

## Reform of structural policy: results of the Berlin summit

The Berlin summit of heads of state and government on 24 and 25 March 1999 reached overall agreement on the Agenda 2000 package, the reference framework for the Union's policies in the period from 2000 to 2006. The package contains an appropriation of EUR 213 billion specifically for structural policy measures. This overall level of expenditure should enable the Union to maintain its current total effort towards economic and social cohesion.

Within the sum the European Council allocated to structural policy, EUR 195 billion will go to the Structural Funds and EUR 18 billion to the Cohesion Fund.

### Priority Objectives of the Structural Funds

Between 2000 and 2006, the Structural Funds will continue to fund programmes in the fifteen Member States but there will be greater concentration on the regions which need this assistance the most.

As proposed by the Commission, the European Council decided to reduce to three the number of priority Objectives under the Structural Funds.

The new **Objective 1** will promote structural development and adjustment in the regions lagging in development. The following will be eligible:

- regions whose per capita GDP is less than 75% of the Community average;
- the most remote regions (the French overseas departments, the Azores, Madeira and the Canary Islands), which are all below the 75% threshold;
- the regions currently eligible under Objective 6, in accordance with the Act of Accession of Finland and Sweden.

The new **Objective 2** will support economic and social adjustment in areas with structural difficulties. A maximum of 18% of the population of the Union is to be covered by this Objective: indicatively 10% in industrial areas, 5% in rural areas, 2% in urban areas and 1% in areas dependent on fishing.

To ensure that all Member States contribute in equal measure to concentrating assistance, the maximum reduction in the population covered by the new Objective 2 as compared with the present coverage of Objectives 2 and 5(b) is not to exceed 33%.

In line with the Commission's original proposals, the **allocation of resources** to Member States under Objectives 1 and 2 will take into account the following objective criteria: eligible population, regional prosperity, national prosperity and seriousness of structural problems, particularly levels of unemployment.

The regions and areas currently eligible under Objectives 1, 2 and 5(b) (i.e. in 1994-99) which will no longer meet the criteria for eligibility under the new Objectives 1 and 2 will receive **transitional support**, to consolidate the progress already achieved. This support will be lower in 2000 than in 1999 and will cease at the end of 2005.

	Allocation (in billion euro)	% of the Structural Funds budget	% reserved for transitional support
Objective 1	135.90	69.7%	4.3%
Objective 2	22.50	11.5%	1.4%
Objective 3	24.05	12.3%	-

The new **Objective 3** will support the adjustment and modernisation of policies and systems of education, training and employment. It will act outside Objective 1. The financial breakdown among the Member States is to be based on eligible population, employment situation and the seriousness of issues, such as social exclusion, education and training levels and the participation rate of women in the labour market.

### **The Community Initiatives and innovative actions**

The European Council also endorsed the three Community Initiatives proposed by the Commission: Interreg (cross-border, transnational and interregional cooperation), Equal (combating exclusion from the labour market) and Leader (rural development). These Initiatives will receive 5% of the total appropriations for the Structural Funds, with half reserved for Interreg. Under this Initiative, special importance will be given to cross-border activities, in particular with a view to enlargement of the Union. The social and vocational integration of asylum seekers is also to be taken properly into account under the Equal Initiative.

The fields covered by the current Community Initiatives which will end in 1999 will be taken over by the three new priority Objectives.

1% of the total appropriation for the Structural Funds is to be earmarked for innovative actions and technical assistance.

### **Rates of assistance**

The assistance rates under the Structural Funds for new investment will be subject to general ceilings identical to those at present, with the following rates by Objective:

(a) in regions covered by Objective 1, 75% of the eligible total costs and, as a general rule, at least 50% of the eligible public expenditure. Where such regions are located in a Member State eligible under the Cohesion Fund, the Community contribution may be increased in exceptional and duly justified cases to a maximum of 80% of the total volume (a maximum of 85% of the total eligible costs in the most remote regions and the peripheral Greek islands).

(b) in areas covered by Objective 2 or Objective 3, the ceiling is up to 50% of total eligible volume and, as a general rule, at least 25% of eligible public expenditure on the measures implemented.

The European Council also approved the lower rates proposed by the Commission for Structural Fund contributions to investment in infrastructures which generate revenue and to investment in businesses.

### **The Cohesion Fund**

In line with the Treaty, the European Council confirmed that in 2000 the Cohesion Fund should continue to assist Greece, Ireland, Portugal and Spain, i.e. the Member States with a per capita GNP less than 90% of the Union average and running a programme to meet the targets of economic convergence. Assistance will continue to go to projects in the fields of the environment and transport (within the framework of Trans-European networks).

The allocation of appropriations to each Member State participating in the single currency will take account of the improvements in national wealth achieved during the current period.

As is currently the case, assistance from the Cohesion Fund can be suspended in a Member State if the Council, voting by qualified majority on a Commission recommendation, finds that the Member State in question has not complied with the stability and growth pact.

A verification of eligibility on the criterion of 90% of the Union's average GNP will be carried out mid-term, i.e. in 2003. If a Member State is no longer eligible, the resources allocated to the Cohesion Fund will be reduced accordingly.

The rate of Community assistance from the Cohesion Fund will remain the same as now at between 80% and 85% (maximum) of public expenditure or equivalent expenditure. This rate can be reduced to take account of the prospects of a project generating revenue as well as of the "polluter-pays" principle.

### **Timetable for implementation**

According to the heads of state and government, the political compromise package arrived at in Berlin amounts to an agreement in principle on the regulations governing the Structural Funds and the Cohesion Fund. Given the need to ensure a smooth transition into the programming period which starts on 1 January 2000, the European Council has called on the Council of the European Union and the European Parliament to ensure that the legislative texts are adopted before the next European Parliament elections.

As soon as the texts are formally adopted, the Commission will adopt the list of regions eligible under the new Objective 1 and, after proposals from the Member States, the list for Objective 2.

The full text of the summit conclusions is available on the Inforegio website <<http://inforegio.cec.eu.int/news>> and on request by fax to: +32-2-296.60.03.



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