986.

As a result of the budget crisis, and the desire to complete the internal market and to enhance economic and social cohesion, the Commission submitted proposals to the Parliament and to the Council for reforming the Community financial system. In its Communication of 15 February 1987 entitled 'Making a success of the Single Act: a new frontier for Europe', later referred to as the 'Delors I Package', the Commission suggested rules to improve the budgetary discipline and procedure. The proposal concerned a new interinstitutional agreement under which Parliament, Council and Commission would agree on a multiannual financial perspective and budgetary priorities. In the light of the conclusions of the Brussels European Council of 11 and 12 February 1988, the three institutions concluded the Interinstitutional Agreement on 29 June 1988 which established for the first time a five-year financial perspective, from 1988 to 1992.

The Commission put forward a 'White Paper'[2] on the completion of the common market by 1992 to the Council as early as 1985.

Italy

Improving infrastructure

1985-1995

Jacques Delors

Jacques Delors, President of the European Commission between 1985 and 1995.

1989-1995

Bruce Millan

Bruce Millan, Member of the European Commission between 1989 and 1995, responsible for Regional Policy and the relations with the Committee of the Regions.

Subsequently, two reports by the Italian economists Tommaso Padoa-Schioppa and Paolo Cecchini[3] added to the debate on how to bring about further market integration. While the Cecchini report estimated "the cost of non-Europe", i.e. the economic losses of the non-completion of the single market, between 4.25 % and 6.5 % of GDP, the Padoa-Schioppa report suggested "serious risks of aggravated imbalances in the course of market liberalisation" and proposed "adequate accompanying measures to speed up adjustments in structurally weak regions and countries". The 'Delors I package' which the European Council finally adopted in March 1998, gave way to an ambitious '1992' programme including reform of the Common Agricultural Policy, strengthening Community action in the fields of Cohesion Policy, science, technology, environmental and transport policies.

The most important budgetary shift favoured the three Structural Funds and led to a remarkable increase of resources. While annual payments increased from about ECU 6.4 billion in 1988 to ECU 20.5 billion in 1993[4], their relative share jumped from 16 to nearly 31 % of the EU budget. This went hand in hand with a radical transformation in the way the funds were managed. The European Social Fund (ESF) since 1958, the European Agriculture Guidance and Guarantee Fund (EAGGF) since 1962, and the European Regional Development Fund (ERDF) since 1975, had – in accordance with the annual budget procedure and national quotas agreed in the referring regulations – developed a system of re-funding projects which were selected and introduced by the Member States.

"Europe sees its future as striking a balance between competition and cooperation, collectively trying to steer the destiny of the men and women who live in it.
Is this easily done? No. Market forces are powerful. If we left things to their own devices, industry would be concentrated in the north and leisure pursuits in the south. But these market forces, powerful though they may seem, do not always pull in the same direction. Man's endeavour and political aspiration is to try to develop a balanced territory."

Jacques Delors, 1989

Improving transport connections

Construction of a new cross-border road between Greece and Bulgaria, Drama, Greece.

Upgrading railways

Track upgrading for extension of the Dublin area commuter train network, Ireland.

Improving water conservation

1989-93

To overcome this *'juste retour'* system, the Commission began to develop and finance regional projects on a more autonomous and experimental basis which became the blueprint of Cohesion Policy's method of implementation. These exceptions included the coordination of expenditure by the ERDF, ESF, and EAGGF-Guidance and started in 1979 with small pilot projects in Naples and Belfast and a few years later in the Lozère department in southern France. At the beginning of the 1980s, more extensive experimental projects focussing on an integrated approach to regional planning were undertaken in other parts of the Community through the Integrated Development Operations (IDOs). Larger experimental programmes financed at European level were the Integrated Mediterranean Programmes (IMPs) allocated in 1986 to Greece, Italy and France. This development was underpinned by a paradigm shift in urban and regional development policies and studies suggesting more integrated, bottom-up approaches that favoured 'soft' measures instead of only focussing on physical investment in, e.g. enterprises and infrastructure.

COHESION POLICY BETWEEN 1989 AND 1993

The 1988 reform introduced a number of principles for Cohesion Policy and its instruments which since then remain the policy's *mode d'emploi*. These principles are:

> Concentration on a limited number of objectives with the focus on the least developed regions;

> Multi-annual programming based on analysis, strategic planning and evaluation;

> Additionality ensuring that Member States do not substitute national with EU expenditure;

> Partnership in the design and implementation of programmes involving national, sub-national and EU actors, including the social partners and non-government organisations, ensuring ownership and transparency of the interventions.

Five priority objectives were agreed in 1988:

> **Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind;

> **Objective 2:** converting regions seriously affected by industrial decline;

> **Objective 3:** combating long-term unemployment;

> **Objective 4:** facilitating the occupational integration of young people;

> **Objective 5:** (a) speeding up the adjustment of agricultural structures and (b) promoting the development of rural areas.

Covering 25 % or about 86.2 million inhabitants, the funding provided by the ERDF, the ESF and the EAGGF under Objective 1 totalled ECU 43.8 billion (64 % of the total). Major beneficiary countries were Spain with an allocation of ECU 10.2 billion with 57.7 % of its population living in Objective 1 regions, followed by Italy (ECU 8.5 billion; 36.4 % of the population), Portugal (ECU 8.45 billion; 100 %), Greece (ECU 7.5 billion; 100 %) and Ireland (ECU 4.46 billion; 100 %). Smaller amounts were allocated to Germany for its eastern German Länder covered by Objective 1 as of 1990, France for Corsica and the French overseas departments, and the United Kingdom for Northern Ireland. 35.2 % of the

United Kingdom

Fighting unemployment

Portugal

Investing in motorways

New motorway linking Porto to Valença do Minho on the Galician border, Portugal.

Spain

Building bridges

Bridge over the river Bidasoa, Navarre, Spain.

investment under Objective 1 was spent on infrastructure, namely in the field of transport and environment, 33.6 % on productive investment such as direct and indirect aid to enterprises, and 29.6 % on human resources.

16.6 % or about 57.3 million inhabitants lived in Objective 2 areas and benefited from ECU 6.1 billion (9 % of the total) provided by the ERDF and the ESF. Major beneficiary countries were the United Kingdom (ECU 2 billion; 35.5 % of the population), followed by Spain (ECU 1.5 billion; 22.2 %) and France (ECU 1.2 billion; 18.3 %). Apart from Greece, Ireland and Portugal, all other Member States benefited to a smaller extent from Objective 2 allocations. Of the total investment, 55.1 % was spent on productive environment supporting small and medium-sized enterprises in particular, 23.9 % on physical regeneration and environment, often of formerly industrially used sites, and 20.9 % on human resources.

Focussing on target groups for active labour market policies, programmes under Objectives 3 and 4 had no geographical concentration and were agreed at national level instead. The total allocation for both objectives was about ECU 6.67 billion (10 % of the total) and provided by the ESF only. Major beneficiary countries were the United Kingdom (ECU 1.5 billion), followed by France (ECU 1.44 billion) and Germany (ECU 1.05 billion). All other countries received smaller amounts with the exception of Greece, Ireland and Portugal for which ESF allocations were integrated under Objective 1.

Finally, Objective 5 amounted to ECU 6.3 billion (9.2 % of the total) with France (ECU 2.3 billion),

"The Single European Act improves significantly the institutional system and sets new objectives for the Community, notably the completion of the internal market by 1992 and the strengthening of economic and social cohesion. The realisation of these two objectives will also respond to the hopes and needs of the countries which have just joined and which rightly expect that their involvement in the Community should underpin their development and help raise their living standards through a combination of their own efforts and support from their partners."

Commission of the European Communities: Making a success of the Single Act: a new frontier for Europe, COM(87) 100 final, 15 February 1987.

Spain and Portugal

An Interreg project linking Spain and Portugal

Bridge over the Guadiana river linking Spain and Portugal.

Luxembourg

Improving road signs at the border

Clearing up confusion for trucks crossing the borders of Belgium, France and Luxembourg, Interreg.

Ireland

Rejuvenating the city

Renovating the Temple Bar area in Dublin, Ireland.

1989-93

Germany (ECU 1.4 billion) and Italy (ECU 0.96 billion) as the major beneficiary countries. While interventions under Objective 5a had no general geographical concentration, those under Objective 5b were concentrated on rural areas representing a population of 17.6 million or 5 % of the total. While expenditure under Objective 5a concerned productive investment, funding under Objective 5b was made available for new economic activities in rural areas (47.2 %), infrastructure and human resources (20 % each) and environment (12.1 %).

In addition to the national and regional programmes set up under the objectives, a total of 16 Community Initiatives with an allocation of ECU 5.3 billion (7.8 % of the total) were put forward by the Commission to address specific problems of certain regions or sectors. With an allocation of about ECU 1.1 billion, the Interreg initiative supported cross-border cooperation between neighbouring regions, while Euroform, Now and Horizon (ECU 764 million) funded projects in the field of vocational training and job creation. Leader (ECU 455 million) financed local and rural development projects, and other initiatives aimed at redeveloping industrial areas (Resider, Rechar, Retex, Renaval, Konver; together: ECU 1.1 billion), the outermost regions (Regis; ECU 181 million) or issues such as environmental protection, energy, information technologies and research (Envireg, Regen, Prisma, Telematique, Stride; together: ECU 1.6 billion). Under technical assistance, the Commission also launched pilot projects, networks and studies, as well as various tools to support small and medium sized enterprises, such as the 'Business Innovation Centres'.

ADMINISTRATION AND GOVERNANCE

Administration of the Structural Funds between 1989 and 1993 was governed by a set of five Council regulations providing for their effectiveness and coordination, their implementation and general provisions, and for the implementation of each of the three funds. While the coordination regulation was adopted on 24 June 1988, the Council decisions on the other four were taken on 19 December 1988. All of them entered into force on 1 January 1989.

The coordination regulation[5] defined the objectives and principles mentioned above, the tasks of the funds, the different forms of assistance, the most important of them being 'Operational Programmes', the obligation for the Member States to introduce for each of the objectives specific 'regional development plans' (for the Objectives 1,2 and 5b) or 'national plans' (for the Objectives 3 and 4). Subsequently, the Commission would adopt Community Support Frameworks (CSFs). In addition, the coordination regulation stipulated the co-financing rates of up to 75 % for interventions under Objective 1 and 50 % in the case of the other objectives.

The implementation regulation[6] defined the content of plans and CSFs, major projects for which Commission decisions would be required and laid down the system of commitments and payments for the interventions and financial control. Common rules stipulated arrangements for monitoring, assessment, reporting and publicity to accompany the interventions.

Protecting the environment

Envireg funds used to stabilise a municipal waste dump, Alcanena, Lisboa e Vale do Tejo, Portugal.

Creating jobs

Rebuilding a training and industiral base for young people, Cagliari, Sardinia, Italy.

Investing in SMEs

Support for a banana plantation in La Réunion, France.

The three implementing regulations[7] for the ERDF, the ESF and the EAGGF, Guidance Section, contained more information on the content of plans and programmes, eligibility and technical assistance.

It was a major shift from annual project selection by Member States and adoption by the European Commission towards a more strategic and multi-annual programming built on a wide partnership between regions, Member States and the European Commission. Deciding on plans (analysis), Community Support Frameworks (coordination of interventions) and Operational Programmes (implementation) was a new challenge for the actors concerned. At each level, procedures for the funds' management, monitoring and control had to be installed for the first time. In addition, communication between policies and instruments with different traditions was necessary at all stages of the process. Not surprisingly, the first generation of Operational Programmes was not adopted before 1990 and implementation was delayed as a result.

However, a new class of actors at EU, national and regional level and partners from outside public administrations began learning, building capacities and exploring new ways and partnerships for regional and local development.

Key facts and figures

- **Total Structural Funds budget:** ECU 69 billion representing 25 % of the EU budget and 0.3 % of the total GDP of the EU:
  - **of which for Objective 1 regions:** 64 %;
  - **population in Objective 1 regions:** 86.2 million (25 % of the total[8]).
- **Main beneficiary countries:** Spain (ECU 14.2 billion), Italy (ECU 11.4 billion), Portugal (ECU 9.2 billion), Greece (ECU 8.2 billion).

Results

- Objective 1 regions closed the GDP per head gap compared to the EU average by 3 percentage points.
- 600 000 jobs created through Structural Funds in Greece, Ireland, Portugal and Spain, and the average GDP per head of these countries increased from 68.3 % to 74.5 % of the Community average.
- 917 000 individuals were trained through the ESF.
- 470 000 small and medium-sized enterprises received assistance in Objective 2 regions.

For more details, see the 'evaluation' pages at: **http://ec.europa.eu/regional_policy**

1992

Signature of the Treaty on European Union

1992

Edinburgh European Council

On 11 and 12 December 1992, the European Council agreed in Edinburgh on the financial perspectives 1994-1999.

Austria

Going green

European Centre for Renewable Energy in Güssing, Austria.

1994-1999

Consolidation and doubling the effort

Agreed in Maastricht on 7 February 1992, the Treaty on European Union and the revised Treaty on the European Communities (TEC) entered into force on 1 November 1993. In respect to Cohesion and Regional Policy, the TEC established a new instrument, the Cohesion Fund, and a new institution, the Committee of the Regions, as well as the introduction of the subsidiarity principle. In December 1992, the European Council decided on the new financial perspective for the period 1994-1999 and ECU 168 billion[9] were set aside for the Structural and Cohesion Funds. This represented a doubling of annual resources and equalled a third of the EU budget. New Cohesion Policy regulations were adopted by the Council on 20 July 1993, which now included the Financial Instrument of Fisheries Guidance and the Cohesion Fund. The new regulations confirmed the policy's key principles – concentration, programming, additionality and partnership – and kept the five existing objectives more or less unchanged. Some provisions were strengthened such as the involvement of other EU institutions, in particular the European Parliament, and the rules on partnership, evaluation and publicity. Upon the accession of Austria, Finland and Sweden on 1 January 1995, an amending regulation defined a sixth Objective favouring the extremely low populated regions of Finland and Sweden and a financial allocation for the three new Member States.

1994-99

THE WAY TO REFORM

In the so-called 'Delors II Package'[10], tabled four days after signature of the Maastricht Treaty, the European Commission proposed a programme and a budget to "move towards an economic and monetary union which would enable the Community to take full advantage of an organised economic area and a single currency". The proposal included details of the new Cohesion Fund, an increase of the Structural Funds budget and simplification of implementation rules. The compromise agreed at the European Council in Edinburgh on 11 and 12 December 1992 finally fixed the resources for the period 1994-1999. Around ECU 153 billion were allocated to the Structural Funds and ECU 15 billion to the Cohesion Fund, of which 68% were earmarked for the poorest regions and countries.

In April 1993, the Commission proposed the regulations on the Structural Funds, which were agreed by the Council in July 1993[11]. Based on the partnership principle, the process of negotiating the regulations was accompanied by comments from the European Parliament, economic and social partners and associations representing regional interests. The Cohesion Fund's regulation[12] was adopted in May 1994 including an allocation of ECU 15.15 billion. It applied to countries with a Gross National Product of less than 90% of the Community average on condition that they had a programme leading to economic convergence fulfilling the criteria of the economic and monetary union as set out in the EC Treaty. The fund could finance up to 85% of costs related to environmental and transport infrastructure projects worth more

Monika Wulf-Mathies

Monika Wulf-Mathies, Member of the European Commission between 1995 and 1999, responsible for Regional Policy and the relations with the Committee of the Regions and the Cohesion Fund.

Investing in new technology

Computers for hostile environments by the Arctic Inventors Network in Luleå, Sweden.

Investing in border regions

than ECU 10 million. It was managed on the basis of decisions taken by the Commission on single projects. Greece, Ireland, Portugal and Spain benefited from the fund between 1994 and 1999.

COHESION POLICY BETWEEN 1994 AND 1999

The 1993 reform left the objectives of the period 1994-1999 more or less unchanged:

> **Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind;

> **Objective 2:** converting regions or parts of regions seriously affected by industrial decline;

> **Objective 3:** combating long-term unemployment and facilitating the integration into working life of young people and of persons exposed to exclusion from the labour market, promotion of equal employment opportunities for men and women;

> **Objective 4:** facilitating adaptation of workers to industrial changes and to changes in production systems;

> **Objective 5:** promoting rural development by (a) speeding up the adjustment of agricultural structures in the framework of reform of common agricultural policy and promoting the modernisation and structural adjustment of the fisheries sector,
(b) facilitating the development and structural adjustment of rural areas; and

> **Objective 6:** development and structural adjustment of regions with an extremely low population density (as of 1 January 1995).

"The quality of implementation is determined more and more by the quality of partnership. The success of Cohesion Policy on the ground depends on a workable partnership bringing together all those involved in economic development in a region. These include representatives of the ministries and elected local representatives, and representatives of the business world, trade unions, women, charity and voluntary organisations, and environmental associations, although I know that some government representatives may be wrinkling their noses at all this."

Monika Wulf-Mathies at the first Cohesion Forum on 27 April 1997 in Brussels

Germany

Rebuilding infrastructure

Rebuilding the Kronprinzenbrücke (bridge), Berlin, Germany.

Northern Ireland, UK

Better transport links for business

New port in Londonderry, funded by the ERDF.

Spain

Strengthening Europe's infrastructure

1994-99

Covering 24.6% or about 97.7 million inhabitants, the funding provided by the ERDF, the ESF and the EAGGF under Objective 1 equalled ECU 94 billion and ECU 14.45 billion for the Cohesion Fund (68% of the total funds available[13]). 41% of the investment under Objective 1 was spent on support for enterprises, 29.8% on infrastructure, of which about half was spent on transport, a quarter on the environment and 24.5% on human resources.

60.6 million people (16.3% of the total) in Objective 2 areas benefited from a funding package of ECU 9.4 billion (10.6% of the total) provided for by the ERDF and the ESF of which 55.1% was spent on supporting small and medium-sized enterprises in particular. A further 23.9% was spent on physical regeneration and environment, often related to former industrial sites, and human resources received 20.9%.

The total allocation under Objectives 3 and 4 was about ECU 15.2 billion (9.1% of the total). This funding came from the ESF for labour market actions and social inclusion.

The allocation under Objective 5 amounting to ECU 13 billion (7.8% of the total) was made available for new economic activities in fisheries and rural areas (47.2%), infrastructure and human resources (20% each) and environment (12.1%). 32.7 million people lived in rural areas supported under Objective 5b representing 8.8% of the total EU population.

Sweden and Finland received ECU 697 million (0.4% of the total) under Objective 6.

For a total of 13 Community Initiatives, an allocation of ECU 14 billion (8% of the total) was made available to co-finance cross-border, transnational and innovative projects.

ADMINISTRATION AND GOVERNANCE

Between 1994 and 1999, rules governing the Structural and Cohesion Funds were laid down in a set of seven Council regulations governing their effectiveness and coordination, their implementation and general provisions, and for the implementation of each of the four Structural Funds. A separate regulation was adopted for the Cohesion Fund. The coordination regulation did not make many changes to the previous three-stage system introduced in 1989 involving national plans, Community Support Frameworks (CSFs) and Operational Programmes. However, it did require national plans to be more detailed, particularly on environmental issues. It also introduced the novelty of the Single Programming Document which meant Member States and regions could submit plans and Operational Programmes in one document, followed by a single Commission decision.

There were a number of important policy developments during this period. In November 1996, the first Report on Economic and Social Cohesion was published presenting the Union's economic and social disparities at regional level and assessing the impact of national and Community policies on their development. It was presented in April 1997 at the first Cohesion Forum, an event which has since accompanied the adoption of each subsequent report and

Promoting tourism, protecting culture

Protecting the environment

Cleaning up the Ria Formosa on the Algarve in Portugal.

Research and development

Horticultural R&D in Basse-Normandie, France, supported by the ERDF.

become the forum for exchange about Cohesion Policy for Member States, regions and stakeholders.

In May 1999, the European Spatial Development Perspective (ESPD) was adopted as a legally non-binding document providing a policy framework for the sector-oriented policies at local, regional, national and European level that have spatial impacts.

Finally, the signing of the Amsterdam Treaty in October 1997 enshrined the principle of the European Employment Strategy establishing a closer coordination of national employment policies.

"The Cohesion Fund adds a new dimension to the Community. By its way of operating, the fund allows Member States to respond to the convergence criteria in order to move to the third phase of the economic and monetary union."

Jacques Delors at the European Parliament on 11 February 1992

Key facts and figures

> **Total Structural and Cohesion Funds budget:** ECU 168 billion representing about one third of the EU budget and 0.4 % of the total GDP of the EU:
  > **of which for Objective 1 regions:** 68 %;
  > **population in Objective 1 regions:** 91.7 million (24.6 % of the total).

> **Main beneficiary countries:** Spain (ECU 42.4 billion), Germany (ECU 21.8 billion), Italy (ECU 21.7 billion), Portugal (ECU 18.2 billion), Greece (ECU 17.7 billion) and France (ECU 14.9 billion).

Results

> The effect of the Structural Funds interventions between 1994 and 1999 on GDP in real terms is estimated at an additional 4.7 % in Portugal, 3.9 % in the new German Länder, 2.8 % in Ireland, 2.2 % in Greece, 1.4 % in Spain and 1.3 % in Northern Ireland.

> In Objective 1 regions, 700 000 net jobs were created, adding almost 4 % to employment in Portugal, 2.5 % in Greece and between 1 and 2 % in the new German Länder, the south of Italy and Spain.

> 800 000 small and medium-sized enterprises, including 500 000 in Objective 1 regions, received direct investment aids.

> 4 104 km of motorway were built or upgraded as well as around 31 844 km of other roads. Investments in rail infrastructure led to the reduction of journey times on key routes such as Athens-Thessaloniki-Idomeni (shortening the journey time by 1 hour 30 minutes), Lisbon-Faro (1 hour 35 minutes), Lisbon-Vila Formoso (1 hour 20 minutes), Larne-Dublin (20 minutes) and Belfast-Derry (25 minutes).

> In Objective 2 regions, an estimated 567 000 gross additional jobs were created, unemployment rates fell from 11.3 % to 8.7 %, and a total of ECU 3.2 billion of ERDF funds was invested in developing 115.1 million square metres of new sites and premises.

For more details, see the 'evaluation' pages at:
http://ec.europa.eu/regional_policy

1999

Berlin European Council

On 24 and 25 March 1999, the European Council agreed in Berlin on the 'Agenda 2000' and the EU budget for the period 2000-2006.

Latvia

Investing in infrastructure

Replacing Riga's main water-pumping station, co-financed by the Instrument for Pre-Accession, Latvia.

Estonia

Strengthening the education system

A new kindergarten in Estonia, funded by the pre-accession instrument, SAPARD.

2000-2006

Making enlargement a success

A move towards simplification of Cohesion Policy's design and procedures in parallel with preparation for enlargement were the two major themes of the period 2000-2006. 'Agenda 2000' had been in preparation since the second half of 1990s and it paved the way for the biggest ever enlargement of the EU, with 10 new Member States joining in May 2004. This historic enlargement brought a 20% increase in the EU's population, but only a 5% increase in the Union's GDP. With enlargement came increased disparities in income and employment as the average GDP per head in these new member countries was under half the EU average and only 56% of their population were in active employment, compared to 64% in EU-15. The new Member States' territory almost completely fell under Objective 1, eligible for the highest possible level of support from the Structural and Cohesion Funds. However, work began before enlargement including making pre-accession instruments available to help the then candidate countries prepare for Cohesion Policy. Following a decision taken by the European Council of Berlin in March 1999, the 2000-06 budget for Cohesion Policy totalled €213 billion[14] for the fifteen Member States. An additional allocation of €22 billion was provided for the new Member States for the period 2004-06. The 'Lisbon Strategy' was agreed by the European Council in Lisbon in March 2000; with its focus on growth, employment and innovation it became more and more the leitmotiv of many EU policies and was the momentum for a paradigm shift in Cohesion Policy.

THE WAY TO REFORM

In July 1997, the European Commission tabled the 'Agenda 2000'[15], a document describing the overall prospects for the development of the European Union and its policies, the horizontal problems posed by enlargement and the shape of a future financial framework for the years 2000-2006. A resulting package of legislation was proposed in March 1998 and covered the reform of the common agricultural policy, Cohesion Policy reform, the pre-accession instruments and the new financial framework. At its meeting in Berlin on 24 March 1999, the European Council reached agreement on the Commission's proposals, so allowing the implementation of subsequent legislative and budgetary measures.

In June 1998, the Commission put forward the regulations on the Structural and Cohesion Funds as well as those for the pre-accession instruments which were agreed by the Council - and partly by the European Parliament - between May and July 1999. Based on revised Treaty provisions, the European Parliament was involved for the first time in the adoption of the ERDF and ESF regulations

1999-2004

Michel Barnier

Commissioner for Regional Policy between September 1999 and April 2004.

Poland

Improving roads

Road improvement between Sochaczew and Grojec for traffic by-passing south of Warsaw, Poland.

Cyprus

Regenerating a village

by way of the co-decision procedure. The major change came in the form of a new 'general' regulation[16], adopted by the Council. It replaced the coordination regulation and parts of the implementing regulation. In addition, five new regulations on the ERDF, the ESF, the European Agriculture and Guidance and Guarantee Fund (EAGGF), the Financial Instrument for Fisheries Guidance (FIFG) and the Cohesion Fund were adopted. Between March 2000 and March 2001, the Commission decided on another five regulations regarding implementation which laid down detailed rules on the use of the euro, information and publicity, eligible expenditure, management and control systems, and financial corrections. Finally, Council regulations were adopted for the Instrument for Structural Policies for Pre-Accession (ISPA) and the Special Accession Programme for Agriculture and Rural Development (SAPARD) in June 1999.

COHESION POLICY BETWEEN 2000 AND 2006

While merging the previous Objectives 2 and 5 as well as 3 and 4, the 1999 reform reduced the number of Structural Funds Objectives from six to three and the number of Community Initiatives from 13 to four. The three remaining Objectives were:

> **Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind;

> **Objective 2:** supporting the economic and social conversion of areas facing structural difficulties, hereinafter; and

"As long as the European Union has aspirations, it must have a Cohesion Policy to help it to fulfil them. One aspiration is that of shared progress in a reunified Europe. The new horizon is to give an enlarged Europe the means to achieve dynamic growth and high employment on a sustainable basis. And the way to achieve this has already been mapped out: we must pursue the objectives laid down unanimously in the Lisbon and Gothenburg agendas. In the end, it is our regions, areas, towns and cities on the ground which make the investments, implement national and Community policies and apply EU law. We must not leave them on the sidelines as spectators but make them our partners in facing this challenge of sustainable growth."

Michel Barnier at the European Parliament on 18 February 2004

2004

EU enlargement to 25

1 May 2004, celebrating the EU's enlargement to 25 Member States.

Spain

Reclaiming industrial waste sites

Belgium

Job creation

Jobs adapted for immigrants in Antwerp, Belgium.

2000-06

> **Objective 3:** supporting the adaptation and modernisation of policies and systems of education, training and employment.

Covering 37 %, or about 169.4 million EU-25 inhabitants, the funding provided by the ERDF, ESF, EAGGF and FIFG under Objective 1 totalled €149.2 billion. Another €25.4 billion was provided under the Cohesion Fund (amounting to 71.6 % of the Structural and Cohesion Funds). 41 % of the investment under Objective 1 was spent on infrastructure, of which just under half was allocated to transport and about a third to environment. 33.8 % was allocated to creating a productive environment for enterprises and 24.5 % to human resources.

15.2 %, or about 69.8 million inhabitants, lived in Objective 2 areas and benefited from a funding package of €22.5 billion (9.6 % of the total) provided for by the ERDF and the ESF. Of the total investment, 55.1 % was spent on productive environment supporting small and medium-sized enterprises in particular, 23.9 % on physical regeneration and environment, often for former industrial sites, and 20.9 % on human resources.

Focussing on target groups for active labour market policies, programmes under Objectives 3 and 4 had no geographical concentration and were agreed at national level instead. The total allocation for both objectives was about €24.1 billion (10.3 % of the total) and provided for by the ESF only.

€11.5 billion were allocated to four Community initiatives (Interreg III, Urban II, Equal, Leader+) and innovative actions during the 2000-2006 period.

ADMINISTRATION AND GOVERNANCE

During the period 2000–2006, cooperation between the Commission and the Member States was strengthened on provisions for financial control and discipline. The responsibilities of the national managing and paying authorities were clarified and programme management was simplified and speeded up using financial discipline and the 'n+2' rule. According to this rule, failure to provide proof of payment within two years means that the allocation is lost. In addition, stronger involvement of Member States and regions in programme monitoring and assessment was imposed by a system of ex ante, mid-term and ex post evaluations.

In terms of policy development, the second and third Reports on Economic and Social Cohesion marked a lively period of reflection and debate between May 2001 and February 2004 on the Cohesion Policy's impact and future design. This eased the passage of the Commission's new proposals for the regulations for 2007-2013.

Since October 2003, the 'OPEN DAYS – European Week of Regions and Cities', have become the annual get-together for policy-makers and experts from all over Europe and beyond. Organised jointly by the European Commission and

Teaching refugees

Urban renewal

URBAN funds are used to regenerate Vienna's city centre.

Investing in renewable energy

A wind farm at Cerova, Slovakia.

the Committee of the Regions, together with regions and cities from all over Europe, the European Parliament and private, financial and civil society organisations, the OPEN DAYS provide a platform for exchanges of experience and ideas in regional development.

A new financial instrument, the European Union Solidarity Fund, which is not part of Cohesion Policy, was set up in November 2002 to provide urgent aid to regions suffering major catastrophes.

Key facts and figures

> **Total of Structural and Cohesion Funds available:** €213 billion for EU-15 between 2000 and 2006, and €21.7 billion for the 10 new Member States between 2004 and 2006, representing about one third of the EU budget and 0.4 % of the total GDP of the EU:
>
> > **of which for Objective 1 regions:** 71.6 %;
> >
> > **population in Objective 1 regions:** 169.4 million (37 % of the total).

> **Main beneficiary countries:** Spain (€56.3 billion), Germany (€29.8 billion), Italy (€29.6 billion), Greece (€24.9 billion), Portugal (€22.8 billion), the United Kingdom (€16.6 billion), and France (€15.7 billion).

Results

> Between 2000 and 2006, Objective 1 spending is estimated to have created around 570 000 net jobs of which some 160 000 were in new Member States.

> In Spain, the Structural Funds invested around €4 billion in research, technological development, innovation and information technologies for over 13 000 research projects involving nearly 100 000 researchers and provided co-financing for most of the present 64 Spanish technology parks.

> In Greece, continued investment in the Athens metro reduced traffic congestion and pollution. Eight new stations, including four transit stations, were financed together with 17 trains. By mid-2005, 17 200 passengers were using them at peak times compared to the 15 500 initially forecast. In Spain, investments in the road system saved an estimated 1.2 million hours of travel time a year.

> For Objective 2 regions, company surveys suggest that by the end of the 2000-2006 period 730 000 jobs had been created in gross terms.

> In Catalonia, the Objective 2 programme involved over 6 000 (some 21 %) of the region's researchers and amounted to €1.4 billion (37 %) of private sector investment in the information society.

> In the United Kingdom, over 250 000 small and medium-sized enterprises received support in Objective 1 and 2 regions. Around 16 000 received direct financial support.

For more details, see the 'evaluation' pages at:
http://ec.europa.eu/regional_policy

Brussels European Council

On 15 and 16 December 2005, the European Council agreed in Brussels on the EU budget for the period 2007-2013.

Supporting research and development

The European Regional Development Fund supports research into solar technology in Berlin, Germany.

Enlargement to 27

1 January 2007: membership climbs to 27 with the arrival of Bulgaria and Romania.

2007-2013

Focus on growth and jobs

The highest concentration ever of resources on the poorest Member States and regions, the inclusion of all regions, and a shift in priorities set to boost growth, jobs and innovation, are essentially the major changes to EU Cohesion Policy during the current period. In the EU of 27 Member States, one in three EU citizens - 170 million in total – now live in the poorest regions which receive assistance under the 'Convergence' objective. Economic and social disparities have significantly deepened with recent enlargements. In terms of per-capita income, Luxembourg is now seven times richer than Romania. At the regional level, the difference is even bigger: the richest region is Inner London with 290 % of EU-27's per-capita income, while the poorest region is Nord-Est in Romania with 23 % of the EU average. The European Council agreed in December 2005 on the budget for the period 2007-2013 period and allocated €347 billion[17] to Structural and Cohesion Funds of which 81.5 % are planned to be spent in the 'Convergence' regions. Based on simplified procedures, nearly all of the 436 programmes covering all EU regions and Member States were agreed before the end of 2007. The radical shift in their priorities means that a quarter of resources is now earmarked for research and innovation and about 30 % for environmental infrastructure and measures combating climate change.

2007-13

THE WAY TO REFORM

In February 2004, the European Commission published a document[18] on the future of the enlarged Union, including a budget proposal for the years 2007-2013. Of the total budget of €1.025 billion[19], €336 billion were earmarked for the Structural and Cohesion Funds, while another €70 billion were allocated for rural development under a different heading than cohesion. Following difficult negotiations, the European Council agreed on a budget on 11 and 12 December in Brussels which was translated into an inter-institutional agreement between the Council, Parliament and Commission in April 2006 of €864 billion, €308 billion of which were set aside for Cohesion Policy. At the same time, a review of the budget was scheduled for 2008/09.

Since 2001, the Commission has moderated a lively period of reflection on the future of EU Cohesion Policy. In June 2004 the Commission tabled a legislative package of five regulations[20] including one with general provisions, three on the ERDF, ESF and the Cohesion Fund, and a final one on the 'European Grouping on Territorial Cooperation'. The Council and Parliament adopted these in July 2006 after reaching agreement on the budget. In December 2006, these regulations were complemented by one single implementing regulation[21] replacing the existing five with provisions on information and publicity, management and control systems, irregularities, financial corrections and eligibility.

Greece

Improving environmental infrastructure

The Nestos River Project - undertaken in coperation with Bulgaria – the Thissavros Dam has been built to improve irrigation and supply energy.

2007

Signature of Portugal's Cohesion Policy Plan

Danuta Hübner signing the Portuguese Cohesion Policy Plan 2007-2013 in Lisbon on 4 July 2007.

2007

4th Cohesion Forum

COHESION POLICY BETWEEN 2007 AND 2013

While merging the previous Objectives 2 and 3, the 2006 reform transformed the Interreg initiative within a third objective while integrating other Community initiatives into the mainstream programmes. The priority objectives are defined as follows:

> **Convergence:** aims at speeding up the convergence of the least-developed Member States and regions defined by GDP per capital of less than 75 % of the EU average;

> **Regional Competitiveness and Employment:** covers all other EU regions with the aim of strengthening regions' competitiveness and attractiveness as well as employment; and

> **European Territorial Cooperation**: based on the Interreg initiative, support is available for cross-border, transnational and interregional cooperation as well as for networks.

The number of financial instruments for cohesion is reduced from six to three: two Structural Funds (ERDF, ESF) and the Cohesion Fund. The specific aid of the former EAGGF and FIFG now come under the new European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF).

The Convergence objective concerns 84 regions in 17 Member States as well as a population of 170 million and – on a phasing-out basis – another 16 regions with 16.4 million inhabitants and a GDP only slightly above the threshold due to the statistical effect of enlargement. The amount available under the Convergence objective is €282.8 billion, representing 81.5 % of the total. €199.3 billion of

"I am convinced that European Cohesion Policy is well set to meet the challenges lying ahead. The most important asset, as I believe, is the system of multi-level governance, based on accountability and partnership. This system which, on one hand, fosters economic efficiency and development through co-operation between the European, national and regional levels, on the other, firmly anchors the policy in the Union's territories and hearts of its citizens."

Danuta Hübner at the 4th Cohesion Forum on 27 September 2007 in Brussels

OPEN DAYS

Meeting experts and exchanging experiences and ideas during the OPEN DAYS, the annual meeting for Europe's regions and cities.

Studying the marine environment

Improving transport, encouraging growth

New airport facilities to encourage business development in Denmark.

2007-13

this is for the convergence regions, €13.9 billion for the phasing-out regions and €69.6 billion for the Cohesion Fund which is for 15 Member States.

A total of 168 regions in 19 Member States are eligible under the Regional Competitiveness and Employment objective, this represents a total of 314 million inhabitants. 13 of these regions, containing 19 million inhabitants, are so-called phasing-in areas which are subject to special financial allocations due to their former status as Objective 1 regions. €54.9 billion are available under this objective, this is just under 16% of the total allocation. €11.4 billion are for the phasing-in regions.

Under the European Territorial Cooperation objective, the population living in cross-border areas is 181.7 million (37.5% of the total EU population), while all EU regions and citizens are covered by at least one of the existing 13 transnational cooperation areas. The €8.7 billion (2.5% of the total) available for this objective are divided as follows: €6.44 billion for cross-border, €1.83 billion for transnational, and €445 million for interregional cooperation and networks. As part of the objective, the Commission launched the 'Regions for Economic Change' initiative to promote networks of excellence for sustainable development of the regions and cities.

ADMINISTRATION AND GOVERNANCE

A major simplification for the current period concerns the introduction of two programming steps instead of three. Based on 'Community Guidelines on Cohesion', planning takes place at national level through the National Strategic Reference Frameworks while implementation is left to the Operational Programmes. Both regulations and guidelines require that the new generation of programmes should earmark a certain proportion of the resources for the key investments linked to the renewed strategy for Growth and Jobs. These include research and innovation, infrastructures of European importance, industrial competitiveness, renewable energies, energy efficiency, eco-innovations and human resources. In Convergence regions, these priorities must receive 60% of the total available funding and 75% in all other regions. In EU-27 the average proportion of the resources earmarked for key Lisbon investments is 61.2% under the Convergence objective and 76.7% under the Regional Competitiveness and Employment objective. Overall, around €200 billion will be allocated to these investments. Compared to the previous period, this represents an increase of more than €50 billion.

Other provisions have been streamlined such as eligibility rules which are now decided at national level, rather than EU level, and an increased focus on the proportionality principle aims to reduce bureaucracy and the constraints imposed on smaller programmes.

Three new policy instruments called Jaspers, Jeremie and Jessica, will improve cooperation between the European Commission and the European Investment Bank and other financial institutions in order to strengthen capacity-building and ensure that Member States and regions establish a sound and efficient use of funds.

The European Grouping for Territorial Cooperation (EGTC) will enable regional and local authorities from different countries to set up cooperation groupings as legal entities for projects such as cross-border transport or health services.

Slovenia

Developing tourism

Poland

Renovating public spaces

Belgium

Cleaner travel

Green Boulevard, a free shuttle bus service to reduce traffic, Hasselt, Limburg, Belgium.

The Instrument for Pre-accession Assistance (IPA) replaced the previous pre-accession instruments in 2007. IPA is designed to help candidate countries and potential candidate countries of the Western Balkans to prepare for possible accession including in the field of regional development and cooperation.

Finally, the fourth Report on Economic and Social Cohesion together with the Cohesion Forum on 27 and 28 September 2007 marked the launch of the debate on the future of EU Cohesion Policy beyond 2013.

"Successful regions and cities are those that embrace openness and offer economic prosperity and social well-being to their inhabitants and the opportunity to develop their talents to the full. Europe needs the creativity, skills and enthusiasm of its regions and cities more than ever. In the age of globalisation they have a leading role to play in the competitive Europe we are trying to create."

José Manuel Barroso, President of the European Commission, on 9 October 2006 at the opening of the European Week of Regions and Cities

Key facts and figures

> **Total of Structural and Cohesion Funds available:** €347 billion representing 35.7 % of the EU budget and 0.38 % of the total GDP of the EU:
>
> > **of which for Objective 1 regions:** 81.5 %;
>
> > **population in Objective 1 regions:** 170 million (35 % of the total, including phasing-out regions).

> **Main beneficiary countries:** Poland (€67.3 billion), Spain (€35.2 billion), Italy (€28.8 billion), Czech Republic (€26.7 billion), Germany (€26.3 billion), Hungary (€25.3 billion), Portugal (€21.5 billion), and Greece (€20.4 billion).

Expected results

> Macro-economic models estimate that Cohesion Policy investment will add on average around 6 % to the GDP of new Member States, on top of baseline scenarios. For example, the Hermin model predicts an additional 9 % on GDP for Lithuania, the Czech Republic and Slovakia; 5.5-6 % for Bulgaria, Poland and Romania; 3.5 % for Greece and around 1-1.5 % for Spain, the new German Länder and the Mezzogiorno.

> By 2015, Structural and Cohesion Funds could have created up to 2 million additional jobs.

> Based on ex ante assessments by a number of Member States, the strong focus on research and innovation will create an additional 40 000 jobs.

> In the field of transport, 25 000 km of newly built or reconstructed roads and 7 700 km of rail are going to be supported by EU Cohesion Policy investments.

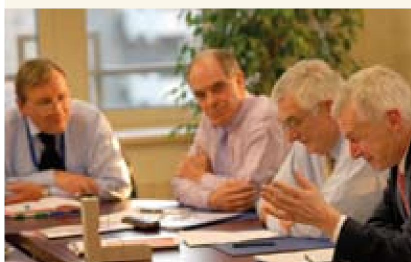
> Many Member States and regions address climate change and the development of low carbon economies as a priority in their programmes. For example, Luxembourg is aiming for a reduction of CO_2 emissions by 10 %, while Slovakia plans to reduce the energy intensity of production by over 20 %. Programmes in Italy, France, Czech Republic, Malta, England and Wales include provision for the development of specific carbon evaluation systems.

For more details, see the 'evaluation' pages at:
http://ec.europa.eu/regional_policy

A DEBATE BETWEEN OFFICIALS OF THE EUROPEAN COMMISSION

Looking back to 1988

The debate was organised on 5 March 2008 in Brussels. Dirk Ahner has been Director-General at the Regional Policy DG since 2007 and was responsible for prospective studies in the field of agriculture, environment and rural development, in DG Agriculture where he was Deputy Director-General between 2003 and 2006. Graham Meadows worked for DG REGIO from 1989 until 2006 and was Director-General from 2003 until 2006. He was also an adviser in the Cabinet of Commission President Gaston E. Thorn (1981-1985) and Head of Cabinet of Stanley Clinton Davis, Member of the Commission (1986-1989). Jean-Charles Leygues was Deputy Head of the Cabinet of Commission President Jacques Delors (1987-1992) and Deputy Director-General at the Regional Policy DG in 2004-2007. Philip Lowe has been Director-General of DG Competition since 2002 and was Head of Cabinet of Bruce Millan, the then Commissioner for Regional Policy between 1989 and 1991. Jérôme Vignon, Director for 'Social Protection and Social Inclusion' within DG Employment, Social Affairs and Equal Opportunities, was Member of the cabinet of President Jacques Delors in 1985. Tassos Bougas is Head of Unit at the Regional Policy DG and was Deputy Head of Cabinet for the Commissioner Georgios Varfis, in charge of coordination of structural policies, in the second half of the 1980s. Robert Shotton, Director for General Affairs at DG Health and Consumer Protection, was responsible for the Community Initiatives in DG REGIO between 1989 and 1993 and for the then new Member States Finland, Austria, Sweden and finally Greece. All views expressed are not necessarily those of the European Commission.



Dirk Ahner: Welcome to this meeting which is dedicated to looking back in order to learn what has happened and how since this famous and maybe unique 'moment Delors' in 1988 when Cohesion Policy was born it has made this radical turn from project management to a more strategic approach focusing on regional actors. I would like to look together with you into the development of the policy since then and to finally exchange views on its prospects beyond 2013. On the latter aspect, we are currently collecting expertise and advice from both academics and practitioners on the rationale of the policy, future challenges facing the regions and the possibilities for simplification and better governance. Commissioner Danuta Hübner will present the results of these reflections in a report in spring 2009.

Jean-Charles Leygues: We would like to discuss three questions. First, has this policy – despite doubts pronounced by some on its bureaucratic burden – been a success story after all? Second, what has been the original model of development behind the design of Cohesion Policy? Third, has this model – and if yes, how? – changed over four legislative and budgetary periods since 1988 including continued enlargement of the EU?

Tassos Bougas: In my view, there were originally two groups of thought in the Commission, the 'integrationists' following an approach as designed in the 'Integrated Mediterranean Programmes' (IMP) who advocated for a strong role of the Commission, next to the Member States and the regions and a second group favouring a more moderating

role for the Commission with the Member States being the policy's drivers. This continues since then and, to a certain extent, it has underpinned the distinction between the more experimental and 'communitarian' instruments of the policy, such as the innovative method of conception and implementation of public policies, innovative actions, Community Initiatives and networks, and those operational programmes managed more on behalf of the Member States and regions.

Philip Lowe: I remember between 1979 and 1981 being a member of a Commission task force under the leadership of Jean Jaeger which worked on the question of how to achieve better efficiency of structural instruments in view of the limits placed on the Community budget. At that time, this group was not thinking so much about the grand principles of Cohesion Policy such as solidarity but about how the efficiency and effectiveness of Community interventions could be improved through an 'integrated approach' which would put the different structural instruments (ERDF, ESF, EIB loans, etc.) at the service of regional or national objectives and allow countries such as Greece to benefit globally from a volume of investments which would have significant macroeconomic impact and consequent tangible results on growth. This enthusiasm about 'efficiency and effectiveness' was shared by many of the Member States' finance ministries during that period. A Commission report prepared by the Task Force was presented to the ECOFIN Council in 1984 when Graham and I were members of the Cabinet of President Gaston Thorn. It was at that moment that the notion of 'economic and social cohesion' began to be discussed explicitly. Both the concepts of efficiency and cohesion were then advanced by Jacques Delors as of 1985 and they enabled him to dominate the debate about a new vision for Europe – maybe everywhere except the Anglo-Saxon world. But even in the UK, the slogan of an 'integrated approach' gave new impetus to regional development efforts in Scotland and the north-west, for example; it wasn't simply a question of the technical integration of financial instruments it also highlighted the issue of precisely who was responsible at EU, national and regional level for the design and implementation of each part of a regional programme.

Jérôme Vignon: It is true that before the big bang of 1988, a certain fermentation of the concept of economic and social cohesion and the Structural Funds had occurred in the Member States and the universities. The debate about an efficient development model existed in parallel with the 'Realpolitik' which questioned whether the rich countries should continue to put money into funds absorbed without any impact by the others. 'I want my money back!' and 'Deutschland ist nicht der Zahlmeister Europas!' formed part of the landscape prepared upon the arrival of Jacques Delors and his answer was that the Structural Funds would be transformed into structural policies aiming at social cohesion. In fact, the big bang was supported by four crucial elements some of which are still with us.

The first one, the 'institutional moment', is not as important as it was. The legal text of 1987 said 'in order to make the 'Single Act' a success'. The political message to the Member States benefiting most from the completion of the common market was that they were ready to make an effort through Cohesion Policy. In addition, the multi-annual budget approach would be accompanied by a serious managing, programming, evaluation and control exercise. 'More money' only came with more restrictions controlled by the Commission. Probably, that kind of political deal remains historically unique even if nowadays making a success of enlargement is fundamentally linked to economic and social cohesion.

The second element concerns 'devolution', a political idea which gained momentum in many Member States at the end of the 1990s and led to the creation of the Committee of the Regions in 1992. Cohesion Policy empowered those, mostly pro-European, actors at regional level who were in favour of the Single European Act.

The third supporting element at the end of the 1980s was the intellectual attempt to re-think development policies in general. The scene was traditionally dominated by those academics who were convinced that regional convergence would mainly be dependent on infrastructure investment. A new school of thought, however, was convinced that only an integrated approach would be able to unlock the endogenous local potential and create sustainable growth. This development concept was tested for the first time by the IMPs and involved predominately local instead of national stakeholders. Though the original idea of Jacques Delors, to accept only programmes suggested by the regional level was finally not put into practice, it dominated the negotiations with the Member States and led to further decentralisation of tasks.

"Delors' answer was that the Structural Funds would be transformed into structural policies aiming at social cohesion." Jérôme Vignon

The last element of the original blueprint has been valid ever since for all subsequent periods. Finally, when formulating the policy's objectives one has to give a name to these, a name which makes it clear that there is an 'important European reason' to act. 'Rural development' was such a reason because it was an important part of the CAP reform. Making enlargement, economic restructuring and the common market a success, are, of course, of utmost European importance, too. The political idea 'if you help yourself, Europe will help you' was quite a success in this perspective and I think that the narrative of EU structural policy being 'at the service of Europe' is still justified today though it needs further reflection as regards the future. What remains an unsolved question inside the Commission is the question of coordination between the Directorate-Generals managing the different funds. As coordination 'from the outside' through a new DG has not been the way, the integrated approach of the funds remains on the agenda because it has become evident, in my view, that 'marching together' does not work.

Jean-Charles Leygues: Concerning your third point, Jérôme, on the 'fight of the two schools', the 'believers in infrastructure' and those convinced that innovation and an integrated approach would lead to a homogenous development, I think the final solution was simple and pragmatic. Defining eligibility and funding for both infrastructure and integrated development approaches, solved and partially finished that debate inside the Commission and in the Member States as well.

Tassos Bougas: I would remind of the economic and political context and the quite important disparities which framed that debate. Growth rates in the 1980s, were quite modest in the poorer Member States. In addition, Cohesion Policy was perceived as a regulatory mechanism in the sense that it was meant to alleviate potential negative externalities produced by the development of Community policies, with a particular focus on the perspectives of Internal Market. Finally, in addition to a more passive or negative 'integration by law', the Community needed policies that addressed the citizens and, through some community financial incentives set up a 'positive integration'. Cohesion Policy had a three-

fold objective: address disparities; alleviate potential negative externalities and support positive integration. The Padoa-Schioppa report put these exact issues on the table.

Graham Meadows: I want to come back to Tassos's third and Jérôme's fourth point, that is the idea that the existence of European regional policy is justified if it can be seen as either balancing the negative effects of integration or expressing some 'big idea', like 'making a success of enlargement'. I think this is wrong, especially the view that the policy can only be justified in relation to a big idea. I actually find that we suffer from this approach which leaves us with a problem.

But, before going into that, let me just mention a point which relates to the start of the present policy phase in 1989. The only thing that hasn't yet been mentioned is that, in the early 1980's, the Union actually ran out of money because the CAP budget had been exhausted. Convinced that there must be some money somewhere, the Commission searched through its various budget lines and finally discovered large amounts of unused payment credits in the ERDF and ESF, where high levels of budget commitments lay unused. The Commission was therefore faced with a circumstance in which it needed to transfer resources to agriculture but could not because, although the payment credits lay idle, they had been committed to the Structural Funds.

The Commission became angry about this 'cash flow crisis' because of the lightness and ease with which funds had been committed without close follow-up on the expenditure side. This fed in to the discussion about the Structural Funds including the desire to make sure right from the beginning that money committed was finally spent. It is worth keeping this in mind today when people argue against the automatic decommitment rule (the n+2 rule) or when people criticise the programming approach. There were elements of the 1989 reform which were a response to the fact that the previous policy had not worked.

> *"In the Union, we have a third policy which is a part of our economic growth armoury and which provides us with a balancing factor: Cohesion Policy."* Graham Meadows

A second point to mention is that the pre-reform policy was restricted to the co-financing of public expenditure projects and that, already, the public sector was shrinking because of privatisation. The reform of the policy deliberately widened its scope to take account of these changing conditions. Remember, the British Prime Minister at the time was Mrs Thatcher.

Now I would like to say a word about the danger of Jérôme's view that European regional policy needs the justification of *'une grande cause européenne'*. Which is equivalent to saying that the policy is part of some deal or other: 'you want the Single Market, then you have to pay' and later 'you want the single currency, then you have to pay'; and, again, 'you want enlargement, then you have to pay.' I reject this interpretation as being cynical which casts some of the Member States in a bad light, dismissing their legitimate arguments about economic growth and putting in their place the idea that they were just trying to rob the Union stagecoach.

This approach robs the policy of its dignity. And it's wrong. If the policy was the result of a deal why is it still going on? Why has it increased in size since? There is another

explanation for the policy's emergence which is not only more truthful but also more helpful to us as we plot the policy's next phase of development. This explanation is that the policy is in place to balance growth. The Union has three policies for growth. It has the single market, including its trading agreements with third countries and it has the single currency. We know as economists that this produces growth, and we know as well that this market-driven growth is sure to be unbalanced. It produces a churning of the economy which widens income disparities; we see this happening in China and Brazil, both countries which have a less developed regional policy than the Union.

But in the Union, we have a third policy which is a part of our economic growth armoury and which provides us with a balancing factor: Cohesion Policy. Regional and Cohesion Policy seeks to balance the disparities which are constantly created by growth and to help the slower-growing regions to grow more quickly and to reach the overall growth rate of the Union. I find this explanation more correct and more important. It enriches Jérôme's idea about 'the deal'. It is possible that Regional and Cohesion Policy was created at a certain moment as part of a short-term deal but that doesn't mean that does not limit its justification for existence. The reason for the policy is that it gives the Union the chance to achieve growth in a more balanced way.

"It should be 'a policy for all', not just for the poor."
Tassos Bougas

Jérôme Vignon: This brings me to insist on something. Jacques Delors was really keen to avoid that Cohesion Policy and the use of the Structural Funds would turn into pure redistribution. 'The deal' was to counteract the effects of the single market and the single currency on the poorest. He wanted that the richer Member States should remain interested and involved in the policy and he made this, for example, very clear during the German reunification when the new German Länder became immediate beneficiaries of the Structural Funds. 'The deal' is therefore a complex one.

Graham Meadows: The fact that Jacques Delors wanted the policy to be more than redistributive is still important today. We have a policy that is much richer than a simple distributive mechanism. If we overplay the idea of 'the deal', we underplay the economic importance of the internal market and the single currency. The internal market brought Germany, for example, benefit in 1989 and it has brought Germany benefit in every single year since then. In the same way, Regional and Cohesion Policy was needed to balance growth in 1989 and has been needed in every year since then. The internal market is constantly creating growth and disparities, European Regional and Cohesion Policy works constantly to lessen these disparities. As long as we have growth, we shall have disparities and the work to narrow them, and, thus, balance growth will be constant.

Tassos Bougas: It was not an option to define Cohesion Policy as a purely redistributive mechanism at the Community level. I would highlight the fact that it was designed as a conditional distribution policy with three levels of conditionality. The first being, that the Cohesion Policy's priorities should contribute to the implementation of Community priorities, the second that the Cohesion Policy's transfers should not replace the national effort and should be used for investments and finally the obligation of accountability and good management. It should be 'a policy for all', not just for the poor. It has been clear from the beginning that all countries should profit from it.

Philip Lowe: The key message of Cohesion Policy was not redistributing income. It was creating the conditions in which everyone had the opportunity to participate in and benefit from the internal market. It was aimed at enabling Member States and regions to stimulate trade and investment on their own territories but within the European framework. It did not mean giving money to poorer regions to compensate them for liberalisation. But you cannot expect companies to invest in regions which are handicapped by poor infrastructures and inadequate skills in the labour force – in short everything that contributes to the possibility of success of business but which is beyond the door of a factory. 'Mobilising energy in the regions' was the driving force of Cohesion Policy as opposed to simply giving a part of the European budget to the regions because they were poor. Cohesion Policy was not defined by the 'blocking minority in the Council', as some used to say.

Jérôme Vignon: It was the balance of dignity, dignity between unequally wealthy and unequally mighty Member States and regions and it considered that nobody should be dependent on assistance. This was the political setting of the proposal. The underlying logic was, of course, that those receiving more should be committed to some achievements. I referred in the beginning to the innovations related to budgetary management. Two of those elements which justified giving strong influence to the European Commission were the questions of evaluation and of additionality – which should assure the net contributors that the money would be safely used everywhere. I think one of the difficulties is that we have not been able to deliver on those specific innovations. 'Evaluation and added value' are large failures in my view and to demonstrate that we have been effective is not much reflected, for example, in the Cohesion Reports. The same is true for 'additionality'. Some of the bigger Member States have failed to deliver on this, and these facts have weakened our position. So, if I look into the future, I would question whether we could not better develop and deliver on the question of financial innovation.

"The key message of Cohesion Policy was … creating the conditions in which everyone had the opportunity to participate in and benefit from the internal market." Philip Lowe

Philip Lowe: One positive factor which we underestimate – in opposition to the initial pessimism on the *'masse critique'* of Structural Funds intervention in macroeconomic terms – is the positive effect of Cohesion Policy on business expectations. Significant investment in areas which were poorest, and the reduction of the political and commercial risk which was a consequence of EU support, is what membership gave to these much poorer countries. Whereas the maximum we reached was 4 % in terms of GDP, the effect was in many cases much larger. Which contributed also to another effect which Grigoris Varfis kept explaining to me: 'Do not forget that we are not dealing with the weakest countries and regions. We are dealing with the weakest administrations'.

The other factor we used to underestimate was the potential political complexity of the integrated approach. An integrated approach can never be an end in itself because it has to be balanced against the interests of efficiency and democracy. You have countries which are relatively small and where the national government claims the mo-

nopoly of the word 'integration'. They didn't like the idea that the Commission claimed ownership of the 'integrated approach' and equated integration with devolution. Let me tell some anecdotes on the partnership principle during the period of the negotiations of the first Structural Funds programmes. We used to see our Irish partners on a weekly basis, often on the issue of the split between the ESF and the ERDF funding. In preparation for one of those meetings, Irish Government Ministers used to meet and Charlie Haughey, the Taoiseach once said to his colleagues: “What is Sandro Gaudenzi saying we have to do today?” On another occasion, we had suggested to them that the Mayor of Cork should be involved in the partnership negotiations on programmes for the south-west of Ireland, but he said: “I don’t give a tinker's curse about what the Mayor of Cork is going to say. We have to make – and this is the point – difficult arbitrages at the level of national government. We are an economy of three million, not of sixty million people, and we don’t accept a ‘one size fits it all’ approach”. So, the issue of the integrated approach has to be linked with the issue of what level you apply it to and what is the conditionality you get from it at each level.

“It was the balance of dignity, dignity between unequally wealthy and unequally mighty Member States and regions and it considered that nobody should be dependent on assistance.” Jérôme Vignon

Another story relates to the Copenhagen European Council[22] in 1987 at a time when the Framework Regulation was not yet decided. DG XXII was not supposed to be there but at the last moment someone said that it would be better if we were. I had a new electronic calculator with me – of course, no PC at that time. At the end of the day, I was called to the room directly outside the Council chamber because the Heads of State were calculating net balances. So we ended up with huge sets of figures because, after all, the ultimate question was whether we were talking about 'a net deal' to compensate the poorest Member States or about a wider sense of a European structural policy. No agreement was possible at that stage. Back at the airport on that Saturday afternoon, I bought my wife a white Danish pullover and since then she always said that this was the only tangible result of the European Council in Copenhagen! But in February 1988, there was a special European Council, and we went around with Chancellor Kohl to the other delegations, and, somehow, there was a turning point, at least in the political vision, which went beyond net balances.

Later on – and this reflects the story about 'devolution' – there was a strange combination between regions which thought they were important and those which felt they were no longer important. The president of Bavaria had called together a big conference which took place in Munich – including a waiter behind every seat. Even the poorest representative from, e.g. Extremadura, got his waiter! In 1990, people thought that this was a new era for the regions. People from Strathclyde sat next to people from Bavaria, and it took about two years to find out that this wasn’t exactly the world we were living in. The issue, of course, was about where power lies and where legitimacy lay. Through EU regional policy, you could get legitimacy in certain countries, but not in others. That Munich conference was quite an important moment but a moment I am not quite sure will ever reappear.

Robert Shotton: I would like to talk a bit about my experience out in the regions. Somebody once had to write a first paper called a 'programme' and one of the first was proudly presented to Crete, a draft of a few pages. We got down there to see the regional authorities in Crete and they said: "Yes, this is very nice, but we need a telephone. This telephone only calls Athens. We are not allowed to call Brussels directly. So, could you get us another telephone, please?" We discussed that and finally they got another telephone. Next was, "We need a new car, what about a new car?" And we said: "OK, we'll see what we can do about a new car. But will you be able to take on this programme and manage it?" I think there was a huge gap between the intellectual construction and the reality on the ground which in that country – and not only in that country – was very far away from the theory. In reality we got into the process of 'building government' for a number of years in that region and in that country to make the theoretical vision possible on the ground.

One of the first steps which was very important for the central authorities in Greece was to find out who was spending what. One of the things they liked about the programme was that most of the expenditure lines covering a wide range of 'economic development' were made transparent with sections called environment, transport, information society and all other bits and pieces. When these were added together across the country, this showed how much it is that Greece spends and on what. The exercise they next had to do was then to find projects they could declare under, say, information society, and so to get more money from 'Brussels'. Because you needed national co-financing, the ministries concerned actually hadn't very much money left because they had to put their national money into these things.

So, all the national money as well was brought into the same management system. For the first time, this gave the ministry of finance which received the EU funding the opportunity to see and control what everybody was doing, an important step forward for them. In next step they had to find more projects to get the money spent. I would say that it took these countries in southern Europe a number of years to get their system aligned as they tried with our help to develop a more effective way of planning. That's how things were, only 10 years ago. And then they got to more difficult things such as public-private partnerships or sophisticated RTD projects, and they were struggling to cope with that. We also tried to tackle corruption and leakages in the system, which is large scale in many parts of the Union, and we made more progress there so that there is more accountability in the system. That long story is to say that much of what we have done in reality is to enable those people in the government managing the money nationally to have the tools and the mechanisms to do it effectively. I think, we've also achieved something to get countries do difficult things. So, if some people question whether we achieved compliance with the policy's major principles, I would say yes, but first you have to deal with the most basic things and work out from there. I must mention, too, the 'special financing line', a

"In reality, we got into the process of 'building government' for a number of years in that region and in that country [Greece] to make the theoretical vision possible on the ground." Robert Shotton

wonderful thing in the IMPs. The idea was to put all funds into a single pot and anything that couldn't be funded from the established funds directly could be funded from this special line, so there were no obstacles to an integrated approach on the ground.

"I think confidence in the ability of the Commission to manage the budget well along the lines of political priorities is crucial for the future debate, too." Jean-Charles Leygues

Jean-Charles Leygues: Concerning the future projections of the policy, I think we have to remember the first point mentioned by Jérôme, the exceptional institutional moment. The Union has always been in a crisis. In 1988, the political and institutional possibility that existed was to create this interventionist, structural policy under the control of the Community. Why this instrument at that moment? The first major point was, that after 'Fontainebleau'[23] a political agenda emerged that was shared between Felipe Gonzáles, François Mitterrand and Helmut Kohl. And shortly after 'Fontainebleau', the Commission was given an extraordinary political legitimacy and trust and Cohesion Policy was an expression of that legitimacy. It was the visible sign of confidence in the Commission to manage that policy properly. The lesson drawn from the budgetary crisis for which a policy in the hands of Member States, agricultural policy, was felt to be the origin, was Cohesion Policy, meant to work differently. That 'moment of confidence' lasted some years and I think confidence in the ability of the Commission to manage the budget well along the lines of political priorities is crucial for the future debate, too. For Cohesion Policy, absolute confidence in the subsidiarity principle accompanied that moment between 1988 and 1994 and nobody questioned the aspect of democracy in development. Since then, it has changed radically. The idea of an integrated development has lost ground in the Member States and progressively in the Commission as well and hence, confidence has diminished in what should be managed at the level of the Union.

Jérôme Vignon: If we start to speak a little bit about the future, I would like to highlight two points. The first concerns the ministers of finance and economy because it is them who structure the major part of the debate on Cohesion Policy, not the ones responsible for development, training, infrastructure. It's up to the economic and finance ministers to give us the means to make sure that money is correctly spent which is the aspect of 'Realpolitik'. We do not have these means at all which consist of a trade-off between a certain flexibility for the Member States to programme the interventions and in return a much more meaningful tool for the Commission to control and evaluate. The question of control is crucial when we speak again to the ministers of economy and finance including the use of resources which have not been absorbed at a certain moment. This aspect of rigour has been visible in all documents of 1988, and I ask myself how it is translated today, for example in our preparation of the period 2007-13 or beyond. The second point I call the 'important European reason'. The design of structural policy has to respond to an element of indignation. We must be able to say that the money we need for structural policy responds to something intelligent in the perception of the citizens. For example, the environmental question which has an important and unbalanced impact on the territory, and climate change is quite obviously

a case for common action. The social problems in cities will, of course, increase and we have to give answers to these tendencies, another issue for Europe, in my view. As regards restructuring the economy in the face of globalisation, I think again that our work is not finished yet and we have to better anticipate and counterbalance its effects.

Graham Meadows: Again, we have the idea of 'the important European reason' which is now 'indignation' about climate change or social problems in cities. And, again, European Regional and Cohesion Policy is undersold. It can contribute towards the solution of environmental problems and it can help to solve the difficulties due to delocalisation, which is part of the growth-churning process. But the more we focus the policy on one question such as 'environment', the more we enter into conflict with the principle of subsidiarity, because it is for the regions to decide how they will use the policy's resources and the regions have definite economic targets. Cohesion Policy is more than environmental policy.

'Indignation' is always of temporary nature. Our reasoning for the policy should more come from 'putting an end to people's poverty through economic growth'. Economic growth which is churning the economy and making disparities grow needs to be balanced and the Union needs an economic policy which has this objective. This is an ever-lasting and not just a temporary argument. A constant truth needs to be the foundation of our policy, not simply indignation.

Jérôme Vignon: In my view, we have permanently to put new ideas into the machine because historic moments filled with enthusiasm are not lasting. That's why I think that the 'important European reasons' change. The question of poverty and the necessity of territorial cohesion have enormously increased with the recent enlargements. We have to renew our key arguments permanently and to justify modifications in budgetary engineering in parallel if we seek for the necessary support from the financial ministers.

"We must be able to say that the money we need for structural policy responds to something intelligent as perceived by the citizens." Jérôme Vignon

"Our reasoning should more come from putting an end to people's poverty through economic growth." Graham Meadows

NOTE

1. At 1988 prices.
2. The White Paper Completing the Internal Market, from the Commission to the European Council (Milan, 28 to 29 June 1985), COM(85) 310.
3. Padoa-Schioppa, Tommaso, et al. (1987), Efficiency, Stability and Equity: A Strategy for the Evolution of the Economic System of the European Community, Paris; Cecchini, Paolo, (1988). The European Challenge 1992: The Benefits of a Single European Market, Aldershot, England.
4. At current prices.
5. Council Regulation (EEC) No 2052/88 of 24 June 1988, Official Journal of the European Communities L 185, 15.7.1988.
6. Council Regulation (EEC) No 4253/88 of 19 December 1988, Official Journal of the European Communities L 374, 19.12.1988.
7. Council Regulations (EEC) 4254/88, 4255/88 and 4256/88 of 19 December 1988, same Official Journal as above.
8. Including the East German Länder.
9. At 1994 prices.
10. From the Single Act to Maastricht and beyond: the means to match our ambitions, COM(92) 2000 final, Brussels, 11 February 1992.
11. Published in Official Journal of the European Communities L 193, 31.7.1993.
12. See Official Journal of the European Communities L 130, 25.5.1994; the amount mentioned here included an allocation for the year 1993.
13. For reasons of comparison with subsequent periods, the relative share hereafter includes the allocations for the Cohesion Fund.
14. At 1999 prices.
15. Agenda 2000: For a stronger and wider Union, Communication of the European Commission COM(97) 2000 of 16 July 1997.
16. Published in Official Journal of the European Communities L 161, 26.6.1999.
17. At current prices.
18. Building our common Future – Policy challenges and Budgetary means of the Enlarged Union 2007-2013, Communication of the Commission COM(2004) 101 of 10 February 2004.
19. Figures in this paragraph are in 2004 prices, while the other parts of the chapter refer to current prices.
20. Final versions published in Official Journal of the European Union L 210, 31.7.2006.
21. Commission Regulation (EC) No 1828/2006 of 8 December 2006, Official Journal of the European Union L 45, 15.2.2007.
22. 4 to 5 December 1987.
23. The Fontainebleau European Council on 25 and 26 June 1984 provided a means to end the Community's budgetary deadlock.

Canarias (ES)

Guadeloupe (FR) Martinique (FR) Réunion (FR)

Guyane (FR)

Açores (PT)

Madeira (PT)

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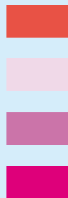
REGIOgis

Structural Funds 2000 - 2006 : Eligible Areas

Objective 1



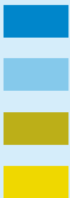
Objective 1*

Phasing-out (till 31/12/2005)

Phasing-out (till 31/12/2006)

Special programme

Objective 2



Objective 2

Objective 2 (partly)

Phasing-out (till 31/12/2005)

Phasing-out (Partly) (till 31/12/2005)

Areas in Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Cyprus and Malta eligible from 01/05/2004 onwards.

* with a GDP/head below 75% of the EU average

Canarias (ES)

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Guyane (FR)

Açores (PT)

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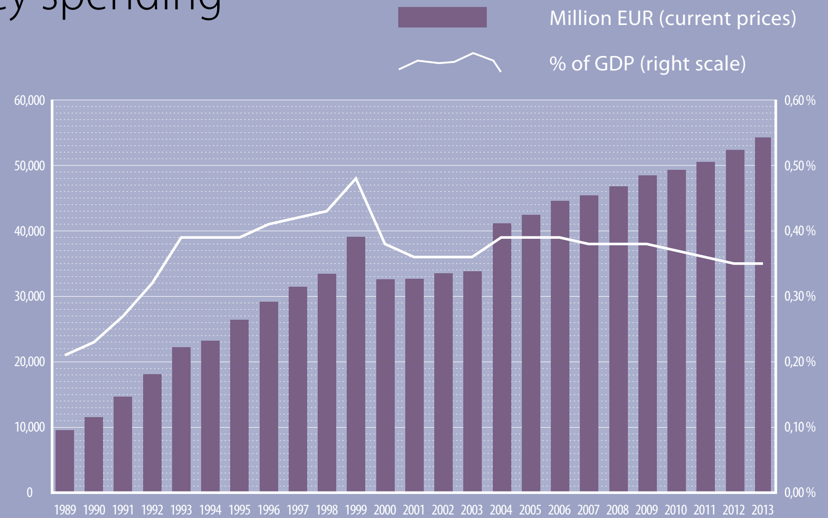
Structural Funds 2007- 2013:
Convergence and Regional Competitiveness and Employment Objectives

- Convergence Regions*
- Phasing-out Regions
- Phasing-in Regions
- Competitiveness and Employment Regions

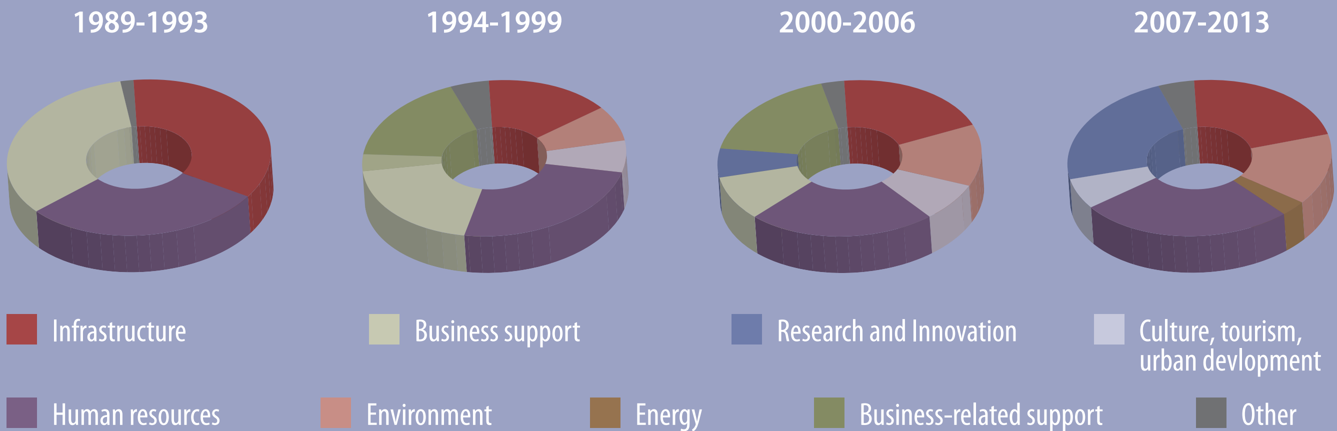
* with a GDP/head below 75% of the EU average

1989-2013: Cohesion Policy spending

The graph shows the development of Cohesion Policy spending between 1989 and 2013 in absolute and relative terms. While amounting to just under €10 billion in 1989, the payments from the Structural and Cohesion Funds will have increased to some €54 billion by 2013 or one third of the EU budget. In relative terms, however, the size of the funds has hovered around 0.4 % of the EU GDP since the end of the 1990s.



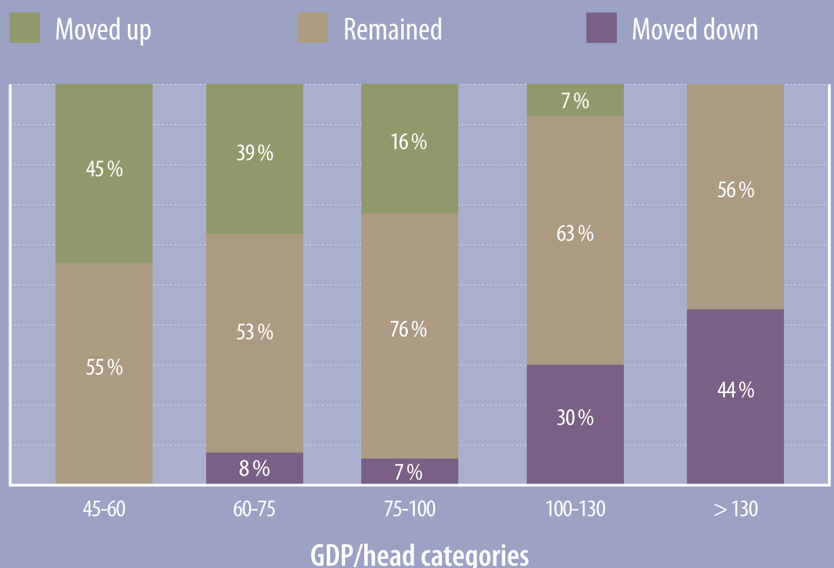
From infrastructure to innovation



The four charts show how the share of expenditure under Structural and Cohesion Funds has changed over the four budget periods since 1989. Please note that due to change of definition of certain categories, not all of them a entirely comparable between the four periods. During the current period, about one quarter of the funds support research and innovation, another quarter goes to employment and social inclusion, while just above 20 % are earmarked for transport infrastructure and 15 % for environmental projects.

Regions in transition

The graph shows the evolution of regions in the EU-15 in the period 1995-2005. They are categorised according to their GDP per head in relation to the EU average. The graph shows, for example that 45 % of the regions that had a GDP per head between 45 and 60 % of the EU average had moved up to a higher level GDP by 2005.



KN-LR-08-026-EN-C

EU Cohesion Policy 1988-2008: Investing in Europe's future

This issue of Panorama Magazine is exclusively dedicated to the first 20 years of EU Cohesion Policy. On 24 June 1988, the Council agreed on a regulation which put existing EU funds into the context of 'economic and social cohesion', a term which the Single European Act had introduced two years earlier. Since then, Cohesion Policy has become one of the most important, influential and debated EU policies. The contributions look back into the policy's origin, changes over time and impact over previous and current programming periods. More information, including videos, maps, presentations and this publication in 22 languages can be found at:

http://ec.europa.eu/regional_policy/policy/history/

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ISSN 1608-389X

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Printed in Belgium

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OF THE EUROPEAN COMMUNITIES
L-2985 Luxembourg