Structural Funds

The Structural Funds finance multi-annual programmes which constitute development strategies drawn up in a partnership associating the regions, the Member States and the European Commission taking into account guidelines laid down by the Commission which apply throughout the Union. They act on economic and social structures to:

- **develop infrastructure, such as transport and energy;**
- **extend telecommunications services;**
- **help firms and provide training workers;**
- **disseminate the tools and know-how of the information society.**

Development initiatives financed by the Structural Funds must meet the specific needs identified on the ground by regions or Member States. They form part of an approach to development which respects the environment and promotes equal opportunities. Implementation is decentralised, which means that it is mainly the responsibility of the national and regional authorities.

The four Structural Funds do not constitute a single source of finance within the Union budget. Each has its own specific thematic area although all work hand in hand.

- **The European Regional Development Fund (ERDF)** finances infrastructure, job-creating investments, local development projects and aid for small firms.
- **The European Social Fund (ESF)** promotes the return of the unemployed and disadvantaged groups to the work force, mainly by financing training measures and systems of recruitment aid.
- **The Financial Instrument for Fisheries Guidance (FIFG)** helps adapt and modernise the fishing industry.
- **The "Guidance" Section of the European Agricultural Guidance and Guarantee Fund (EAGGF - Guidance)** finances rural development measures and aid for farmers, mainly in regions lagging in development The "Guarantee" Section of this Fund also supports rural development under the Common Agricultural Policy in all other areas of the Union.

The Structural Funds do not finance separate individual projects but multiannual regional development programmes drawn up together by the regions, the Member States and the Commission. They take into account the guidelines proposed by the Commission for the Union as a whole.

A special solidarity Fund, the Cohesion Fund, was set up in 1993 to help the four least prosperous Member States: Greece, Portugal, Ireland and Spain. It provides assistance throughout these countries to finance major projects in the fields of the environment and transport. For the period from 2000 to 2006, the annual budget of the Cohesion Fund will amount to ~2.5 billion, or ~18 billion over seven years.

To enhance its impact and secure the best possible results, 94% of structural funding is concentrated on three objectives defined as priorities:

Objective 1 (territorial)

Helping regions whose development is lagging behind to catch up, i.e. providing them with the basic infrastructure which they continue to lack or encourage investments in business economic activity.Some fifty regions, home to 22% of the Union's population, are concerned and they receive 70% of the funding available.

Objective 2 (territorial)

Supporting economic and social conversion in industrial, rural, urban or fisheries-dependent areas facing structural difficulties. 18% of the Union's population lives in these crisis-hit areas, which receive 11.5% of total funding.

The Union has also devised four special programmes, known as Community Initiatives, to find common solutions to problems affecting the whole Union.
These four programmes absorb 5.35% of the budget of the Structural Funds. Each Initiative is financed by only one Fund.

Interreg III

promotes cross-border, transnational and interregional cooperation, i.e. the creation of partnerships across borders to encourage the balanced development of multi-regional areas (financed by the ERDF).

Urban II

concentrates its support on innovative strategies to regenerate cities and declining urban areas (financed by the ERDF).

Leader+

aims to bring together those active in rural societies and economies to look at new local strategies for sustainable development (financed by the EAGGF Guidance Section).

Equal

seeks to eliminate the factors leading to inequalities and discrimination in the labour market (financed by the ESF).

To improve the quality of regional development strategies the Commission intends to support the latest ideas which have not yet been adequately exploited. They are expected to provide the regions with the scope for experimentation which they sometimes lack but need to meet the challenges of the information society and to make their economies more competitive.

The Commission has laid down three working topics for ERDF innovative actions in 2000-2006:

- regional economies based on knowledge and technological innovation;
- e-EuropeRegio: the information society at the service of regional development;
- regional identity and sustainable development.

Other innovative actions are also planned for employment and training (financed by the ESF), and in the fisheries sector (financed by the FIFG).

With a budget of about ~1 billion, representing 0.5% of the budget of the Structural Funds, the innovative actions programmes finance the drawing-up of new strategies and the experimental phase of projects. If the initial stage proves satisfactory, projects may then be included in the strategies under the different Objectives.

Table 1.

Structural Assistance ***2000-2006***	***213 billion***
Structural Funds	**195,00 billion**
Priority Objectives	182,45 billion
Objective 1	135,90 billion
Objective 2213	22,50 billion
Objective 3	24,05 billion
Community Initiatives	10,44 billion
Fisheries	1,11 billion
Innovative actions	1,00 billion
Cohesion Fund	**18 billion**
	Amounts in euro (at 1999 prices

Table 2.

Funds concerned	**Objective 1**	**Objective 2**	**Objective 3**
	ERDF	ERDF	ESF
	ESF	ESF	
	EAGGF-Guidance		
	FIFG		

Table 3.

The Structural Funds do not directly allocated to projects chosen by the Commission. While the main priorities of a development programme are defined in co-operation with the Commission, the choice of projects and their management are solely the responsibility of the national and regional authorities. This greater decentralisation is one of the main innovations in this new programming period.

Once projects have been selected, they are financed from both national and Community funds, since programme budgets are always comprised of Union funds as well as national sources (public or private).

Union funding is always added to national funding so that the country may overcome the limits imposed by its own financial capacity.

However, Community funding is not provided as a means for countries to make savings in their own national budgets.

The Member States bear the main responsibility for the development of areas in difficulty. The Union helps them achieve more and obtain better results than they could acting on their own. That is the real added value of the Structural Funds.

2. The Council, i.e. all the members of the Union, acting on a proposal from the European Commission negotiated with the European Parliament, decides on the budget for the Structural Funds and the basic rules governing its use. The Structural Funds are broken down by country and by Objective. The areas which may benefit from this funding are laid out by the Commission in agreement with the countries concerned. The Commission proposes common thematic guidelines.
3. Following these decisions, each Member State or region draws up its proposals and groups them in a development plan of areas in difficulty or of vulnerable social groups by taking into account the Commission's thematic guidelines. Actors in economic and social affairs are involved in this exercise.
4. Once they have been completed, these plans are sent to the Commission.
5. The Member States and the Commission discuss the contents of these documents and the appropriate national and Community funds to be used to implement them.
6. When both sides have agreed on all these issues, the Commission adopts the resulting plans (1) and programmes. A payment on account is made so that Member States may begin implementing the programme.
7. These are known as Community Support Frameworks (CSFs) or Single Programming Documents (SPDs), depending on whether a Commission decision is required to implement the programmes.
8. The details of these programmes, namely the Programme Complements, are decided by the national or regional authorities. The Commission does not partake in these negotiations but is kept informed. Once they have been approved, these documents enable the authorities to launch these projects according to their operating methods (calls for project proposals, calls for tenders for the construction of infrastructure, etc). The programmes then become operational.
9. The relevant authorities select the projects which best correspond to the goals of the programme and inform the tenderers of their choice.
10. The bodies selected may then implement their project, which must be completed before the deadline laid down in the programme since the timetable for the disbursement of Community aid is fixed at the start.
11. The appropriate authorities on a regular basis monitor the progress of programmes, keep the Commission informed and provide it with proof that the money is being used in the best way possible (certification of expenditure). The Commission keeps track of the audit systems put in place and gradually pays out the remainder of the contribution from the Structural Funds. It analyses the development of the monitoring indicators and evaluation studies and conducts theme exchanges. The persons responsible for programmes are notified when any new Community priorities which have an impact on regional development are adopted.

Unlike the Structural Funds, the Cohesion Fund and ISPA do not co-finance programmes but projects or stages of projects which are clearly identified from the start. These projects are submitted to the Commission by the Member States, managed by the national authorities and supervised by a Monitoring Committee.

Source: http://europa.eu.int/comm/regional_policy/intro/regions1_en.htm