



Reform of the Structural Fund Regulations

On 18 March the Commission tabled its proposals for Structural Fund Regulations applicable from 2000 to 2006. These draft texts are fully in line with the ideas announced last July by the Commission in its strategy document "Agenda 2000". In a nutshell, the proposed reforms have three main goals: greater concentration of assistance, simpler and decentralised implementation, and more effectiveness and tighter controls.

Concentration

For the period 2000-06, the Commission is proposing reducing the Structural Funds priority Objectives from seven to three:

Objective 1 is to continue helping regions lagging behind in development. However, the Commission will, in the future, decide on the eligibility of regions by strict application of the criterion of a per capita GDP that is less than 75% of the Union average. The draft Regulation also includes in this Objective, all the most remote regions of the Union and areas currently covered by Objective 6. In terms of concentrating funding, Objective 1 is to receive about two thirds of the total Structural Fund allocation.

A new Objective 2 is to be created for the economic and social transformation of other areas in structural difficulties, whether the area is industrial, rural, urban or dependent on fishing. The Commission will decide on eligibility in close collaboration with the Member States,

taking account of their priorities. The Commission is proposing that the population of these areas should be limited to 18% of the Union total, but it also proposes not to reduce by more than a third the population eligible under the new Objective 2 in each Member State (including the Objective 1 areas that meet the new Objective 2 criteria), compared to the population eligible under the current Objectives 2 and 5b.

Taken together, the new Objectives 1 and 2 are to cover between 35% and 40% of the Union's total population by 2006. In comparison, the present regionalised Objectives (1, 2, 5(b) and 6) cover more than 50%. For areas losing Structural Fund eligibility, the Commission is recommending a system of **transitional support** until the end of 2003 for areas formerly covered by Objectives 2 and 5(b), till 2005 for regions formerly covered by Objective 1 if they do not qualify for the new Objective 2, and till 2006 if they do.

A new Objective 3 is to be devoted to modernising policies and systems of education, training and employment. This Objective takes as a starting point the section on employment added to the EC Treaty by the Amsterdam Treaty, the European employment strategy developed since the European Council in Essen, and national action plans in this field. Objective 3 funding will only be available in areas outside Objectives 1 and 2, but it should serve as a reference for schemes to develop human resources throughout the Union.

Simplification and decentralisation

The Commission is proposing decentralising the implementation of the Structural Funds in the 2000-06 period and clarifying roles: the Commission is to identify and ensure compliance with Community priorities, while Member States are to manage programmes in the context of a broader and deeper partnership.

- As soon as the new Regulations are adopted, the Commission will be tabling its guidelines for Community priorities within each Objective.
- The Member States will then present their regional development plans, drawn up in partnership with all the interested parties recognised by that Member State, including bodies concerned with the environment or equal opportunities for men and women.
- After negotiation and agreement on the co-financing to be provided by the Structural Funds, the Commission will adopt the various programming documents (CSFs and OPs or SPDs), which will focus on the strategic options (identifying priorities and the budget allocations to them).
- Finally, the responsible authorities in the Member States - the draft Regulation provides for a single **managing authority** for each programme - will adopt their own supplements to the programming documents. These supplements will designate beneficiaries and budgets for Structural Fund programmes.

Another contribution to simplifying and concentrating the assistance provided by the Community, is the reduction of the current thirteen **Community Initiatives** to three, each financed by only one Structural Fund:

- the ERDF for cross-border, trans-national and inter-regional cooperation
- the EAGGF Guidance Section for rural development
- the ESF for combatting exclusion from the labour market.

The draft regulations propose devoting 5% of the Structural Funds to these three Initiatives.

The proposals also provide for a system of financial management which is both simpler and more exacting. Budget commitments are to be made automatically at the beginning of each year and "decommitted" if not used within three years. On the payments side, a flat-rate advance of about 10% of the Community contribution will be paid out once a programme is adopted. Further payments will be made in instalments in the form of reimbursements of certified expenditure.

Effectiveness and controls

In return for decentralisation, the Commission will be requiring the managing authorities to send in **annual**

reports on each programme, with hard data on progress. More generally, it is proposing the strengthening of ex-ante, mid-term and ex-post evaluations.

As a further way of reinforcing effectiveness, the Commission intends to distribute only 90% of the funding at the beginning of the period. 10% will be withheld as a performance reserve to be allocated at mid-term to the programmes which have performed best, provided the country concerned is complying with the additionality principle.

Finally, to improve the return on projects supported by the Union, the Commission is recommending making more use of other forms of assistance over and above non-reimbursable grants, such as refundable aid, soft loans and acquisition of equity.

The draft regulations also stress the Member States' responsibility for **checking** on financial management. If a Member State fails to fulfil its obligations in this area, the Commission is empowered to correct infringements, irregularities or errors.

Adoption of the draft regulations

These proposals must now be adopted by the Council according to the following procedures:

- assent by the European Parliament and unanimous agreement in the Council in the case of the General Regulation (a combination of the present Framework and Coordination Regulations);
- the cooperation procedure with the European Parliament in the case of the ERDF and ESF Regulations;
- assent by the European Parliament in the case of the EAGGF and the FIG Regulations.

If programmes are to be prepared in 1999 for the implementation of Community assistance as of 1 January 2000, the Regulations need to be adopted at the start of 1999.

Where can I find more information?

If you want more information on the Commission's proposals, a number of documents are already available in French, English and German - the other languages will follow shortly:

- the complete text of the proposal for a General Structural Fund Regulation;
- the complete text of the Regulation covering the European Regional Development Fund;
- the Explanatory Memorandum (36 pages);
- a comparison of the texts for 1994-99 with those for 2000-06 (32 pages).

All these documents can be obtained on request by fax at: +32-2-230.49.15. They can also be found on the web site <http://www.inforegio.org/future/regul_en.htm>.



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