

# THE RELEVANT TO OBJECTIVE 1 REFORMS OF THE STRUCTURAL FUNDS (2000-2006)

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On 24th and 25th March 1999, the E.U. in Berlin reached political agreement on the «Agenda 2000», package concerning the financial perspectives for the period 2000-2006 and the draft regulations governing the Structural Funds, the Common Agricultural Policy, and the pre-accession instruments for candidate countries. This Agenda, consists of a series of complementary reforms responding to the challenges which the E.U. will face in the coming years, namely:

The future enlargement of the Union to include countries which total around 105 million inhabitants, but where the average income per habitant is barely a third of the average of the 15 current Member States

The budgetary rigour required to ensure successful implementation of economic and monetary union.

The increased competition resulting from the «globalisation» of the economy, which will make it necessary to help disadvantaged regions and the most vulnerable groups on the labour market, in order that they might benefit from new development opportunities.

In this context, the objectives and the resources of the Structural Funds for the most disadvantaged regions and social groups, in other words the implementation methods of the E.U. economic and social cohesion policy, had to be redefined. Therefore, the regulatory framework for the Structural Funds for the period 2000-2006 has been simplified as follows: a) a new general regulation will cover all the principles common to the Structural Funds priority Objectives, programming methods, financial management, evaluation and control, and b) new regulations specific to each of the Funds will detail their respective fields of intervention.

In this part of the paper I am examining only the relevant to Objective 1 reforms of Structural Funds. In particular, I am working out a comparative analysis of the main elements of the revised 2000-2006 regulations, explaining aspects which have been added or changed compared to the former regulations for the period 1994-1999.

## **1. The priority of Objective 1 and the Structural Funds**

The Objective 1 priority, for the period 2000-2006, remains unchanged compared to those of 1994-99, remains unchanged (e.g. is to promote the development and structural adjustment of regions whose development is lagging behind). In addition, the regulation stipulates that regions currently

eligible under Objective 6 and the outermost regions, as defined in the Amsterdam Treaty shall be integrated into Objective 1 for the period 2000-2006.

The Structural Fund allocations for Objective 1 will be not changed. Thus they will be divided as follows, for the period 2000-2006:

- ERDF: The European Regional Development Fund
- ESF: The European Social Fund
- EAGGF-Guidance: The Guidance section of the European Agricultural Guidance and Guarantee Fund.
- FIFG: The Financial Instrument for Fisheries Guidance, which is henceforth a Structural Fund.

## **2. Eligible Regions under Objective 1 status**

The regulation states that the list of eligible regions for the 2000-2006 period, adhering strictly to the same criterion as before (i.e. NUTS II regions whose per capita GDP is less than 75% of the E.U. average. Furthermore, the revised regulations (2000-2006), specifies that the outmost regions (the French overseas departments, the Azores, Madeira and the Canary Islands) all of whom have a GDP per capita of less than 75% of the E.U. average, plus the regions currently covered by Objective 6 (development of regions with an extremely low population density), will also be eligible under Objective 1 status between 2000-2006.

The revised regulation establishes a transitional assistance mechanism for regions eligible under Objective 1 in 1999 but which will no longer be eligible in 2000. Thus a new regional programme will be supported by the Structural Funds generally until 31 December 2005. Those areas which will continue to receive ERDF assistance in 2006, will be determined at the same time as eligible under Objective 1 regions.

In accordance with the decisions taken by the European Council in Berlin, the following two special programmes will be financed within the framework of Objective 1:

- The PEACE Programme, which supports the peace process in Northern Ireland (currently financed within the framework of the E.U initiatives), will be extended for a period of 5 years. The programme will be allocated 500 million euro of E.U. funding of which 100 million will be allocated to the Republic of Ireland.
- A special assistance Programme which allocated 350 million euro for the period 2000-2006, will support Swedish NUTS II regions which meet the criteria for low population density as defined by protocol nr. 6 annexed to the Swedish Act of Accession.

## **3. Financial resources of Objective 1 regions**

Budgetary resources have been divided among the Objectives with the aim of a significant concentration on Objective 1 regions. More specifically, the 69,7% of the total Structural Funds budget (195 billion euro for the period 2000-2006) will allocated to Objective 1 regions (i.e. 135,9 billion euro), 4,3% of which will be allocated to regions in transition.

## **4. Programming of Objective 1**

The revised regulation specifies that CSFs and Operational Programme (O.P.) should be used for Objective 1, except where the E.U. allocation is lower than 1 billion euro. In that view, the Programming for the new period 2000-2006, concerning Objective 1 status, compared to the former one, will include two new elements:

The first specifies that immediately after the adoption of the regulation governing the Structural Funds, the Commission will formally adopt its guidance on the common priorities for the Objectives 1, 2 and 3. After this procedure, as it is already in this case, the Member States will draft their plans and, in cooperation with the Commission, compile CSFs, Ops and SPDs, which cover strategic

priorities, financial allocations and methods of implementation. However, the Ops and SPDs will no longer contain details on the measures to be funded, as was the case for programmes drawn up for the 1994-99 period.

The second stipulates that after adoption of the Ops and Single programming Documents (SPDs), the Member States or the regions responsible, must adopt new, complementary programming documents for each programme, which primarily indicate the beneficiaries and the financial allocations for the various measures proposed.

### **5. Additionality concerns Objective 1 status**

The revised regulation stipulates that in the future the geographical level of verification will be simplified to cover all lagging regions covered by Objective 1 Within the Member State. Verification will be restricted to three instances: a) following the adoption of CSFs and SPDs, b) mid-way, before 31 December 2003, and c) towards the end of the period, before 31 December 2005. To this end, the new regulations specify that the Member States will provide the Commission with the appropriate information at each of these three stages. For the ex-ante verification, in particular, the future programming documents (CSFs or SPDs) should indicate both for the former and revised regulation periods, the total public or comparative expenditure in the regions eligible under Objective 1. Globally, the level of national expenditure involved will be agreed between the Member States and the Commission, in principle at a level at least equal to that achieved in the previous programming period.

### **6. Cofinancing rates for Objective 1**

For the 2000-2006 period, the revised regulation specifies that the general rates will remain unchanged. However, the following ceiling have been set for investments in infrastructure generating revenue: a) 50% in Member States eligible for the Cohesion Fund, and b) up to 40% of the total cost in other Objective 1 regions. These rates may be increased by 10% if the assistance is used for financial engineering. Furthermore, the level of E.U. cofinancing for investments in companies has been reduced to 35% in regions covered by Objective 1. This rate may be increased by 10% if the assistance is used for financial engineering.

### **7. Eligible measures for Objective 1 regions**

For the programming period of 2000-2006, as far as the Objective 1 regions concerned, the only reform that has made is the following: With the exception of compensatory allowances for disadvantaged areas, support for early retirement schemes and measures for the development and promotion of forests, which will be supported via the EAGGF-Guarantee section (European Agricultural Guidance and Guarantee Fund), these measures will be financed by the Guidance section of EAGGF in Objective 1 regions.

### **Conclusion and proposals**

All the above mentioned reforms reflect the E.U. desire to ensure a clearer division of responsibilities and a stronger application of the principle of subsidiarity. Thus, the European Commission supervises compliance with the strategic priorities, but the management of the programmes is more decentralised. In addition, the regulation specifies that the partnership should be broadened to include local and regional governments, economic and social partners and other relevant bodies. In that view, the role of evaluation in the new period of 2000-2006 is reinforced. So, the new regulation stipulates, as the former ones three types of evaluation (ex-ante, mid-term and ex-post), but indicates a huge role in the various responsibilities involved. In particular: a) The ex-ante evaluation will be carried out by the authorities responsible for preparing the plans in the Member

States. It will analyse the strengths and weaknesses of the region and the sector concerned. It must examine the coherence between the strategy and objectives and the characteristics of the region or area concerned, including demographic trends. It will define the expected impact of the planned priorities, especially in terms of employment, the environment and equal opportunities for men and women, using quantified objectives where possible. b) The mid-term evaluation will be the responsibility of the product managing authority, in cooperation with the Commission. It will examine the initial results of the operations, their consistency with the ex-ante evaluation, the relevance of the targets, as well as the soundness of the financial management and the quality of monitoring and implementation of the programme concerned. More specifically, this evaluation will be carried out by an independent assessor, after which it will be submitted to the relevant monitoring committee and sent to the Commission no later than 31 December 2003. It serves to review the programme at a half way period, and to aid in the allocation of the performance reserve. c) The ex-post evaluation will be the responsibility of the European Commission, in cooperation with the Member State and the Managing authority concerned. It aims to assess the utilisation of resources, the impact, effectiveness and efficiency of the operations and their consistency with the ex-ante evaluation. It will therefore draw conclusions regarding economic and social cohesion. More specifically, this evaluation, as the above mentioned one, will be carried out by independent assessors and will be finalised before 31 December 2009. The assessments of each CSF, OP and SPD will be carried out by 31 December 2005 in order to prepare for the next programming phase.

The above mentioned indicate that, on one hand the E.U. has its own important role to play, in generating financial transfers to its Member States through its Structural Funds, Cohesion Fund and other Initiatives and Interventions, and in helping also to co-ordinate Regional Policy across the E.U. Member States on the other hand, have a major role to play in planning, financing (through CSFs, EIB etc. and National Sector), implementing and adapting their own distinctive regional policies to the needs of specific geographical areas in order to be more effective. Consequently, we can say that the diversity of Regional Policy in Europe is a strength.

In Greece, the aforementioned E.U. policy will be successful only when the Regional/Local Authorities will be reorganised. Reorganisation that presupposes the preponderance of equal technological investment criteria and transparency in regional distribution of the public investment programmes. And this can happen if the Central Public Administration is independent in order to ensure that regional problems will be solved by Regional/Local Authorities that have detailed knowledge of their own areas and of the problems they faced, of course, assisting by National and E.U. Authorities. Hence, this scheme will contribute to implementation of an integrated strategic planning of the technological process that will help to regional development. Thus, we can say that by the implementation of this planning, the role of project management will be recognised and reinforced, because it will contribute on one hand to the increase of credit worthiness of the entire country and on the other hand to amelioration of the grade of E.U. finances absorption. Therefore, the expected benefits it will be possible to create a new emulation environment. This environment will encourage the involvement of all partners in solving the problem of the depressed regions. In that way will be created a feedback dynamic process of infrastructure and development.

Generally, to conclude, it is important to mention how crucial is the role of regional/Local Authorities in the pin-pointing and the formation of the needs of the local Enterprises and citizens. For that purpose, both E.U. and National regional Policy must be focused on its reinforcement and upgrading in order to enable these Authorities to satisfy in a second level the local and regional needs. In my opinion, all these operations based on an «Bottom-up» approach, could be also included in operations undertaken in regions eligible under Objective 1.