Economic and social cohesion

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Strengthening economic and social cohesion in the Community was defined as an objective by the Single European Act in 1986 in order to reduce disparities in development between regions and between Member States. Regional policy was implemented progressively from the 1970s onwards, and cohesion policy from the mid-1990s.

In Agenda 2000, the European Commission proposed making regional policy more effective by concentrating aid on priority objectives. Aid was provided through the 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), and the Financial Instrument for Fisheries Guidance (FIFG). This aid would not be reduced following enlargement. It was to be concentrated on three objectives.

The first and most important was to help regions whose development was lagging behind (with a gross domestic product (GDP) of less than 75 % of the Community average). All the Member States had such regions, but the main ones were at the Union's external frontiers: Greece, southern Italy, Sardinia, Corsica, Portugal, most of Spain, Ireland, Wales, Scotland, the northern regions of Sweden and Finland and the *Länder* of the former East Germany. There were also the French Overseas *Départements*, the Azores, Madeira and the Canary Islands.

The second objective was to help Member States' regions to overcome unemployment brought about by economic change. Altogether, the regions in structural difficulty accounted for 18 % of the EU population. The third objective was to help people to prepare for and adapt to economic change by funding national measures to combat unemployment, promote access to the labour market, particularly for women, and provide vocational training.

The Commission proposed simplifying the management of the Structural Funds by giving the regional and local authorities a greater role, in accordance with the principle of subsidiarity, and by applying more rigorous checks in return.

The Cohesion Fund, designed to supplement the Structural Funds, operated at national level to help Member States whose gross national product (GNP) was less than 90 % of the Community average and which had introduced programmes in order to meet the convergence criteria required to participate in the single currency: Ireland, Greece, Portugal and Spain. Set up in 1994, the Cohesion Fund helped to finance projects involving the environment and the trans-European transport infrastructure networks. It was now a case of reviewing the economic situation of each country in order to see whether, depending on its development, it could still receive this aid (Ireland's GNP was now above the Community average, for instance), and of providing similar aid for the applicant countries in order to prepare them for accession.

The Berlin European Council (24–25 March 1999) approved the reform of the Structural Funds, but it did not support the Commission's proposal to keep their funding for 2000–2006 at the same level as for the previous period (EUR 218.4 billion), and it limited the commitment appropriations to EUR 195 billion (at 1999 prices). The Commission broke this down by Objectives: 69.7 % for Objective 1, 11.5 % for Objective 2 and 12.3 % for Objective 3, with 5.3 % for initiatives to be taken by the Commission to launch programmes under these Objectives. All the Member States received aid here, but very unevenly. The main beneficiaries were Spain (EUR 43.1 million), Italy (EUR 28.5 million), Germany (EUR 28.1 million), Greece (EUR 20.9 million), Portugal (EUR 19 million), the United Kingdom (EUR 15.6 million), France (EUR 14.6 million) and Ireland (EUR 3 million) out of a total of EUR 183.5 billion in commitment appropriations for the Fifteen.

With regard to the Cohesion Fund, the Berlin European Council allocated EUR 18 billion for the period 2000–2006. The countries which benefited were: Spain (61–63.5 % of the total), Greece (16–18%) and Portugal (16–18%). Ireland, now wealthier than the EU average, received transitional support until 2003 (2–6 % of the total).

The 10 new Member States which acceded on 1 May 2004 became eligible for aid from the Structural and Cohesion Funds because of their low GNP. However, the application of the same criteria to them as to the Fifteen would have doubled expenditure, something which the net contributing States would have rejected and which was, in any event, fairly unrealistic, given that the countries of Central and Eastern Europe (CEECs) had only limited capacity to use this aid. They were therefore allocated EUR 21.7 billion for structural measures out of a total of EUR 37.5 billion in aid for the 2004–2006 period. The amount paid to each beneficiary had to be less than 4 % of its GNP.

Strengthening economic and social cohesion is also the principal task of the European Investment Bank (EIB), whose capital was subscribed by the Member States and which can raise money on the capital market. It grants individual loans (EUR 12.5 billion in 2002) for projects in economically underdeveloped regions or regions facing structural difficulties. In this way, it supplements the Structural Funds.