



EC Structural Funds

Reform of the Structural Funds 2000-2006

Comparative analysis
(June 1999)

European Commission

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I n t r o d u c t i o n

On 24 and 25 March 1999, the European Council 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.

"Agenda 2000" consists of a series of complementary reforms responding to the challenges which the European Union 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 European Union's economic and social cohesion policy - had to be redefined.

The regulatory framework for the Structural Funds between 2000 and 2006 has been simplified:

- a new general regulation will cover all the principles common to the Structural Funds: priority Objectives, programming methods, financial management, evaluation and control;
- new regulations specific to each of the Funds will detail their respective fields of intervention.

Following the opinions given by the European Parliament on 6 May 1999, the Council has formally adopted the regulations on 21 June 1999. This will ensure a smooth transition towards the next programming period.

This comparative analysis highlights the main elements of the new 2000-2006 regulations, explaining aspects which have been added or changed compared to the regulations in force for the 1994-1999 period.

The complete texts are available from the following web site: <http://inforegio.cec.eu.int> or by fax from the DG XVI Documentation Centre at: +32. 2. 296.60.03.

The priority Objectives and the Structural Funds

Priority Objectives

The regulations adopted in 1993 for the period 1994-1999 established 6 priority Objectives for the Structural Funds:

- 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: combatting long-term unemployment and facilitating the integration into working life of young people and of those excluded from the labour market
- Objective 4: facilitating the adaptation of workers to industrial changes and changes in production systems
- Objective 5a: speeding up the adjustment of agricultural structures in the framework of the reform of the Common Agricultural Policy and facilitating the structural adjustment of the fisheries sector in the framework of the reform of the Common Fisheries Policy
- Objective 5b: facilitating the development and structural adjustment of rural areas

A further Objective for the Structural Funds was created by the Act of Accession for Austria, Finland and Sweden:

- Objective 6: promoting the development of regions with an extremely low population density.

The Structural Funds

The 1993 regulations list three Structural Funds:

- the European Regional Development Fund (ERDF)
- the European Social Fund (ESF)
- the Guidance section of the European Agricultural Guidance and Guarantee Fund (EAGGF).

The Financial Instrument for Fisheries Guidance (FIFG) is not a Structural Fund as such, but finances structural actions in the fisheries sector within the framework of Structural Fund programmes.

Structural Fund and FIFG interventions are divided as follows between the priority Objectives:

Objective 1	ERDF	ESF	EAGGF-Guidance	FIFG
Objective 2	ERDF	ESF		
Objective 3		ESF		
Objective 4		ESF		
Objective 5a			EAGGF-Guidance	FIFG
Objective 5b	ERDF	ESF	EAGGF-Guidance	
Objective 6	ERDF	ESF	EAGGF-Guidance	FIFG

The priority Objectives and the Structural Funds

The priority Objectives

Three priority Objectives have been established for the period 2000-2006:

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

The title of this Objective remains unchanged; 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 2000-2006 period.

- **Objective 2: supporting the economic and social conversion of areas facing structural difficulties**

This new Objective, which focuses on economic and social conversion, brings together Objectives 2 and 5b of the current programming period and extends them to cover other areas (urban areas in difficulty, areas in crisis dependent on the fishing industry, and areas undergoing conversion which are highly dependent on the services sector) facing the same problems due to a lack of economic diversity.

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

This new Objective brings together the previous Objectives 3 and 4 and will take as its starting point the new title on employment introduced by the Amsterdam Treaty. It will assist regions throughout the EU except those covered by the new Objective 1, taking into account the general needs of areas facing structural difficulties with regard to economic and social conversion. It constitutes a reference framework for the development of human resources throughout the Member State, notwithstanding regional specificities.

Measures previously funded under the former Objective 5a will henceforth be supported by the Guidance section of the EAGGF within the framework of the new Objective 1 programmes (as is currently the case, except as regards compensatory allowances for disadvantaged areas, which are financed by the EAGGF Guarantee section), and elsewhere in the European Union by the EAGGF-Guarantee section and the FIG within the framework of accompanying measures to the Common Agricultural Policy and the Common Fisheries Policy.

The Structural Funds (and the EAGGF-Guarantee section)

The Structural Fund allocations will be divided as follows between the priority Objectives:

Objective 1	ERDF	ESF	EAGGF-Guidance	FIFG
Objective 2	ERDF	ESF		
Objective 3		ESF		

The FIFG is henceforth a Structural Fund. It finances accompanying measures to the Common Fisheries Policy throughout the European Union. In Objective 1 regions, FIFG funding will be incorporated into regional development programmes with the other Structural Funds.

The EAGGF is the financial instrument supporting the rural development policy which is considered as the second pillar of the Common Agricultural Policy (CAP). It finances rural development measures throughout the European Union. Measures will be financed by the Guidance section of the EAGGF in Objective 1 regions (with the exception of compensatory allowances for disadvantaged areas and the three accompanying measures of the 1992 CAP reform), and elsewhere by the EAGGF-Guarantee section.

The EAGGF-Guarantee section is not a Structural Fund, but contributes to the implementation of the new Objective 2. In these areas, Member States can choose whether to integrate rural development measures into the regional development programmes funded jointly with the other Structural Funds, or to incorporate them into a horizontal programme for rural development measures outside of Objective 1 areas.

Objectives 1 and 6

Objective 1: development and structural adjustment of regions whose development is lagging behind

Based on the overall criterion of a GDP per capita of less than 75% of the Community average (subject to certain derogations), the 1993 regulation established a list of regions eligible under Objective 1 for the 1994-1999 period. This list was expanded to include the Austrian province of Burgenland during the 1995-1999 period.

Population covered by Objective 1 during the 1994-1999 period (includes Austria for 1995-1999)

Member State	Millions of inhabitants	% of national population
B Province of Hainaut	1.279	12.80
D The five new Länder (Brandenburg, Sachsen, Sachsen-Anhalt, Mecklenburg-Vorpommern and Thüringen) and East Berlin	16.447	20.70
G The entire country	10.209	100.00
E Andalucía, Asturias, Cantabria, Castilla y León, Castilla-La Mancha, Ceuta y Melilla, Comunidad Valenciana, Extremadura, Galicia, Canarias, Murcia	23.269	58.20
F The overseas departments, Corsica and the districts of Valenciennes, Douai et Avesnes	2.546	4.40
IRL The entire country	3.500	100.00
I Abruzzo (for a three-year transition period, from 1/1/1994 to 31/12/1997), Basilicata, Calabria, Campania, Molise, Puglia, Sardegna, Sicilia	21.133	36.60
NL Flevoland	0.217	1.45
P The entire country	9.868	100.00
UK Northern Ireland, Merseyside, Highlands & Islands Enterprise Area	3.414	6.00
A Burgenland	0.269	3.50
EU Total	92.151	25.00

Objective 6: development of regions with an extremely low population density

The Act of Accession contained a list of regions eligible under Objective 6 for the 1995-1999 period.

Population covered by Objective 6 (1995-1999)

Member State	Millions of inhabitants	% of national population
FIN Lapland and the provinces of Kainuu, Pohjois-Karjala and Etelä-Savo are eligible in their entirety, and the regions of Pohjois-Savo, Keski Suomi, Keski Pohjanmaa and Pohjois Pohjanmaa are partially eligible.	0.841	16.6
S The region of Jämtland is eligible in its entirety, as are the regions of Norrbotten and Västerbotten (with the exception of their coastal fringes). The regions of Västernorrland, Gävleborg, Koppaberg and Värmland are partially eligible.	0.451	5.0
EU Total	1.292	0.4

Objective 1: development and structural adjustment of regions whose development is lagging behind

The regulation states that the list of eligible regions for the 2000-2006 period will be drawn up by the European Commission, adhering strictly to the same criterion as before, i.e.: NUTS II regions whose per capita Gross Domestic Product (GDP) is less than 75% of the EU average. GDP per habitant is measured in purchasing power standards based on Community data available on 24 March 1999 (date of the Berlin political agreement) for the last 3 year period – 1994, 1995 and 1996.

The regulation also specifies that the outermost 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 EU average, plus the regions currently covered by Objective 6, will also be eligible for Objective 1 status between 2000 and 2006.

Following the definitive adoption of the regulations by the Council, the list of eligible Objective 1 regions will be drawn up by the Commission for a period of seven years.

Transitional support

The regulation establishes a transitional assistance mechanism for regions eligible under Objective 1 in 1999 but which will no longer be eligible in 2000.

In these regions, a new regional programme will be supported by the Structural Funds generally until 31 December 2005. Regions which include areas fulfilling the eligibility criteria for the new Objective 2 will continue to benefit from ERDF support until 31 December 2006. Other regions will only receive assistance from the ESF, EAGGF (Guidance section) and FIG in 2006 (still within the same regional programme).

Those areas which will continue to receive ERDF assistance in 2006 will be determined at the same time as eligible Objective 1 regions.

Special programmes

In accordance with the decisions taken by the European Council in Berlin, 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 Community Initiatives), will be extended for a period of 5 years. The programme will be allocated 500 million euro of EU funding, of which 100 million will be allocated to the Republic of Ireland.
- A special assistance programme which will be 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 n° 6 annexed to the Swedish Act of Accession.

Objectives 2 and 5b

Objective 2: converting regions seriously affected by industrial decline

During the 1994-1999 period, eligibility under Objective 2 was linked to three conditions:

- an unemployment rate above the Community average;
- a percentage share of industrial employment exceeding the Community average;
- a decline in this employment category.

A series of secondary criteria meant that eligibility under Objective 2 could be extended to include adjacent areas, urban areas, and areas facing or threatened by a severe increase in unemployment, problems related to the regeneration of derelict industrial sites or the impact of the restructuring of the fisheries sector.

Population covered by Objective 2 (1994-1999) (1995-1999 for Austria, Finland and Sweden)

Member State	Millions of inhabitants	% of national population
Belgium	1.40	14.0
Denmark	0.44	8.8
Germany	7.00	8.8
Spain	7.90	20.3
France	14.60	25.9
Italy	6.30	10.8
Luxembourg	0.13	34.2
Netherlands	2.60	17.3
United Kingdom	17.70	31.0
Austria	0.60	8.2
Finland	0.70	15.5
Sweden	0.96	11.0
EU Total	60.46	16.4

Objective 5b: facilitating the development of vulnerable rural areas

During the 1994-1999 period, the general criterion for eligibility under Objective 5b was a low level of socio-economic development (assessed on the basis of per capita GDP).

There were three additional main criteria, two of which had to be met for an area to be eligible:

- a high level of agricultural employment;
- a low level of agricultural incomes;
- low population density and/or significant migration trends.

Eligibility could be extended to other areas not covered by Objective 1 but with a low level of development, if they met one or more of the following secondary criteria: the remote location of the area, sensitivity to trends in the agricultural sector or the restructuring of the fisheries sector, the structure of agricultural holdings and of the agricultural working population, the environment, etc.

Population covered by Objective 5b (1994-1999) (1995-1999 for Austria, Finland and Sweden)

Member State	Millions of inhabitants	% of national population
Belgium	0.45	4.5
Denmark	0.36	7.0
Germany	7.82	9.6
Spain	1.73	4.4
France	9.76	17.3
Italy	4.83	8.4
Luxembourg	0.03	7.4
Netherlands	0.80	5.4
United Kingdom	2.84	4.9
Austria	2.28	28.9
Finland	1.09	21.5
Sweden	0.76	8.6
EU Total	32.75	8.8

Objective 2: economic and social conversion of areas facing structural difficulties

For the 2000-2006 period, four types of regions in structural crisis will be covered by the Objective concerning economic and social conversion: industrial (including service) areas, rural areas, urban areas and areas dependent on the fishing industry. The new Objective 2 as a whole will cover no more than 18% of the Community population.

At Community level, the indicative breakdown up to the 18% ceiling is as follows:

- 10% for industrial and service areas
- 5% for rural areas
- 2% for urban areas
- 1% for areas dependent on the fishing industry

This list is valid for a period of seven years (2000-2006). In the case of a serious crisis, this list may be amended in 2003, provided that this change does not increase the ceiling set for Objective 2 coverage in each region.

The following system will be used to finalise the list of eligible areas:

- The Commission will begin by using a series of objective criteria to establish population ceilings for coverage in each Member State, identifying the priority regions at Community level at the same time.
- Within the limits of the ceilings fixed, the Member States will submit to the Commission a list of areas they believe meet the eligibility criteria based on appropriate statistical information in line with the regulations.
- Following these submissions, the Commission will draw up a list of eligible Objective 2 regions in each Member State, in close cooperation with the Member State concerned and with due regard for national priorities.

Industrial areas

Eligible areas represent or belong to a NUTS level III region. The eligibility criteria are virtually identical to the 3 basic Objective 2 criteria for the 1994-1999 period.

Rural areas

Eligible areas represent or belong to a NUTS level III region and must satisfy two of the following four linked criteria:

- a population density of less than 100 people per km² or a proportion of employment in the agricultural sector which is at least double the Community average;
- an average unemployment rate which is above the Community average or a decline in population.

Urban areas

These areas must meet at least one of the following criteria:

- a rate of long-term unemployment higher than the Community average
- a high level of poverty, including poor housing conditions
- particularly acute environmental problems
- a high crime rate
- a low level of education among the population

Areas dependent on the fishing industry

Eligibility criteria: a significant share of employment in the fisheries sector and restructuring problems resulting in a significant decline in employment in this sector.

Other areas

Objective 2 eligibility can be extended to:

- certain other areas: essentially those adjacent to areas covered by Objective 1 or to industrial or rural areas covered by Objective 2;
- rural areas with an ageing or diminishing agricultural labour force;
- areas facing or threatened by serious structural problems or a high level of unemployment arising from the restructuring of one or more key activities in the agricultural, industrial or service sectors.

Safety net and transitional support

In order to ensure that each Member State contributes to concentration on an equitable basis, the fall in population coverage under the new Objective 2 in any given Member State (including the Objective 1 areas in transition that meet the new Objective 2 criteria), compared to the coverage under Objective 2 and 5b in the current period, will not exceed one-third.

As for Objective 1, a degressive transitional assistance mechanism is planned for areas which are covered by Objective 2 and 5b in 1999 but which will no longer be eligible for the new Objective 2 in 2000. These areas will benefit from transitional support from the ERDF until 31 December 2005, and will also benefit, between 2000 and 2006, from ESF assistance within the framework of Objective 3 as well as from EAGGF (Guarantee section) and FIGG assistance in the context of rural development measures and accompanying measures to the Common Fisheries Policy.

Objectives 3 and 4

Objective 3: combating long-term unemployment and facilitating integration into the labour market

The current Objective 3 aims at combating long-term unemployment and facilitating the integration into working life of young people and those threatened by exclusion from the labour market. Objective 3 also promotes equal opportunities for men and women on the labour market. Interventions under Objective 3 are not limited to specific regions.

Objective 4: adaptation to industrial change

Objective 4 facilitates the adaptation of the workforce to industrial changes and to changes in production systems. As for Objective 3, interventions under Objective 4 are not subject to regional limitation.

Objective 3: development of human resources

For the 2000-2006 period, the new Objective 3 will focus primarily on the adaptation and the modernisation of national and European policies for employment, education and training. Objective 3 funding will be available in all areas except those covered by the new Objective 1. The new Objective 3 will also serve as a reference framework for all human resource actions in the Member States. It will take into account the Employment Title in the Amsterdam Treaty and the new European employment strategy.

The regulation takes into account the wide variety of policies, practices and needs in the different Member States based on their national action plans for employment and the ex-ante evaluation. In view of the length of the period covered (2000-2006), the areas in which the ESF will apply have been broadly defined. They include active labour market policies to combat unemployment, promote social inclusion and equal opportunities for men and women, strengthen employability through lifelong education and training systems, and measures to anticipate and facilitate adaptation to economic and social change.

Financial resources

The 1993 regulation specified the financial resources allocated to the Structural Funds in accordance with the amounts fixed by the Edinburgh European Council of December 1992. In 1999 prices, the total Structural Funds allocation set for the period from 1994 to 1999 is 163 billion euro.

Breakdown by Objective

In terms of the breakdown between the priority Objectives, the regulation itself provides the annual financial allocations for Objective 1. For each of the Objectives 2, 3, 4 and 5b, the Commission fixed an indicative breakdown by Member State, based on certain criteria such as:

- Eligible population
- National prosperity
- Regional prosperity
- Relative seriousness of structural problems, particularly unemployment.

For Objective 5a, the breakdown is based mainly on a criterion of continuity linked to the take-up of resources during the preceding period, as well as the specific structural needs identified for those areas dependent on the agricultural and fisheries sectors.

Indicative breakdown of allocations by Objective and by country for the CSFs and SPDs (in millions of ECU, 1994)

Member State	Objective 1	Objective 2	Objectives 3 and 4	Objective 5a	Objective 5b	Objective 6
Belgium	730	342	465	195	77	-
Denmark	-	119	301	267	54	-
Germany	13 640	1 566	1 942	1 143	1 227	-
Greece	13 980	-	-	-	-	-
Spain	26 300	2 416	1 843	446	664	-
France	2 190	3 774	3 203	1 933	2 238	-
Ireland	5 620	-	-	-	-	-
Italy	14 860	1 463	1 715	814	901	-
Luxembourg	-	15	23	40	6	-
Netherlands	150	650	1 079	165	150	-
Austria	162	99	387	380	403	-
Portugal	13 980	-	-	-	-	-
Finland	-	179	336	347	190	450
Sweden	-	157	509	204	135	247
United Kingdom	2 360	4 581	3 377	450	817	-
EU Total	93 972	15 360	15 180	6 916	6 862	697

Financial resources

The Berlin European Council concluded that the total Structural Funds allocation for the period 2000-2006 will be 195 billion euro.

Breakdown by Objective

Budgetary resources have been divided among the Objectives with the aim of a significant concentration on Objective 1 regions.

- 69.7% of the total Structural Funds budget will be allocated to Objective 1 regions (a total of 135.9 billion euro), 4.3% of which will be allocated to regions in transition.
- 11.5% of the total Structural Funds budget will be allocated to Objective 2 regions (a total of 22.5 billion euro), 1.4% of which will be allocated to regions in transition.
- 12.3% of the total Structural Funds budget will be allocated to Objective 3 regions (a total of 24.05 billion euro).
- 0.5% of the total Structural Funds budget will be allocated to the FIFG to support accompanying measures to the Common Fisheries Policy in areas not covered by Objective 1 (a total of 1.1 billion euro).

For each of the Objectives, the Commission will draw up an indicative breakdown of funds per Member State, using objective criteria and taking account of the specificity of employment issues.

Performance reserve

4% of each national allocation will be held in reserve at the beginning of the period. At the mid-term point, the Commission, in close cooperation with the Member State, will allocate the reserve to those programmes which are performing best. A series of quantifiable indicators, defined by the Member State, will be used to measure programme performance; the indicators must reflect the effectiveness, management and financial implementation of the programmes, and measure their mid-term results in relation to their specific initial targets.

Programming

Period covered

During the 1994-1999 period, programming for Structural Fund interventions was fixed for six years, with the exception of Objective 2 which was divided into two three-year phases: 1994-1996 and 1997-1999.

In actual fact, there were only minor changes in the eligibility of Objective 2 areas, namely in Spain, Italy and the Netherlands. The total eligible population remained unchanged both at Community level and in each Member State.

Two procedures

Under the current regulations, two procedures are possible:

The classic three-stage procedure:

- *Development plan submitted by the Member State*
- *Community Support Framework (CSF) established by the Commission on the basis of the plan, in cooperation with the Member State and the regions concerned*
- *Intervention on the ground, usually in the form of an Operational Programme (OP), a major project or a global grant.*

The simplified two-stage procedure:

- *Development plan submitted by the Member State*
- *Single Programming Document (SPD) established.*

Number of programmes

Nearly 600 OPs and SPDs were adopted between 1994 and 1999, not including the Community Initiative programmes.

Content

Briefly, CSFs, OPs and SPDs provide:

- an analysis of the economic and social situation and the results of the preceding programme period
- a description of the strategy used
- financial tables summarising the various financial resources pledged
- an environmental impact assessment of the proposed strategy
- an indication of the anticipated goals, preferably quantified
- the priorities for action, plus corresponding financial amounts and an indication of the forms of intervention to be used
- a list of anticipated measures with an indication of beneficiaries and financial allocations.

Programming

Period covered

All the Objectives (1, 2 and 3) will be programmed for a seven year period (2000-2006). However, the programmes can be adapted half way through the period, following a mid-term evaluation and the allocation of the performance reserve.

Choice of procedure

The regulation specifies that CSFs and Operational Programmes (drafts of which can be presented with the draft CSF or after its adoption) should be used for Objective 1, except where the Community allocation is lower than 1 billion euro. In such cases, as with Objectives 2 and 3, the regulation recommends the use of an SPD.

Procedural process

The role of the Commission and the Member States in the planning and implementation of these documents has also been defined more closely. In concrete terms, programming for the 2000-2006 period will include two new elements:

- The first new element specifies that immediately after the adoption of the regulations governing the Structural Funds, the Commission will formally adopt its guidance on the common priorities for all Objectives (1, 2 and 3).
- Next, as is already the case, the Member States will draft their plans and, in cooperation with the Commission, compile CSFs, OPs and SPDs, which will cover strategic priorities, financial allocations and methods of implementation. However, the OPs and the SPDs will no longer contain details on the measures to be funded, as was the case for programmes drawn up for the 1994-1999 period.
- The second new element stipulates that after adoption of the OPs and 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.

The combination of these new elements reflects the Commission's desire to ensure a clearer division of responsibilities and a stronger application of the principle of subsidiarity: the European Commission supervises compliance with the strategic priorities but the management of the programmes is more decentralised.

Among the Community priorities which the programmes must support, the Structural Funds regulation highlights the following, with reference to the Treaty: a high degree of competitiveness and innovation, high levels of employment, and the promotion of equal opportunities for men and women.

Programme supervision and monitoring

Partnership

During the 1994-1999 period, the regulation provided for a partnership at all stages of programming, consisting of all the authorities designated by each Member State - local, regional or national - and possibly economic and social partners.

The Commission has noted, however, that not all partners were always involved, the decision-making process was not always transparent, and that this sometimes led to confusion concerning the roles and responsibilities of each partner.

Monitoring committee

Each CSF, SPD and OP has a monitoring committee consisting of programme managers at regional and national level and representatives of the European Commission. This committee generally meets twice a year to monitor the progress of implementation. It can also modify the parameters governing financial assistance from the Community, provided that these adjustments do not alter the overall level of EU aid and that the decision has been approved by the Commission.

Programme supervision and monitoring

Partnership

The regulation specifies that the partnership should be broadened to include local and regional governments, economic and social partners and other relevant bodies. When designating the most representative partners, Member States should pay particular attention to the need to promote equal opportunities for men and women, as well as sustainable development.

The partnership should be involved in the preparation, financing, monitoring and evaluation of interventions. In addition, the Member States must ensure that the appropriate partners are involved in each programming stage.

Managing authority

A new addition to the regulation is that, for each programme, the Member States are required to designate a single managing authority responsible for supervising the implementation, ongoing management and effectiveness of the programme. Its duties will principally include:

- gathering the financial and statistical information needed to monitor the programme;
- installing and using a computerised management, monitoring and evaluation system;
- ensuring sound financial management;
- ensuring compliance with Community policies;
- ensuring compliance with information and publicity obligations;
- modifying the programming supplement, where necessary;
- drawing up and submitting annual and final programme reports to the Commission;
- organising the mid-term evaluation.

The regulation states that the European Commission and the managing authority shall review the main outcomes of the previous year at least once a year. After this review, the Commission can transmit comments or suggestions for improving implementation to the managing authority.

Monitoring committee

The regulation stipulates that monitoring committees should be chaired by a representative of the managing authority or of the Member State. Balanced participation of women and men on the monitoring committees must be ensured.

As an indication of the expanding role of the monitoring committees, the regulation states that they should give their agreement to the programme supplements before these are submitted to the Commission, and that they should approve all adjustments to the programme or to the programme supplements.

This method of organisation confirms the role and responsibilities of all actors at each stage of the programme:

- *For the Commission, the effective and strategic monitoring of the programme priorities*
- *For the managing authority, ensuring compliance with the agreements concluded with the Commission and with the monitoring committee's guidelines*
- *For the monitoring committee, monitoring the strategy and its possible revision.*

As a counterpart to the increased decentralisation of programmes, the regulation stipulates that monitoring indicators should be defined and annual reporting should be carried out on the implementation of each programme, in order to guarantee the quality of the information available and allow programmes to be monitored at Community level.

Community Initiatives and innovative actions

Alongside the national initiative programmes (CSFs and SPDs) for implementing the priority Objectives, the Structural Funds are also used to finance Community Initiative programmes and innovative actions (studies, pilot projects, etc).

Community Initiatives

The Community Initiatives, which are allocated up to 9% of the total Structural Funds' budget during the current period, fund actions with a specific Community-wide interest.

There were 13 Initiatives during the 1994-1999 period, giving rise to over 500 programmes:

- *Interreg II: cross-border cooperation (Part A), energy networks (Part B), cooperation in the field of spatial planning (Part C)*
- *Leader II: rural development*
- *Regis II: integration of the most remote regions*
- *Employment:*
 - *Employment - NOW (promotion of equal opportunities for women and their access to future-oriented occupations and management positions)*
 - *Employment - HORIZON (employment prospects for people with disabilities)*
 - *Employment - Youthstart (labour market integration of young people under 20 with no basic qualifications or training)*
 - *Employment - INTEGRA (integration of persons threatened with social exclusion and actions to combat racism and xenophobia)*
- *Adapt: adaptation of the workforce to industrial change and to the information society*
- *Rechar II: conversion of coal-mining areas*
- *Resider II: conversion of steel areas*
- *Konver: economic diversification in regions dependent on the defence sector*
- *Retex: economic diversification in regions dependent on the textile and clothing industry*
- *SMEs: strengthening the competitiveness of small and medium-sized enterprises*
- *Urban: regeneration of crisis-hit urban areas*
- *Pesca: economic diversification in regions dependent on the fishing industry*
- *Peace: support for the peace and reconciliation process in Northern Ireland*

Innovative actions

Pilot or demonstration projects, which may use up to 1% of the total Structural Funds' budget, aim to test new approaches to, or new areas of, Community structural intervention. These measures can be submitted by Member States, regional or local authorities or by private individuals. They generally follow a Commission call for proposals in specific areas of activity.

Community Initiatives and innovative actions

Community Initiatives

The regulation limits the number of Initiatives to four, covering the following themes:

- (1) Transnational, cross-border and inter-regional cooperation designed to stimulate the balanced and harmonious spatial planning and development of the European territory (INTERREG);
- (2) Economic and social conversion of towns, cities and urban areas in crisis, in order to promote sustainable urban development (URBAN);
- (3) Rural development through initiatives developed by local action groups (LEADER +);
- (4) Transnational cooperation designed to promote new means of fighting all types of discrimination and inequality with regard to the labour market (EQUAL).

In another new development, each Initiative will be financed by a single Structural Fund, respectively:

- (1)+(2) ERDF
- (3) EAGGF (Guidance section)
- (4) ESF

Innovative actions and technical assistance

The regulation states that innovative actions contribute to the development of innovative methods and practices aiming to improve the quality of measures implemented under the priority Objectives. Technical assistance measures consist mainly of studies, exchanges of experience and information, and the development of computerised management, monitoring and evaluation systems.

Financial allocation

For the period 2000-2006, the regulation states that:

- 5.35% of the total Structural Funds budget will be allocated to the four Community Initiatives (INTERREG, URBAN, LEADER, EQUAL).
- 0.65% of each Fund allocation will be used to finance innovative actions and technical assistance measures at Community level.

Additionality

At present, the principle of additionality implies that, throughout the territory concerned, each Member State must maintain its public structural or comparable expenditure for each Objective at least at the same level as in the previous programming period, taking into account, however, the macroeconomic circumstances in which the funding takes place, as well as a number of specific economic circumstances, namely:

- privatisation
- an unusual level of public structural expenditure undertaken in the previous programming period
- business cycles in the national economy

Additionality

Given the complex way in which additionality is currently monitored, the 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
 - the whole of the Member State for Objectives 2 and 3 together

- verification will be restricted to three instances:
 - following the adoption of Community Support Frameworks and Single Programming Documents
 - mid-way, before 31 December 2003
 - 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 for the 1994-1999 and 2000-2006 periods:

- the total public or comparable expenditure in the regions covered by Objective 1
- the total public expenditure on active labour market policy for Objectives 2 and 3.

Globally, the level of national expenditure involved will be agreed between the Member State and the Commission, in principle at a level at least equal to that achieved in the previous programming period.

Cofinancing rates

At present, the levels of Community participation in the financing of programmes are subject to the following limits:

In Objective 1 regions, a maximum of 75% of the total cost and, as a general rule, at least 50% of public expenditure.

However, in certain cases, Community participation can rise to 80% of the total cost in countries covered by the Cohesion Fund and even up to 85% in the most remote regions.

Elsewhere, the ceiling is set at 50% of the total eligible cost, with a minimum of 25% of public expenditure.

When the Community finances investments in companies, the current regulation specifies that Community cofinancing may not exceed 50% in Objective 1 regions and 30% elsewhere.

Cofinancing rates

For the 2000-2006 period, the regulation specifies that the general rates will remain unchanged.

However, the following ceilings have been set for investment in infrastructure generating revenue:

- 50% in Member States eligible for the Cohesion Fund
- up to 40% of the total cost in other Objective 1 regions
- 25% in Objective 2 areas

These rates may be increased by 10% if the assistance is used for financial engineering.

The level of Community cofinancing for investments in companies has been reduced to:

- 35% in regions covered by Objective 1
- 15% in areas covered by Objective 2

These rates may be increased by 10% if the assistance is used for financial engineering.

Eligible measures

The measures eligible for Structural Fund assistance are defined in general terms in the regulation governing each Fund:

ERDF:

- productive investment permitting the creation or maintenance of permanent jobs;
- investment in infrastructure, with a varying scope depending on the Objective;
- indigenous development: local and SME development.

ESF:

- occupational integration of unemployed persons exposed to long-term employment;
- occupational integration of young people in search of employment;
- integration of persons exposed to exclusion from the labour market;
- promotion of equal opportunities on the labour market;
- adaptation of workers to industrial change;
- stability and growth in employment;
- strengthening human potential in research, science and technology;
- strengthening education and training systems.

EAGGF-Guidance section:

Measures linked to agricultural structures:

- supporting farming income and the maintenance of viable farming communities in mountainous or disadvantaged areas; start-up support for young farmers;
- improving the structural efficiency of holdings;
- encouraging the establishment of producers' associations;
- conversion, diversification, reorientation and improvement of the quality of agricultural products.

Measures encouraging rural diversification:

- developing rural infrastructure
- encouraging investment in tourism;
- other measures such as the prevention of natural disasters, village renewal, protection of the rural heritage, development and promotion of forests, protection of the environment and the countryside and financial engineering.

FIFG:

- adjustment of efforts in the fisheries sector;
- fleet modernisation;
- development of fish farming;
- protection of maritime areas;
- facilities at fishing ports;
- processing and marketing of fish products;
- promotion of products.

Alongside these general measures, the Commission also established, in cooperation with the Member States, detailed common rules governing the eligibility of expenditure, which were annexed to all programmes in 1997 (eligibility documents).

Eligible measures

For the next programming period, the measures eligible for assistance from the ERDF and the FIFG remain broadly unchanged.

The new EAGGF regulation concerning rural development groups together a series of measures targeting all rural areas in the Union:

- investment in agricultural holdings
- start-up support for young farmers
- professional training
- support for early retirement schemes
- compensatory allowances for disadvantaged areas
- agri-environmental measures
- processing and marketing of agricultural products
- development and promotion of forests
- measures for the adaptation and development of rural areas.

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, these measures will be financed by the Guidance section of the EAGGF in Objective 1 regions. Outside of Objective 1, all measures will be financed by the Guarantee section of the EAGGF.

The activities eligible for ESF assistance fall into three categories:

- Assistance for persons: education and vocational training, aid for employment, higher education in science and research, new sources of employment.
- Assistance for structures and systems: improving education and training systems, modernising employment services, developing systems to anticipate qualification needs.
- Accompanying measures: raising awareness, services, etc.

Beyond these general parameters, the regulation stipulates that national rules will apply to eligible expenditure, unless the Commission establishes common rules (cf. current eligibility documents).

The regulation allows for the diversification of forms of funding. Alongside direct non-reimbursable assistance, therefore, other forms of assistance can also be used, such as direct reimbursable assistance, interest rate subsidies, guarantees, or venture capital holdings.

The growing increase in the use of financial engineering options will allow better account to be taken of the return on certain projects and will encourage project funders to make greater use of other types of financing, such as that provided by the European Investment Bank (EIB) or the European Investment Fund (EIF).

Financial management

The financial management of the Structural Funds provides for a system of commitments and payments.

The Commission's budgetary commitments are fixed in annual instalments:

- a first instalment is fixed following the decision to adopt the programme;
- subsequent instalments are based on the financing plan and the completion of actions.

The payments are linked to the commitments as follows:

- An initial advance of up to 50% of the corresponding commitment
- A second advance of up to 30% of that commitment
- The balance is paid once the conditions for completion of the programme have been met.

Payment deadlines are set at:

- two months for payment by the Commission following an application from a Member State
- three further months for the money to reach the final beneficiary.

Financial management

Commitments and payments are maintained but are dissociated from one another.

Commitments will be made on an annual basis no later than 30 April. Any part of a commitment not paid by the end of the second year following that in which the commitment was made will be automatically decommitted by the Commission.

With regard to payments, a new, simple but exacting system has been put in place:

- When the first commitment is made, the Commission will pay an advance to the Member State of up to 7% of the total Funds contribution to the programme in question
- Subsequent payments will be made to reimburse actual outlay certified by the Member State
- The final balance is paid only if the Commission has received and approved all necessary documentation (statement of expenditure in the six months following the date of payment fixed in the programme, annual reports and final programme report).

The new system of automatic annual commitments, and systematic decommitments in the event of non-take up of Funds, is intended to simplify procedures and to encourage more efficient programme implementation.

The new payments system is accompanied by a simplified indexation procedure, calculated on a flat-rate basis and built into the Community budget at the beginning of the programming period.

Financial control

The current regulations stipulate that the Member States must take the necessary steps to ensure that the operations have been properly carried out, prevent and take action against irregularities and recover any amounts lost as a result of an irregularity or negligence.

To this end, Member States must inform the Commission of the control systems they establish and should regularly update the Commission on the progress of any administrative and legal proceedings. They must also make available all reports on the financial control of measures.

For its part, the Commission may carry out on-the-spot checks for funded measures and the Member State's management and control systems. Furthermore, if it emerges that there has been an irregularity or significant modification in any operation, the Commission can reduce or suspend Community assistance, after consulting the partnership.

Financial control

The new regulation clearly indicates that the responsibility for financial control lies primarily with the Member States. It details their responsibilities as follows:

- implementing effective management and control systems and informing the Commission of these arrangements;
- guaranteeing that Community funds are being managed efficiently;
- guaranteeing the accuracy of declarations of expenditure presented to the Commission;
- guaranteeing compliance with the Community regulations;
- preventing, detecting and correcting irregularities;
- cooperating with the Commission to ensure sound financial management of Community funds;
- ensuring that a final statement is drawn up by a body that is independent from the managing authority concerning the validity of applications and the accuracy of the operations.

The European Commission is responsible for:

- ensuring the existence of management and control systems in the Member States;
- carrying out on-the-spot checks;
- requiring the Member States concerned to carry out such controls;
- in the event of an irregularity, submitting recommendations or requests for corrective measures to be put in place to remedy management shortcomings or correct irregularities.

The Commission and the Member States must meet once a year to coordinate the programmes and control mechanisms and to consider the results of the various control activities.

The Member States will be primarily responsible for investigating irregularities and implementing financial corrections.

However, in the event of a Member State not meeting these obligations, or a financial irregularity, the Commission will:

- request that the Member State submit its comments;
- reduce or suspend all or part of the Community assistance for the programme in question, should the Member State fail to correct the situation and a conciliation meeting fail.

Financial corrections can correspond to the exact amount of the irregularity, or can be levied at a flat rate in the event of a general weakness in the management or control system in the Member State.

Evaluation

At present, there are three types of evaluation for interventions:

- ex-ante evaluation
- mid-term evaluation
- ex-post evaluation.

All three phases of evaluation are the responsibility of both the Member State and the Commission. The regulations stipulate that the competent authorities should take the necessary steps to ensure that evaluations are carried out as effectively as possible.

Evaluation

For the 2000-2006 period, the new regulation specifies three types of evaluation (ex-ante, mid-term and ex-post) and indicates the various responsibilities involved:

- 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.
- The mid-term evaluation will be the responsibility of the programme 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 the half-way period, and to aid in the allocation of the performance reserve.
- 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 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 evaluation reports will also be made available to the public.