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## FROM COMMUNITY TO UNION

It is now over four decades since the establishment of the European Coal and Steel Community (ECSC) among six countries: Belgium, France, Germany, Italy, Luxembourg and the Netherlands, with a view to the common exploitation of their coal and steel resources.

In 1957 the same six "member states" formed the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC), with a fuller range of economic, social and political objectives, including the aim of reducing income disparities between the regions.

Ireland joined the six in 1973, together with Denmark and the United Kingdom, followed by Greece in 1981, and Spain and Portugal in 1986.

The Single European Act, adopted in 1986, sought to remove the remaining barriers to the free movement of goods, services, capital and people between the member states. It also reinforced the Treaty basis for regional measures by committing the Community to a policy of "strengthening of economic and social cohesion."

The Maastricht Treaty of February 1992, introduced a new European Union (EU) comprising the European Community, common foreign and security policy and co-operation on judicial and home affairs. It envisages a common currency by the end of the century, a more active role for the European Union on a range of economic, social and environmental issues, greater emphasis on home affairs, increased powers for the European Parliament and the creation of a common foreign and security policy.

In a relatively short period of time, therefore, the European Community has developed from a small group of six countries with limited objectives to a European Union of twelve member states, with a population of 345 million and a wide range of economic, social, political and environmental objectives.

In the Maastricht Treaty, considerable emphasis is given to regional and social issues. It reaffirms the policy of bolstering economic and social cohesion but spells out in more explicit terms than previously what this means: reducing disparities between the level of development of the various regions and the backwardness of the least favoured regions, including rural areas.

The setting up of a Committee of the Regions under the Maastricht Treaty with

representatives of the different EU regions is further evidence of the EU commitment to regional development.



### A DIVERSITY OF REGIONS



The Dublin - Belfast Railway being upgraded under ERDF

There are significant differences between countries and regions within the EU with respect to historical experience, industrial structure, level of economic and social development, administrative structures, environmental concerns, demographic and cultural characteristics.

Some countries and regions, including Ireland, share the problem of peripherality or being at a significant distance from the centre of the EU.

There are significant differences in prosperity levels within the EU (Table 1). Gross Domestic Product per head (a measure of relative prosperity) is almost seven times as high in the richest regions as in the poorest. Furthermore, regional disparities with respect to both income and unemployment are twice as great in the EU as in the US.

For individual regions a key element in reducing disparities is their capacity to attract investment, which depends on various factors. Potential investors seek relatively easy movement of raw materials and finished products by air, rail or road. They are heavily influenced by the quality of telecommunications and training facilities, as well as by living and working conditions. Deficiencies in these areas therefore reduce the prospects of attracting capital and labour. EU regional policies aim to overcome such deficiencies.

The development of less-favoured regions is of benefit to the whole of the EU. It stimulates trade and provides the more developed regions with new markets and opportunities. It also ensures a more balanced spread of development and can reduce costs often associated with over-centralisation.

## A DIVERSITY OF REGIONS



Table 1: GDP per head and Unemployment Rates in the Regions of the EU

	GDP per Head (EUR =100)	Unemployment Rate (April 1992 )			per Head =100)	Unemployment Rate (April 1992)
	1980 1991	%		1980	1991	%
BELGIUM Vlaams Gewest Region Wallonne Bruxelles-Brussel	105 109 90 87 166 171	5.6 10.8 10.2	GREECE Voreia Ellada Kentriki Ellada Attiki Nisia Aigaiou. Kriti	49 52 59 42	46 48 55 45	9.2
DENMARK	105 111	9.6	IRELAND	60	7.2	17.6
GERMANY Baden-Wurttemberg Bayern Berlin Brandenburg Bremen Hamburg Hessen Mecklenburg- Vorpommern Niedersachsen Nordrhein-Westfalen Rheinland-Pfalz Saarland Sachsen Sachsen-Anhalt Schleswig-Holstein Thuringen	125 130 137 143 130 95 - 36 150 159 187 209 131 149 - 33 104 108 118 115 107 104 107 112 - 33 - 35 103 102 - 30	2.9 3.0 7.5 7.9 5.4 3.7 5.5 5.7 3.7 6.3	ITALY Nord Ovest Lombardia Nord Est Emilia-Romagna Centro Lazio Campania Abruzzi-Molise Sud Sicilia Sardegna LUXEMBOURG NETHERLANDS Noord Nederland	103 135 113 134 111 107 67 85 68 69 74 115	106 139 122 132 110 121 73 91 70 70 77	8.2 4.2 4.6 4.5 7.5 10.3 21.3 12.4 16.4 21.8 18.7
SPAIN Noroeste Noreste Madrid Centro Este Sur Canarias	67 66 85 92 81 100 62 66 79 92 57 64 59 79	16.6 15.3 12.5 18.5 14.9 25.9 24.8	Oost Nederland West Nederland Zuid Nederland PORTUGAL Continente Acores Madeira UNITED KINGDOM		91 111 100 60	6.7 6.3 6.3 4.5 4.0 3.7
FRANCE Ile de France Bassin Parisien Nord-Pas-de-Calais Est Ouest Sud-Ouest Centre-Est Mediterranee Departements d'Outre-Mer	162 172 109 105 99 93 111 106 96 97 97 101 109 110 99 98	8.0 9.9 12.6 7.5 9.8 10.0 9.5 12.9	North Yorkshire & Humberside East Midlands East Anglia South East South West West Midlands North West Wales Scotland Northern Ireland	96 89 92 93 114 90 89 93 80 91 74	98 88 94 99 117 94 89 90 83 94 74	11.8 10.6 9.4 8.3 10.3 9.8 11.2 11.5 10.3 10.8 16.7

Note: The above figures are the latest available regional data

Source : Eurostat

## THE REGION OF IRELAND

With 3.5 million people, Ireland is a small open economy on the periphery of Europe. Since the 1950s, and in particular since accession to the then European Community, Ireland has adopted an outward looking, export-oriented approach, developing its trade relations with a wide range of countries and reducing its dependence on the UK. It has also been successful in attracting significant European and American investment in manufacturing industry and financial services.

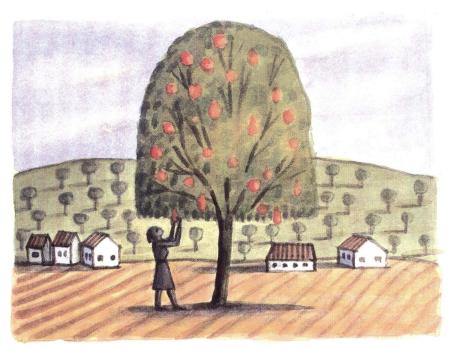
Considerable economic and social progress, assisted through its membership of the EU, has enabled Ireland to narrow the gap with the rest of the EU from 60 per cent of the EU average income per head in 1980 to 72 per cent in 1991.

Ireland's industrial output and productivity have been above average for both the EU and OECD countries in recent years.

Nevertheless, this is still not translating into the creation of sufficient new jobs to make significant inroads on the unemployment rate which averaged 18.4 per cent during 1993.

Some 13 per cent of the national workforce is still employed in agriculture, but this proportion is much higher in the agricultural and rural sub-regions in the west and north west. These sub-regions are faced with an unfavourable agricultural and demographic structure, insufficient employment opportunities in industry and services, and inadequate infrastructure. They experience significant out-migration and depopulation.

On the other hand, some urban areas, such as Dublin and Cork, have also been experiencing severe difficulties including significant manufacturing losses, outmigration, unemployment, traffic congestion, urban dereliction and pollution.



## THE CAP: A KEY POLICY FOR IRELAND

One of the fundamental aims of the EU is to ensure free competition among the member states and the free movement of labour, capital and services. But such an approach needs to be tempered with special provisions to protect and assist groups or regions which otherwise could find themselves falling further and further behind.

A range of policies were therefore designed to assist poorer groups and regions. Foremost among these was, and still is, the Common Agricultural Policy (CAP), forged at a time when over 20 per cent of the work force was in agriculture and low farm incomes were a matter of particular concern.

There are two elements in the CAP, the Guarantee Section and the Guidance Section. The former is designed to support, or guarantee, the prices of a range of agricultural products, while the latter is intended to bring about improvements in the structure of agriculture and to increase productivity.

While a variety of changes have been introduced to the CAP over the years, its price support element still accounts for over half of the overall budget of the EU, despite the fact that the numbers occupied in agriculture have halved.

In the latter part of the 1980s and early 1990s, the support of agricultural prices resulted in significant surpluses of products which had to be stored at high cost and subsequently sold on world markets with the aid of subsidies.

This situation also caused considerable friction with the EU's main trading partners who claimed the EU was disturbing world markets.

The 1992 reform of the CAP, designed to control production by reducing guaranteed prices coupled with compensation payments to farmers, and the recent GATT agreement under which the EU is committed to reducing the volume of subsidised exports, have addressed these problems. As part of the reform process, the growth in agricultural spending will be more strictly controlled in the years ahead.



## THE STRUCTURAL POLICIES

The Guidance Section of the CAP, together with the social and regional policies of the EU, have been given the title "structural" policies, since they are all designed to improve the structure of the EU's industries and regions.

With the accession of Ireland and the United Kingdom in 1973, structural problems and, in particular, regional disparities began to assume considerable significance.

In the case of Ireland, a special protocol included in the Treaty of Accession, referred specifically to the need to reduce regional imbalances and by 1975 the European Regional Development Fund (ERDF) had been put in place to tackle this problem. Since then Ireland has been treated as a single region for regional policy purposes.

The need for social policy was also recognized in the EEC Treaty which established the European Social Fund (ESF) aimed at improving employment opportunities for workers and improving their mobility.

In the Maastricht Treaty these provisions were extended to cover measures to facilitate the adaptation of workers to industrial change and to changes in production systems. The focus of action under the European Social Fund is on training and retraining of workers.

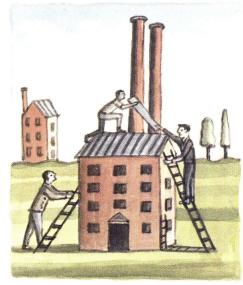
The EU budget for 1993 showing expenditure on all policies, including the Structural Funds, is set out in Table 2.

External Policy       2,400         Research Policy       1,760         Administration       2,720         Other Policies       930         Fotal       52,420         Revenue       1,790         Agricultural levies       10,500         Customs duties       10,500         /AT       28,540         Additional Resources (GNP)       11,220         Miscellaneous       370		Million IR£	% of Total
Structural Policies       16,570         External Policy       2,400         Research Policy       1,760         Administration       2,720         Other Policies       930         Fotal       52,420         Revenue       1,790         Agricultural levies       1,790         Customs duties       10,500         VAT       28,540         Additional Resources (GNP)       11,220         Miscellaneous       370	xpenditure		
External Policy 2,400 Research Policy 1,760 Administration 2,720 Other Policies 930  Fotal 52,420  Revenue Agricultural levies 1,790 Customs duties 10,500 VAT 28,540 Additional Resources (GNP) 11,220 Miscellaneous 370	gricultural Policy	28,040	53.5
1,760   2,720   930   1,760   2,720   930   1,760   1,760   2,720   930   1,760   1,	tructural Policies	16,570	31.6
Administration 2,720 Other Policies 930  Total 52,420  Revenue Agricultural levies 1,790 Customs duties 10,500 VAT 28,540 Additional Resources (GNP) 11,220 Miscellaneous 370	xternal Policy	2,400	4.6
Other Policies         930           Total         52,420           Revenue         1,790           Agricultural levies         1,500           Customs duties         10,500           VAT         28,540           Additional Resources (GNP)         11,220           Miscellaneous         370	Research Policy	1,760	3.3
Total         52,420           Revenue         1,790           Agricultural levies         10,500           Customs duties         10,500           VAT         28,540           Additional Resources (GNP)         11,220           Miscellaneous         370	dministration	2,720	5.2
Revenue Agricultural levies 1,790 Customs duties 10,500 VAT 28,540 Additional Resources (GNP) 11,220 Miscellaneous 370	Other Policies	930	1.8
Agricultural levies 1,790 Customs duties 10,500 VAT 28,540 Additional Resources (GNP) 11,220 Miscellaneous 370	otal	52,420	100.0
Customs duties 10,500 VAT 28,540 Additional Resources (GNP) 11,220 Miscellaneous 370	Revenue		
VAT 28,540 Additional Resources (GNP) 11,220 Miscellaneous 370	agricultural levies	1,790	3.4
Additional Resources (GNP) 11,220 Miscellaneous 370	Customs duties	10,500	20.0
Miscellaneous 370	'AT	28,540	54.5
Wildermanded	Additional Resources (GNP)	11,220	21.4
	/liscellaneous	370	0.7
Total 52,420	otal	52,420	100.0

## REFORM OF THE STRUCTURAL FUNDS

The Single European Act called for reform of the Structural Funds to clarify and rationalise their tasks in order to help achieve the aim of reducing regional disparities. A main factor in reforming the funds was to enable them to assist more effectively in preparing the weaker regions for the advent of a frontier-free internal market to be completed by the end of 1992. The reform, introduced in 1988, re-defined the objectives of the Structural Funds and in particular gave priority to promoting the development of less prosperous regions by doubling the level of EU funding for those regions in the period 1989-93.

Five "Objectives" were set out in the new policy and regions with a GDP per head of less than 75 per cent of the EU average, including *Ireland*, *Northern Ireland*, *Portugal*, *Greece and parts of Spain and Italy*, were classified as "Objective 1" regions.



Under the reform the bulk of EU structural funding was channelled to Objective 1 regions.



The Ballinamore - Ballyconnell Canal: A major cross - border project funded under INTERREG.

## EU FUNDING AT NATIONAL LEVEL

European Union policies have played an important role in tackling Ireland's economic difficulties.

As can be seen from Table 3, total Irish receipts from EU sources are many times greater than its contributions, resulting in net receipts of IR£11.3 billion over the period 1985-93. These net receipts represented 6 per cent of total Irish income as measured by Gross National Product (GNP) during this period.

The agricultural sector received significant funding from the Guarantee Section of the CAP, amounting to well over 70 per cent of total EU expenditure in Ireland throughout the 1980s but by 1993, following increased structural receipts, this figure had fallen to 57 per cent.

The Guidance Section of the CAP occupied less than 5 per cent of total receipts in the early 1980s but increased slightly to 5.6 per cent since the reform of the Structural Funds in 1988.

The ESF and more significantly the ERDF have assumed increasing importance in recent years.

The ESF is spent mainly on training and re-training to help tackle unemployment. Transfers to Ireland under this fund went up from 12.5 per cent in 1985 to 14.0 per cent in 1993.

In Ireland the ERDF is primarily concerned with the development of infrastructure, industry and tourism. Receipts from the ERDF increased from 6.7 per cent of the total in 1985 to 21 per cent in 1993.

Taken together receipts from the three Structural Funds almost trebled between 1989 and 1993.

In addition to these grants to Ireland from the European Union, the European Investment Bank (EIB) provides loans to develop transport networks, telecommunications, energy, and industrial competitiveness, and to protect and enhance the environment.

The EIB is committed to devoting the bulk of its resources to the promotion of economic and social cohesion. EIB loan funding to Ireland amounted to IR£1 billion during the period 1989-93.

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Agriculture (Guarantee)	837	884	740	839	963	1,287	1,334	1114	1282
Agriculture (Guidance)	56	47	68	64	77	94	143	147	126
ESF	141	127	194	127	137	128	371	277	312
ERDF	76	77	87	130	113	225	342	445	464
Cohesion Fund	-	-	mijum <u>a</u> ng	-	-	-	-	-	42
Other	18	12	11	2	5	7	11	11	16
Total Receipts	1,128	1,147	1,100	1,162	1,295	1,741	2,201	1,994	2,242
Contributions	214	245	256	249	287	284	348	355	455
Net receipts	914	902	844	913	1,008	1,457	1,853	1,639	1,787
As % of Irish GNP	5.8	5.3	4.6	4.7	4.7	6.4	7.6	6.2	6.4

## EU FUNDING AT SUB-REGIONAL LEVEL



Regional Technical College, Tallaght, Co. Dublin: funded under ERDF and ESF

To assist in the implementation of the Community Support Framework (CSF) under which the bulk of Structural Funds comes to Ireland, the Government established seven sub-regional review committees whose areas of responsibility are shown on the map on page 10. The members of these committees are elected members of local authorities, county managers, the social partners and representatives of Government Departments and the European Commission.

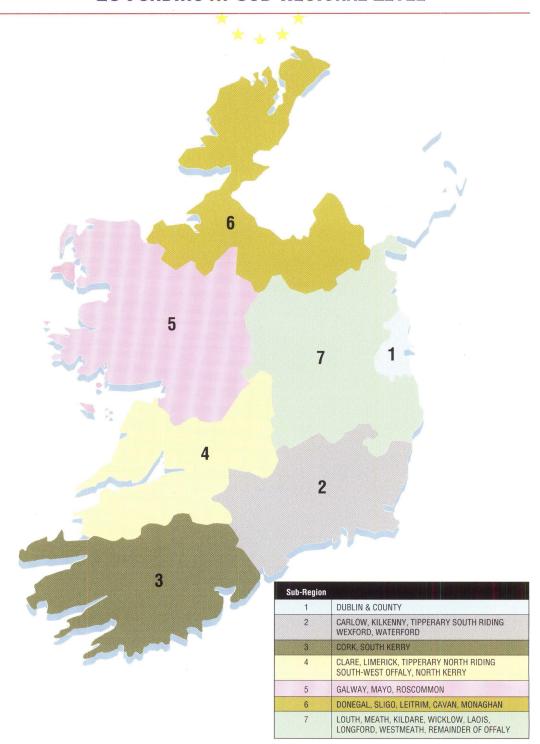
The committees are kept informed of measures being undertaken in their regions and can offer views to the monitoring committees for individual programmes or to the national monitoring committee set up under Structural Fund regulations.

The distribution of Structural Funds in the period 1989-93 is set out on a sub-regional basis in Table 4. Expenditure was spread over all sub-regions but total expenditure per capita was significantly above the average in the predominantly rural regions of the West, North-West and South-West.

The distribution of Structural Funds in each sub-region is given in Table 5 under sectoral headings.



## EU FUNDING AT SUB-REGIONAL LEVEL





Ta				inds by Sub-Regi a in current price:		
Sub-Region		ERDF	ESF	Agric. (Guidance)	Other	Total
1. Dublin	IR£m IR£ per cap.	373 364	363 354	6 6	5 5	747 729
2. South-East	IR£m IR£ per cap.	142 372	139 364	49 128	- 1	331 865
3. South-West	IR£m IR£ per cap.	229 488	167 354	78 166	-	474 1,008
4. Mid-West	IR£m IR£ per cap.	156 397	138 351	88 224	-	381 972
5. West	IR£m IR£ per cap.	151 441	132 384	158 461		441 1,286
6. North-West	IR£m IR£ per cap.	136 437	116 372	138 441	- -	390 1,250
7. Midlands-East	IR£m IR£ per cap.	299 499	172 288	67 112	3 5	541 904
Total	IR£m IR£ per cap.	1,486 422	1,226 348	584 166	9	3,305 938

Source: Community Support Framework and National Development Plan, 1989-93, Irish Department of Finance, 1993. Note: The figures exclude expenditure under Community Initiatives 1991-93 and Cohesion Fund expenditure in 1993.

Table 5: Distribution of EU Structural Funds by Sub-Region and Sector (IR£ million in current prices)									
Forestr	riculture y, Rural opment	Tourism	Sanitary Services	Industry & Services	Infrastructure	Human Resources	Total		
1. Dublin	8	29	24	296	157	233	747		
2. South-East	57	19	21	91	74	69	331		
3. South-West	88	31	18	116	128	93	474		
4. Mid-West	95	22	25	116	48	75	381		
5. West	169	24	24	102	47	74	441		
6. North-West	145	25	22	101	40	57	390		
7. Midlands-East	76	22	31	134	174	105	541		
Total	638	172	165	956	668	706	3,305		

Source: Community Support Framework and National Development Plan, 1989-93, Irish Department of Finance, 1993. Note: The figures exclude expenditure under Community Initiatives 1991-93 and Cohesion Fund expenditure in 1993.

### PRIORITIES OF COMMUNITY SUPPORT FRAMEWORK



The Community Support Framework agreed with the European Commission set out four priority action areas for the period 1989-1993:

# 1. Assisting agriculture, fisheries, forestry, rural development and tourism

Funding under this heading includes headage payments to farmers in disadvantaged areas and on-farm improvements as well as grants towards the processing and marketing of agricultural and fisheries products. It also includes aid to diversify the rural economy, develop community enterprise, assist research and development and marketing in the food industry, and to provide training support in agriculture, forestry and fishing. Finally it covers a series of aids to develop forestry.

### 2. Improving industry and services

Assistance under this heading is designed to provide support for developing both Irish and foreign-owned industry and services,

The measures include grants towards the cost of capital and employment, training, research and development, marketing and technological development.

# 3. Off-setting peripherality with better infrastructure

This heading includes aid for investment in road, rail, port and airport infrastructure and facilities aimed at alleviating the difficulties associated with Ireland's peripheral location. Since 1989 there have been major improvements involving the construction and improvement of motorways as well as dual and single carriageways.

Significant EU aid has gone to the ports of Dublin, Waterford and Cork to improve bulk handling, storage and terminal facilities. Improvements have also taken place at Dublin, Shannon and Cork airports, and six regional airports have been developed.

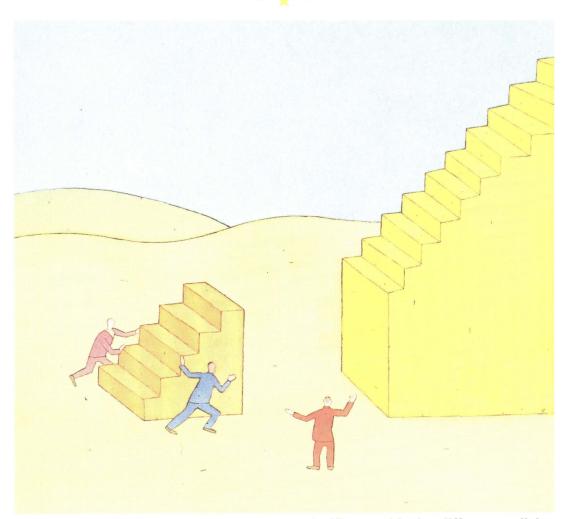
#### 4. Developing human resources

Expenditure under this heading is designed to provide training for new labour force entrants and those already in employment. Measures to assist the long-term unemployed are a central feature.

This priority also has the aim of providing the skills necessary to exploit technological advances and to increase competence in business, marketing and languages.

It encourages entrepreneurship and selfemployment as well as co-operative and community enterprises. Included under this heading are courses provided in the Regional Technical Colleges and Universities and by the national training agency, FÁS.

## IMPACT OF COMMUNITY SUPPORT FRAMEWORK



Structural funding provided by the EU is largely channelled through Government Departments such as the Department of Agriculture and the Department of the Environment, or through state bodies such as FÁS, Bord Fáilte and the industrial development agencies.

A study carried out by the Economic and Social Research Institute concluded that CSF expenditure during the five year period 1989-93 is likely to make a significant and lasting difference to living standards in Ireland. This study estimated that the extra resources would increase Gross Domestic Product by 2.5 per cent in 1993, representing a real rate of return of over 7 per cent on the EU investment. This investment is also estimated to have provided 30,000 extra jobs in Ireland in 1993 and to raise the average level of employment by 10,000 in the long term.

## **COMMUNITY INITATIVES**

In addition to funding under the Community Support Framework, Ireland received structural funding in the period 1989-93 under a number of Community Initiatives which accounted for about 7 per cent of total structural spending.

The LEADER programme enables rural communities to develop a range of business plans in accordance with local development priorities. A key attraction of LEADER for rural communities is that funding is administered at local level by designated groups. *EU funding: IR£21 million*.

ENVIREG funded measures to counter environmental damage. In Ireland a range of projects were implemented to improve or protect the quality of bays, estuaries and coastal waters, especially those associated with tourism amenity and the cultivation of shellfish. *EU funding: IR£24 million*.

TELEMATIQUE has assisted with the use of advanced telecommunications in the least favoured regions to stimulate local and regional development and enterprise.

## EU funding: IR£8 million.

INTERREG is an initiative which supports cross-border development. The joint Ireland/Northern Ireland programme aims at improving development in the border area and promoting cross-border co-operation.

## EU funding: IR £65 million.

Three separate initiatives designed to develop the human resources of important groups on a transnational basis were implemented.

NOW has promoted equal opportunities for women in employment and vocational training on a range of projects.

HORIZON provided funding for innovative projects to assist the integration of disabled and disadvantaged persons into the workforce and society.

EUROFORM has helped develop new skills and employment opportunities in the context of the completion of the internal market and technological change.

# EU funding under these three initiatives: IR£36 million.

REGEN has funded the energy sector, assisting the gas interconnector between Ireland and the UK and the exploitation of indigenous energy resources.

## EU funding: IR£89 million.

The STRIDE programme provided support to strengthen research and innovation in poorer regions. The Irish programme has concentrated its research on marine resources and a range of environmental projects.

## EU funding: IR£10 million.

PRISMA was designed to help businesses in the most disadvantaged areas to meet challenges arising from the single market.

EU funding: IR£7 million.

#### THE COHESION FUND

Under the Maastricht Treaty a new Cohesion Fund has been set up alongside the existing Structural Funds to help finance environmental protection projects and major transport links in the least prosperous member states. These are defined as states with a Gross National Product per head of less than 90 per cent of the European Union average. On this basis four states - *Ireland, Spain, Portugal and Greece* - benefit from the Cohesion Fund.

The fund was included in the Maastricht Treaty to help the countries in question increase their growth rate so that they can meet the conditions (*convergence criteria*) laid down for taking part in Economic and

Monetary Union (EMU). To get aid the four countries must implement an approved macro-economic programme which will lead to the conditions for EMU entry being met.

The Cohesion Fund differs from the Structural Funds in two main respects. It applies generally to large scale individual projects rather than to programmes, and EU support for projects is a maximum of 85 per cent as compared to the normal 75 per cent maximum under the Structural Funds.

Ireland is set to receive about £1 billion from the Cohesion Fund by the end of the decade.



The Martin Ryan Marine Research Institute, University College, Galway: funded under ERDF

## NEXT PHASE OF EU FUNDING: 1994-1999

Ireland still has a considerable way to go to close the income gap with the rest of the European Union. It is still one of the least developed economies in the EU with an unacceptably high level of unemployment.

In the future, policies must focus on rectifying this situation. The Structural and Cohesion Funds can play an important role in raising living standards, reducing unemployment and exploiting more fully Ireland's economic potential.

The National Development Plan, 1994-99, prepared by the Government for the next phase of structural funding, first places a major emphasis on increasing output, economic potential and the provision of new viable employment opportunities.

Secondly, it has the central objective of reintegrating the long-term unemployed into the job market.

The Plan proposes action to improve the productive capacity of the economy; to

encourage competitiveness and efficiency; to exploit the development potential of local initiatives, including area-based approaches targeted at disadvantaged areas; to develop skills and aptitudes of both those at work and those seeking work; and to integrate those who are marginalised and disadvantaged into the workforce.

EU funding for the period of the Plan will increase significantly under a new Community Support Framework, together with the Cohesion Fund and Community Initiatives.



KOECHLIN

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