

Opinion of the Economic and Social Committee on the '10th Annual Report of the Structural Funds — 1998'

(2000/C 268/06)

On 1 March 2000 the Economic and Social Committee decided, under Rule 23(3) of its Rules of Procedure, to draw up an opinion on the 10th Annual Report of the Structural Funds — 1998

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 June 2000. The rapporteur was Mr Mengozzi.

At its 374th plenary session (meeting of 12 July) the Economic and Social Committee adopted the following opinion by 111 votes to 0 with two abstentions.

1. Introduction

1.1. Once again this year, the ESC is issuing an own-initiative opinion on the annual report on the use of the Structural Funds, drawn up by the Commission under Article 16 of the framework Regulation (EEC) N° 2052/88 on the Structural Funds — which makes it obligatory to present the report to the Parliament, the Economic and Social Committee and the Committee of the Regions. It can be conjectured that the failure to consult the ESC formally — as for the 9th Report — is due to a strict interpretation of the term 'present' as meaning that an explicit consultation is not required.

1.2. The Commission report contains assessments and judgements, and indeed omissions, and it would be reasonable to think that they could give rise to criticisms or useful considerations and suggestions for the future, given the role allotted by the Treaty to the Committee in the field of economic and social cohesion and in relation to the European Regional Development Fund (Articles 159 and 162) and in view of the amount of work it does on the subject, as evidenced by Chapter 7 of the report, on interinstitutional dialogue — in this context with the Economic and Social Committee.

2. The content and structure of the report

2.1. 1998 was the penultimate year of the 1994-1999 programming period — the year in which the last programmes were adopted. At the end of the year there were 1 104 programmes running, 605 of them coming under the various objectives and 499 under the Community Initiatives.

2.2. The highest implementation rate was achieved under Objective 1, for which at the end of 1998 the implementation rate was 82 % for commitments and 64 % for payments, while Objective 2 slowed down considerably in relation to 1997, in terms of both commitments and payments. Special attention should be drawn to the trend for Objective 4, which despite the excellent implementation rate in 1998 did not manage to catch up on the delay accumulated over the whole program-

ming period. Thus at the end of 1998 only 68 % of commitments and 47 % of payments had been implemented.

2.2.1. In this context it is interesting to note that among the Community Initiatives the most progress was made in the sectoral programmes for industrial conversion.

2.3. One section is devoted to interim evaluations which aim to assess the degree of implementation of the programmes in relation to the objectives and to propose any necessary adaptations. In this context assessments are made of the programmes' macroeconomic impact on GDP and employment.

2.4. The thematic and horizontal evaluations concern SMEs, the research, technological development and innovation sector, equal opportunities and partnership.

2.5. The chapter on the budget, apart from noting the extent of its implementation, lists the problems and deficiencies which have been brought to light by spot checks carried out on the programmes broken down by Fund. Checks made by the Commission's anti-fraud unit (UCLAF) have brought to light the fact that the number of cases of irregularities and frauds communicated to the Commission by the Member States is increasing, but involves a smaller amount of money than in 1997. There were 407 cases of irregularity or fraud in 1998 amounting to a total of EUR 42,838 million, as against EUR 55,9 million in 1997. It should be added that not all the cases settled at national level were notified to the Commission, despite the obligation to do so under Article 5 of the Regulation.

2.6. As regards additionality, the report notes a certain reluctance on the part of Member States to communicate the data within the deadlines laid down.

2.7. Two short chapters are devoted to coordination with other financial instruments and to compatibility and complementarity with the other Community policies. Comments on these will be found below ('Comments' section).

2.8. In the chapter on interinstitutional dialogue, as regards the Economic and Social Committee, the Commission draws attention in particular to the merging of the regional and economic sections of the ESC in the new Section for Economic and Monetary Union and Economic and Social Cohesion. It then cites some of the opinions drawn up in 1998: on the urban agenda⁽¹⁾, the Eighth Report on the Structural Funds⁽²⁾, the new regional programmes for 1997-1999⁽³⁾, the territorial employment pacts⁽⁴⁾, the European Spatial Development Perspective⁽⁵⁾, the reform of the Structural Funds⁽⁶⁾ and the Agenda 2000 proposals⁽⁷⁾.

2.9. 1998 was the year of preparing for the new programming period 2000-2006; on 28 March of that year the Commission adopted drafts of the new regulations on the Funds, which consist of a general regulation and the simplified regulations for the Funds. The report summarises the main innovations of the reform and the priorities defined in the guidelines adopted by the Commission for the 2000-2006 period.

2.10. The horizontal theme chosen for detailed treatment this year is that of local development: this is of special interest to the Committee, which has produced a number of opinions and information reports on this subject over a long period. The concept of local development is defined, together with related key terms, and the place it occupies in the programming of the Funds is explained.

3. Comments

3.1. In general the interim evaluations appear to be useful: they often make it possible, through practical recommendations, to reorientate programmes in mid-term. They also throw light on the difficulties over financial and administrative procedures, particularly for the more innovative measures, and produce suggestions for improving monitoring systems and strengthening the instruments used by public authorities. However, on other aspects — such as employment and partnership — they are inadequate.

3.1.1. Despite the progress achieved in the economic recovery of the more disadvantaged regions — according to the data given in the 6th Periodic Report on the social and economic situation of the regions⁽⁸⁾ — employment problems are getting worse. Indeed, point 1.1.2 of the Structural Funds Report shows that in the 25 worst affected regions (23 of them Objective 1 and one Objective 2) unemployment rose from 20 % to 24 %.

3.1.2. It is extremely difficult on the basis of the present report to assess the impact of the Funds on employment, although this is a priority of regional policy. Its importance is emphasised in several chapters, the guiding principles of relevant Community policies are summarised — especially those defined in 1998 — but it is not possible to obtain a picture of the results — not even in general, provisional terms — after four years of programming.

3.1.3. Such evaluations are of course difficult, but the data given in the report for Objective 1 alone — those on the macroeconomic impact and on extra jobs created, as well as the figures and comments scattered over the various chapters — should be regrouped in a summary table, broken down by country or region and by type of firm or major productive sector (agriculture, industry, services and public administration, non-profit sector), and given more exhaustive treatment.

3.1.4. For example, it would be of great interest to know how assistance of various types given to more than 750 000 SMEs made possible the creation and maintenance of two million jobs — concepts which differ considerably in the effect they have on overall employment figures.

3.1.4.1. The report makes a positive judgement on the work of the Funds in the small and medium-sized enterprises sector, stressing that 70 % of the projects could not have been successfully completed without their support, and emphasising the importance of financial engineering measures. However, it is not possible to form an impression of the commitment and results achieved in the services sector (such as commerce and tourism) which is so decisive for employment.

3.1.5. It is, however, understandable why it is impossible to assess the employment impact of the 89 territorial employment pacts — involving the creation of about 55,000 jobs — which have not yet reached their expiry dates. Nonetheless, it is interesting to note that they contributed EUR 1,609 million to the reorientation of the Funds — most of it coming from national and local contributions and the private sector.

3.2. No information is given on the spread of partnership — something which the Committee regards as important — but interesting comments are made on its positive contribution, along with comments on its form and structure.

3.2.1. The report raises the question of the multiplicity of forms which partnership can take — something which can cause problems — and expresses reservations about the suggestion of achieving a wide-ranging partnership.

(1) OJ C 95, 30.3.1998, p. 89.

(2) OJ C 235, 27.7.1998, p. 34.

(3) OJ C 235, 27.7.1998, p. 38.

(4) OJ C 407, 28.12.1998, p. 66.

(5) OJ C 407, 28.12.1998, p. 85.

(6) OJ C 407, 28.12.1998, p. 272.

(7) OJ C 19, 21.1.1998, p. 111.

(8) SEC(1999) 66 final.

3.2.2. The report does not provide further details, but the Committee reaffirms what it has stated in the past — that partnership cannot take on too rigid a form, because the territorial differences are too great, and the organisation of social forces too disparate (sometimes even for the same organisation in different areas). As to the scale of partnership, wider involvement is undoubtedly positive, provided that each representative has a precise role and responsibility.

3.3. If one excepts the trans-European networks sector, where the European Regional Development Fund (ERDF) and the Cohesion Fund are among the most important sources of subsidies (and to some extent the European Investment Bank) it is difficult to ascertain from Chapter 5 what in fact constituted the coordination with other financial instruments, which was to be achieved in the strategies and objectives. It is however desirable for such coordination to take place at both national and Community levels.

3.4. Coordination with the other Community policies continued satisfactorily in 1998, according to the report, particularly as regards environmental protection, which is increasingly integrated into the measures, promotion of the entrepreneurial spirit, with increased exchange of good practice in the SME sector, and the field of research and technological development, where some operational programmes have been reorientated to promote the information society.

3.5. On the other hand, not much can be learned from the information given on coordination with the Common Agricultural Policy, competition and transparency in public procurement, which fails to make clear whether Community directives are being followed and complied with.

3.5.1. Moreover, given that the Funds are fairly active in the cultural sector, it would be interesting to know which European strategy these measures fit into. Similarly, it would be useful to have an assessment of the relationship between measures for outlying regions and external policies for areas close to the EU.

3.5.2. This chapter would be even more interesting if it also contained comments, drawn from practical experience with the Funds, on the compatibility of the other Community policies with the objective of economic and social cohesion. For example, in research and technological development (RTD) policy the need has long been stressed to change priorities by promoting not only excellence — which benefits research centres in more developed regions — but above all by increasing investment in the research and development potential of disadvantaged regions.

3.5.3. Also decisive would be a change in competition policy leading to more severe and restrictive monitoring of Community and national aid and of the application of the rules in the stronger regions, combined with greater flexibility in relation to Objective 1 and 2 regions. The policy can play an important part in restoring a balance between the regions, provided that it is not confined to the purely formal application and guarantee of market rules, but accepts and incorporates the objectives of economic and social cohesion, for example as regards tax relief for SMEs in particular, and measures designed to make unofficial labour more transparent.

3.5.4. In this context it is worth quoting point 37 (third indent) of the Conclusions of the Lisbon Summit: '... translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences'.

3.6. The horizontal theme selected for this report, namely local development, is amply dealt with in the various chapters, even if the statement that it 'is not a policy priority for the Community' is somewhat baffling: firstly because the need for stating this is unclear (why state what is not the case?), and secondly because two European Summits are mentioned immediately afterwards (Florence and Dublin) at which undoubted prominence was given to local development and the employment pacts.

3.6.1. First and foremost an attempt is made to clarify the concept of local development through a non-rigid definition. It should be said that, rather than a 'rather vague concept' it is a flexible and very broad concept, which can be defined not so much by its content as above all by the types of measure involved and by the size and characteristics of the territory involved.

3.6.2. The Committee agrees with the observation that local development is perceived as an innovative approach, which is gaining in support. It involves forms of action which are particularly suitable for tackling the problems of urban development (Urban), industrial conversion (indeed, for Objective 2 local development measures account for 15 %) and rural areas (farm tourism, craft industries, culture and communication, Leader II) and in the framework of the pilot projects for new employment catchment areas.

3.6.3. The report states that it is difficult to calculate the proportion of local development measures precisely enough, and estimates it at about 10 % of total funding. An exact assessment is indeed difficult, and should be made more on the basis of types of measure than on the basis of the objectives. The Committee takes the view that measures to promote local development should be strengthened.

4. The reform of the Structural Funds 2000-2006

4.1. As stated above, 1998 was also the year in which the Commission presented the proposals for new Structural Funds regulations; they were adopted by the Council in June 1999 and entered into force this year. The European Union is once again at a crucial stage of its development. The Treaty of Amsterdam, concluded in 1997, has been in force for barely a year, and already talks are in progress for a further revision of the Treaty to tackle and solve the remaining institutional problems. In the course of the first decade of the new millennium the EU will gradually be enlarged to include another 11 countries or perhaps more. The globalisation process and the development of the information society have implications for institutions and for the organisation of enterprises and markets: not all these implications are foreseeable at present.

4.1.1. At the end of 1999 unemployment affected about 10 % of the active population, i.e. almost 16,5 million people, most of them living in the regions whose development was lagging behind. The Treaty of Amsterdam and the conclusions of a series of European Council meetings form a European framework which lays down the priority areas for investments in terms of employment and measures to encourage development of human resources. The Structural Funds will need to take action to promote the four aspects of the European employment strategy (entrepreneurial spirit, suitability for employment, adaptability and equality of opportunity) which are the preconditions for development of human resources.

4.1.2. It is against these challenges that the new reform of the Structural Funds and the other Community policies must be measured. All this called for a significant reform, drawing lessons from the problems with earlier programming exercises and making it possible to use resources more efficiently, so that regions lagging behind and declining areas succeed at an early stage in joining the areas which are developing and modernising their infrastructure.

4.1.3. The Commission proposals comprise:

- a general regulation which covers all the basic principles of the Structural Funds (priority objectives and tasks of the Funds, programming methods and general organising principles, coordination between the Funds and the various financial instruments, financial management, evaluation and control);
- four specific regulations for each of the Funds (ERDF, EAGGF, ESF and FIFG), considerably simplified, and confining themselves to specific provisions which essentially cover the respective sectors for action.

4.1.4. The new reform brings in important innovations. The political approach on which the reform of the Structural Funds is based has five priorities:

- creation of the necessary conditions for sustainable economic development: growth, competitiveness, employment;
- increase in competitiveness and innovation, more support for the development of SMEs;
- development of human resources to promote employment;
- sustainable development, protection and improvement of the environment;
- equality of opportunity between men and women.

4.1.5. The proposed reform is based on three lines of action:

- greater concentration of aid;
- simplification and decentralisation of the allocation of the Funds;
- improving effectiveness and monitoring.

For the 2000-2006 period, the proposal is to decentralise the management of the Structural Funds and better to define the role of the parties involved. In this context, the Commission must take on responsibility for strategic programming, respect for Community priorities, checking the results through supervision, evaluation and monitoring, and finally for allocating resources. For their part, the Member States will be responsible for implementing the programmes and managing the action taken, on the basis of a wider, deeper partnership which would involve the associations of partners — especially economic and social actors — throughout the process of action under the Structural Funds.

5. Conclusions

5.1. The Committee is pleased to see the progress achieved in making the annual report on the Structural Funds more succinct and readable, and sums up as follows the main suggestions made with a view to increasing the utility of the report and further improving its content:

- earlier publication of each report;
- a single section dealing with unemployment in greater depth;
- more information on partnership;
- reference, however selective, to the compatibility of the other Community policies with the objective of economic and social cohesion;

- more detailed examination of education and training measures, in view of the growing importance of an economy based on knowledge.

In addition, the Committee feels that greater emphasis should be placed on local development measures.

5.2. The conclusions of the Lisbon European Council of 23 and 24 March trace a turning-point in the direction of development. They note that: 'Long-term structural unemployment and marked regional unemployment imbalances remain endemic in parts of the Union. The services sector is underdeveloped, particularly in the areas of telecommunications and the Internet. There is a widening skills gap, especially in information technology where increasing numbers of jobs remain unfilled. With the current improved economic situation, the time is right to undertake both economic and social reforms as part of a positive strategy which combines competitiveness and social cohesion.' They go on to set a new strategic goal: 'to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion.'

5.2.1. To achieve this goal, the presidency conclusions state that it is necessary to prepare 'the transition to a knowledge-based economy and society by better policies for the information society and R&D ... The shift to a digital, knowledge-based economy, prompted by new goods and services, will be a powerful engine for growth, competitiveness and jobs. In addition, it will be capable of improving citizens' quality of life and the environment. (...) Information technologies can be used to renew urban and regional development and promote environmentally sound technologies.'

Brussels, 12 July 2000.

5.3. The Committee endorses these statements and is convinced that these new strategic guidelines will assist in increasing awareness of the importance of new information technologies and in general of that system of SMEs known as the 'new economy' for the development of the more disadvantaged regions of Europe. They represent an opportunity which may not be repeated, even in the long term, for them to bridge the technological gap with the more advanced regions through a fairly modest capital investment and an entrepreneurial spirit found above all in the younger generations, which are the hardest hit by unemployment. If the opportunity is not seized, the gap will become increasingly difficult to bridge.

5.4. The report does not make clear either the place assigned to this key aspect — which although relaunched politically now by the Council is not exactly a novelty — or the progress being made thanks to the Structural Funds. References to the 'information society' are frequent but generic. It would certainly be desirable for the next report to give a fuller, more in-depth picture, given the central importance this topic is now taking on. Perhaps this could be the horizontal theme of the next report.

5.5. Of course the achievement of this new strategic objective calls for an extraordinary effort, above all in the fields of education, vocational training, communications infrastructure and liberalisation of services. The economic changes which have occurred call for a reallocation of resources, making visible this commitment which covers all sectors. The new guidelines for the 2000-2006 programmes should probably be updated, or at least the Commission should ensure that this requirement is strongly emphasised in the new programmes.

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of the Economic and Social Committee
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