

# The reform of the EEC structural funds: Hopes and limitations

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## Introduction

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At the end of 1988 the European Economic Community undertook a massive reform of all the funds underpinning the so-called structural policies of the member States. The value of the assistance to be provided by the reformed funds is said to be comparable with that provided by the Marshall Plan for the economic reconstruction of Western Europe at the end of the Second World War.

Will the reorganisation succeed in giving the Community that greater "economic and social cohesion" <sup>1</sup> which has been its goal since the signing of the Single European Act? <sup>2</sup> By including this new objective, the Act has extended the scope of Community development, because the process of unification for the Single Market – due to be attained by the end of 1992 – now has to be accompanied by structural (usually regional) policies to increase the Community's capacity to help bring about a fair distribution of growth among its 12 member States. Such are the hopes which the reform has aroused; but it also has its limitations, as I shall try to show.

Some aspects of the reform may also be relevant to those concerned with development co-operation and with action to promote economic and political integration. It would be useful if such programmes could provide mutual support through an assessment of their advantages, drawbacks and failures.

I shall take this opportunity to bring up to date my remarks in the *International Labour Review* in 1984, following an earlier reform of the

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<sup>1</sup> Publications on the reform include: Commission of the European Communities: *Guide de la réforme des fonds structurels de la Communauté* (Brussels-Luxembourg, 1989); Assemblée permanente des Chambres de commerce et d'industrie (Bruxelles): *La réforme des fonds structurels européens*, 1989; M. O'Hagan and G. de la Mer: *The structural funds of the EC*, APAS (Brussels), 1989; J. Van Ginderachter: "La réforme des fonds structurels", in *Revue du Marché commun* (Paris), No. 327, May 1989; J. C. Séché: "La nouvelle réglementation des fonds structurels", *ibid.*, No. 328, June 1989.

<sup>2</sup> Single European Act, in *Official Journal of the European Communities* [subsequently referred to as *OJ*] (Luxembourg), No. L 169, 29 June 1987.

European Social Fund.<sup>3</sup> I shall note the lessons the EEC drew from its experience then and examine how it intends to tackle some current major social problems, notably those which will make or break cohesion.

## Instruments of the European policy of cohesion

### The internal market and economic and social cohesion

In 1987 and 1988 the European Community worked out a series of political agreements which both strengthened its foundations and gave it room to develop.

The most important of these is the Single European Act. Among other changes to the treaties constituting the Community, the Act has settled the date – 31 December 1992 – and the institutional means for attaining the objective of a unified internal market, allowing the free movement of goods, capital, people and services. This is combined with an economic and social cohesion policy complementing the original treaties with new legal bases to meet the needs of social policy, the environment and research and development.

From the outset the Community has been faced with significant regional disparities. These have grown with the accessions of Greece in 1981 and Spain and Portugal in 1986, which hoped that joining would help them to speed up their development. One basic aim of the intended policy of cohesion, which was crucial if these countries were to accept the objective of achieving the internal market between now and 1992, was to meet their expectations and make sure that the internal market would not exacerbate existing disparities by means of a compromise which also took into account structural problems in other regions of the Community.

This policy was realistic and credible only if the Community also consolidated its foundations and put its finances in order. To this end it had to guarantee and increase its resources at least until 1993, put a stop to the unsustainable expansion in its agricultural expenditure, which makes up the largest part of the Community budget, and establish budgetary discipline. Agreements were concluded on these points in 1988, on the basis of a policy package put forward by the Commission. The package included the proposal to double in real terms the budgetary allocation for all the structural expenditure borne by the existing funds (the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF)) as part of a policy – also laid down in the Single Act (article 130 *d*) – to rationalise and co-ordinate their operations. This arrangement meant that the aim of

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<sup>3</sup> F. Vandamme: "The revised European Social Fund and action to combat unemployment in the European Community", in *International Labour Review*, 1984/2, pp. 167-181.

cohesion had the potential of real macro-economic significance. Under the agreement, structural expenditure is to rise from 7 billion ECU in 1988 (US\$1 = + 0.732 ECU) to 14 billion for 1992-93, with the intention – as had long been the case – that renewed efforts should be made to target the funds to the benefit of the most disadvantaged regions.<sup>4</sup>

The structural funds thus make a significant contribution to the policy of cohesion, but are not the only elements in that policy, which is basically intended to act as a back-up to the dismantling of internal frontiers and to promote economic efficiency and achieve a redistributive effect. It also includes policies affecting the various sectors and other specialised policies, such as opening up markets to third-country partners, fiscal policy, special operating conditions in the Directives<sup>5</sup> setting up the internal market, etc. The Single Act requires the States to manage and co-ordinate their economic policy to contribute to the aim of cohesion. In future it may seem desirable also to develop a frame of reference for industrial policy, in order to encourage action which makes the best use of various regional assets and to promote cultural and ecological interests. In the countries requiring the greatest help, cohesion policy was thought to be the main policy for achieving balanced employment development, preventing the deterioration of the environment and ensuring population stability and social integration.<sup>6</sup>

At first sight, these last two objectives might appear incompatible with that other basic Community principle, the policy of free movement of labour. The Standing Committee on Employment, which is made up of ministers of employment and labour and representatives of the social partners, discussed this apparent contradiction in May 1989, during the Spanish presidency.<sup>7</sup> It decided that cohesion among the regions and between economic and social objectives should be achieved by policies giving people real freedom of choice between the possibility of finding work in their own region or migrating to another region for work. However, the thrust of the structural funds should be to encourage the mobility of capital and entrepreneurship so that they go where human resources are underutilised, rather than the other way round.

Neither the ILO nor the Commission wishes to overdramatise the regional disparities which are so evident with regard to work and unemployment, incomes, the unequal effects of economic expansion within the Community and the increasingly precarious situation of some groups,

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<sup>4</sup> E. Landaburu: "The European Common Market: The Single Act and regional policy", in *Social and Labour Bulletin* (Geneva, ILO), No. 2, June 1989, pp. 107-111.

<sup>5</sup> *Directives* impose an obligation on the States concerned to achieve a particular result in their national legislation, while leaving them the choice of form and method.

<sup>6</sup> See A. Espina: *The first stage in the harmonization of labour systems in the EEC* (Madrid, Ministerio de Trabajo y Seguridad Social, 1989; mimeographed).

<sup>7</sup> Council of the European Communities: *Conclusions of the Chairman of the Standing Committee on Employment*, 37th meeting, 12 May 1989 (Brussels), doc. 6548/89 (Press 79).

notably the long-term unemployed; they consider the disparities tolerable, largely because they should not give rise to large migrations of Community nationals after the abolition of internal frontiers under the 1992 plan. The disparities need not prevent Europeans going further along the road towards union and can, after all, be reduced by means of private investment<sup>8</sup> and action by the structural funds. Private investment is growing faster in the less prosperous countries, such as Italy, Spain, Portugal and the United Kingdom, than in the richer countries such as Germany, France and the Benelux countries. When doubled in 1993, the structural funds will amount to 25 per cent of the Community budget, or 15 to 20 per cent of the total investment in the poorest member countries, with 60 per cent of that expenditure going to help the least developed regions in the most disadvantaged States.<sup>9</sup>

## Objectives of current employment policy

This subject, which may appear ambitious, will be treated here only in connection with the goal of cohesion outlined above and in order to situate the function of the structural funds in a wider context.

Theoretically, cohesion policy should have a positive impact on employment policy, while the internal market and cohesion policy together should offer an exceptional opportunity for business growth. This view is already being borne out by the investment and other preparatory measures being taken by enterprises. What now remains to be done is to secure a more balanced geographical distribution of business activity, so that regional distortions can be avoided and the various target groups can be sure of benefiting from such growth. Results over the years 1985 to 1989 were the best since the earliest days of the Community.<sup>10</sup> However, the return to employment growth had no significant impact on regional disparities. Unemployment fell, but more slowly: according to the ILO's definition of unemployment, it stood at 8.4 per cent in August 1990 (or 13.6 million registered unemployed). This economic situation showed the need to take action on four fronts:

- (1) *promote investment*, particularly in infrastructure, training centres and equipment in backward regions and in regions requiring industrial restructuring;
- (2) *tackle the problem of long-term unemployment*, which has worsened during the 1980s.<sup>11</sup> The proportion of very long-term unemployed (over two years) increased from 23 per cent in 1983 to 35 per cent in 1988, and many young people are affected;

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<sup>8</sup> Commission of the European Communities: "Les disparités régionales dans l'Europe des Douze. Moins dramatiques et plus supportables qu'il n'y paraît", in *Lettre mensuelle sur l'Europe sans frontières* (Brussels), Oct.-Nov. 1989.

<sup>9</sup> *Idem*: *Employment in Europe 1990* (Luxembourg, 1990), p. 14.

<sup>10</sup> *Ibid.*

<sup>11</sup> Seven million people, or 5 per cent of the working population, have been unemployed for over a year.

- (3) *continue to promote vocational training for young people*, a policy which was already central to ESF operations in 1983. The Community has proposed several new programmes in addition to the one embodying the "social guarantee" of which I wrote in 1984, and some need assistance from the Fund. Youth unemployment seems to have decreased now, but there is clearly a huge need for qualifications and urgent measures should be taken to improve training structures, which are too slow to adapt to new requirements;
- (4) *achieve greater labour market fluidity*. In many places the supply of and demand for jobs do not tally in the more specialised occupations. Enterprises should invest more in training, but small and medium-sized ones can only do so with help from public sources.

In frontier regions there have been experiments, seemingly not very successful so far, that try to take advantage of cross-border complementarities.<sup>12</sup> Structural policies can be helpful here.

The lack of fluidity raises the problem of mobility of labour. The ILO has studied this subject, in collaboration with experts from the EEC member States.<sup>13</sup>

In its 1990 report on employment, the Commission expressed the view that an employment policy based on low wages was not an efficient way for the poorer countries to increase their share of the market. The determining factor would be productivity growth through greater investment in industry and infrastructure, as well as better staff training, qualifications and motivation.<sup>14</sup>

## Aims and functions of the structural funds

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### Specific aims

The framework of the reform was adopted on 24 June 1988 by the European Community's Council of Ministers,<sup>15</sup> who accepted the Commission's postulate that economic and social cohesion required a dual approach: on the one hand, to tackle regional inequalities in the level of

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<sup>12</sup> For a brief overview of this question, see F. Vandamme: "La mobilité des personnes dans les régions frontalières", in *Revue du Marché commun*, May 1990.

<sup>13</sup> ILO: *Réunion informelle de consultation sur les travailleurs migrants venant des pays tiers dans l'Europe du marché intérieur après 1992*, Genève, 27-28 avril 1989: *compte rendu sommaire* (Geneva, ILO, 1989; mimeographed); W. R. Böhring and J. Werquin: *Réflexions d'ordre économique, social et sur les droits de l'homme concernant le futur statut des nationaux des pays tiers dans le marché intérieur européen*, WEP research working paper (Geneva, ILO, 1990); ILO: *Inter-regional Tripartite Round Table on Migrant Workers from Non-EC Countries in the Internal Market*, Geneva, 15-17 October 1990: *Informal summary record* (Geneva, 1991; mimeographed).

<sup>14</sup> See report cited in note 9, pp. 13 and 55 ff.

<sup>15</sup> Regulation (EEC) No. 2052/88 in *OJ*, No. L 185, 15 July 1988, p. 9.

economic development and, on the other hand, to take action to promote human resource development, which was required throughout the Community. Funds from all the existing financial instruments were therefore targeted on five specific objectives:

(1) Promoting the development and structural adjustment of regions *whose development is lagging behind*.

These regions, identified by means of statistical elements (Nomenclature of Territorial Units for Statistical Purposes), are those where per capita GDP, on the basis of data for the last three years, is less than 75 per cent of the Community average. Northern Ireland and French overseas departments were added to the list.<sup>16</sup>

(2) Restructuring the regions, frontier regions or parts of regions (including employment catchment areas and urban communities) seriously affected by *industrial decline*.

This might cover a very large number of areas and problems. From the outset the Commission suggested allocating it a smaller share of the funds than to objective 1, which meant that assistance had to be concentrated; the Council therefore targeted certain statistically defined territorial units corresponding to given criteria on unemployment, the percentage of industrial employment in relation to type of employment and the registered decline in industrial employment. Here too the list of eligible areas is reviewed from time to time. The criteria enable action to be taken in urban communities with a very high unemployment rate.

(3) *Combating long-term unemployment*.

(4) *Facilitating the occupational integration of young people*.

These two objectives aim to promote human resources measures anywhere in the Community. These include vocational training measures, accompanied where necessary by vocational guidance, and subsidies for recruitment into newly created, stable employment and for the creation of self-employed activities. Various kinds of experimental programme are envisaged, including some on a transnational basis: for example, training for the staff of undertakings operating in two or more member States. In practice, this form of assistance, which is intended to promote dialogue between the social partners, is not easy to incorporate into state programmes.

The provisions specify that while action on vocational training does not extend to apprenticeship,<sup>17</sup> it shall take account of the requirements of technological change and shall be concerned with young people and the long-term unemployed. However, the range of applicable measures and potential

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<sup>16</sup> This list, valid for five years, appears as an Annex to Regulation No. 2052/88.

<sup>17</sup> Regulation (EEC) No. 4255/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No. 2052/88 as regards the European Social Fund, in *OJ*, No. L 374, 31 Dec. 1988, p. 22, article 1.3.

beneficiaries is greater in the regions targeted by objectives 1 and 2 and in rural areas, for example, benefiting staff of small and medium-sized undertakings who wish to improve their professional qualifications. In the same regions, the ESF may fund educational day-release courses for apprentices. It may also – in response to a request by Portugal – finance the modernisation of vocational training centres.

In this range of provisions one can detect a bias in favour of any action that increases economic and developmental efficiency. By contrast with 1984, the emphasis is not so much on training or employment opportunities for the largest number of people as on more specific action to achieve quality (as regards technological innovations) and economic efficiency. In order to be eligible for assistance, vocational training should offer qualifications for a profession or occupation.

(5) Finally, in connection with the reform of the Common Agricultural Policy:

- (a) speeding up the adjustment of agricultural structures;
- (b) promoting the development of rural areas.

These areas were chosen according to various criteria, including their level of economic and agricultural development, the extent to which they were peripheral and their sensitivity to changes in the agricultural sector.

Some of these objectives – 1, 2 and 5 (b) – will be the responsibility of the ERDF, which will seek to encourage productive investment in these areas, create or modernise infrastructures and back action to support development. The ERDF was incorporated in the Treaty of Rome (which failed to create it in 1957), and at this point it must function as “more than an equalisation fund for expenditures by member States on infrastructure”.<sup>18</sup> It could put around 80 per cent of its funds towards objective 1.

The EAGGF Guidance Section will concentrate its assistance on regions covered by objectives 1 and 5, reorganising agricultural structures, fostering the development of supplementary activities for farmers and reviving the social fabric of rural areas.

The ESF will contribute to all the objectives.

In the regions whose development is lagging behind, the Commission has encouraged some member States to decrease expenditure on infrastructure and to increase productive investment to encourage more directly the creation of lasting employment. It has also urged States to channel more of their training expenditure into defined development priorities.

The aid which the European Community decided to provide to the countries of Central and Eastern Europe as from 1990 does not affect the

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<sup>18</sup> Landaburu, *op. cit.*, p. 109.

1988 regulations on the structural funds or the agreed budget forecasts. Supplementary credits will be released for this aid. It was agreed that Germany would, before the end of January 1991, put forward plans relating to the former German Democratic Republic. Under the 1988 regulations, Berlin is eligible for assistance in respect of objective 2.<sup>19</sup>

## Contribution of the European Social Fund to all the objectives

The ESF exists to provide assistance throughout the Community, but with priority given to measures relating to objectives 3 and 4, that is, the long-term unemployed and young people.<sup>20</sup> In this respect the Fund complements the employment policies of the member States. It is also used, subject to regional eligibility and in conjunction with the other funds, to help meet the other objectives, namely promoting employment stability and developing new job opportunities for people threatened by unemployment (that is, affected by a restructuring plan or area), or already unemployed.

In the context of the fight against *long-term unemployment*, it should be noted that for the period 1990-92 the Commission has given its support both to various motivation and guidance measures for unemployed people, so that training will genuinely contribute to their occupational and social integration, and to measures encouraging local job-creation opportunities and self-employment.

Its action on the *occupational integration of young people* includes measures: to encourage the employment of women in sectors where they are underrepresented (such as skilled industrial jobs requiring the use of new technology); to assist disabled people and immigrant workers who are nationals of non-Community States in finding employment; to enable young people who have completed compulsory full-time education to acquire vocational qualifications or know-how; and work-experience training and training in new technologies.

In fact, these guidelines represent no change from those brought in when the ESF was reformed in 1983. Indeed, as long ago as 1985, the ESF faced severe criticism from such quarters as the European Parliament.<sup>21</sup> The criticism focused on three points. Firstly, within the double concentration of funding for priority regions (40, then 45 per cent of credits) and for youth employment (75 per cent), the criteria used for assisting projects, particularly in the vocational training area, did not allow a sufficiently qualitative choice

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<sup>19</sup> Article 9.5 of Regulation No. 2052/66, p. 15.

<sup>20</sup> The Regulation specifies young people requiring occupational integration who have completed compulsory full-time education (+ 15-16 years).

<sup>21</sup> European Parliament report No. A2-80/86 by Mrs. Salisch on the future of the European Social Fund, in *OJ* (Debates), No. 2-342, 9 Sep. 1986, pp. 30-32, and Resolution of 9 September 1986, in *OJ*, C 255, 13 Oct. 1986.



and opened up too wide a range of possibilities. In response to this criticism the Commission put out more precise guidelines on the selection criteria for vocational training measures.

Secondly, there was criticism that neither the Commission nor the Council had been able to establish definite, reliable or representative criteria for drawing up a list of regions to be accorded regional priority. Even now it is difficult to establish which regions are eligible on the basis of the conflicting economic, unemployment and industrial restructuring data.

Lastly, it was noted that the first two points had had the effect of encouraging a large number of requests for assistance which went beyond the capacity of the budget, with the result that, in its concern to meet as many of the requests as possible, the Commission was compelled to reduce significantly the amounts of aid granted. All this had made it difficult for the member States to make the necessary financial forecasts and had caused some anomalies. The lack of common objectives in social policy encouraged States to see the ESF as an instrument to pay for national policies whose Community aspect was often only superficial.<sup>22</sup> These risks were increased by too many measures based on private initiatives.

Various elements of this critique were clearly taken into account when the outline of the comprehensive 1988 reform was decided upon and also lay behind the reorganisation of the Community's financial aid system. In this respect the reform should have a decisive effect.

## Reorganisation of the Community aid system

This aspect of the 1988 reform is based on the following principles and methods:

(1) *It will be modelled on the old ERDF management system*; that is, in future, the Commission and the member States will generally administer programmes rather than plans. The difference will lie in the scope of the operations, in the co-ordination of measures and policies, to ensure that their effects are better integrated, and in a greater involvement of the public authorities both when setting up programmes and at the implementation stage.

This approach has meant a profound change in the way the ESF is run. One result of the 1988 reform was to eliminate direct access to the Fund by private partners or operators, for whom (particularly the voluntary sector in some countries) the Fund's support was an essential element in their budget. In future it will be for the public authorities alone to introduce programmes, at national or regional level. Private ventures, however, often had the merit of displaying considerable efficiency at practical and local levels, especially in small-scale projects; such efficiency is often lacking in official programmes and, in my view, some programmes should continue to provide a role for

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<sup>22</sup> See report cited in note 21.

private partners. On the other hand, it would be a pity if programmes were nothing but an assortment of disparate measures, often politically arbitrary, and not genuinely contributing to the implementation of a better co-ordinated and targeted policy, whether on vocational training or employment programmes. The programme approach will be helpful to the Community's cohesion, assuming that it has also decided the objectives to which the funds are to contribute, either directly or under general programmes decided by the Council on the Commission's proposal. At the moment such overall programming is proving more of a success in regional policy than in social policy.

Management by programmes entails a simplification of technical and administrative procedures, although more at Community level than at national level, and, theoretically, greater openness in management. The Commission has shown its commitment to such openness by funding complete programmes or giving a blanket subsidy to intermediary regional bodies where necessary, thus avoiding the need to manage a large number of projects directly and the risk of spreading resources too thinly. It will make it easier for the Commission to combine various kinds of assistance – loans and/or subsidies – according to circumstances.

(2) "*Partnership*", "*complementarity*" and "*co-ordination*" are the key words in the reorganised system.

Community action is intended to reinforce measures proposed or already undertaken by national authorities. These measures will be agreed through discussion and close co-operation between the Commission and the member States concerned, as well as the competent authorities at regional or local level. The social partners can also have a role to play, in line with each State's national practice. Several States, whatever their internal arrangements, have had difficulty in co-operating with their decentralised domestic authorities who, they claim, are allowed too easy access to the Commission.

The programme approach also requires co-ordination which involves planning action and financial assistance several years ahead, identifying the exact allocations from each fund and then co-ordinating them to achieve each objective.

Under the new approach the member States were invited at the beginning of 1989 to submit *plans of action* which would contain information to show the connection between the States' structural operations and their economic and social policies. The Commission's response took the form of *Community support frameworks*,<sup>23</sup> describing the measures agreed and the allocation of funds, with the support of which the member States are currently running *operational programmes*, sometimes in partnership where administrative structures so allow and if such combined allocations offer significant benefits. Partnership and co-ordination are crucial at every stage

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<sup>23</sup> An example of decisions granting approval for Community support frameworks, with a summary of their structures, may be found in *OJ*, No. L 64, 13 Mar. 1990.

of decision-making and of programme implementation.<sup>24</sup> The European Investment Bank<sup>25</sup> is involved in drawing up Community support frameworks in which the aid to be provided appears in the accompanying indicative financing plan. A support framework may cover a period of three to five years.

(3) The notion of "*additionality*" of expenditure is another significant principle brought in by the reform, to which sufficient attention had not been paid in the past management of the structural funds. In setting up and implementing the Community support frameworks, the Commission and the States will ensure that the (annual) increase in appropriations for the funds has a genuine additional economic impact in the regions concerned and results in at least an equivalent increase in the total volume of official or similar (Community or national) structural aid in the member State concerned, taking into account – this carries a hint of political tension and compromise – the macro-economic circumstances in which the funding takes place.<sup>26</sup> In practice, it seems that the Commission is content if such structural aid is not decreased.

This will definitely be one of the basic criteria for assessing the reform. Some States have from the outset of the Community support frameworks disputed the Commission's assessment of how the objective was being applied in their own countries. This involves providing, in a spirit of partnership, a considerable amount of information which may affect the Commission's decisions; its prime effect is to reduce the member States' autonomy in respect of their budgetary policy. The plan, support framework and programme approach results in the commitment to specific operations by the various partners being more contractual by involving formal collaboration between regional, national and Community authorities.

(4) The programme approach also allows *better monitoring of operations by the various partners*. Such monitoring should enable the implementation of operations to be co-ordinated, any difficulties identified and necessary improvements suggested, according to the Commission's comments on the importance of the ERDF reform of 1985.<sup>27</sup> They apply equally to the full-scale 1988 reform.

Following up the implementation of measures is carried out by way of jointly agreed reporting procedures, by spot checks by the Commission and by a monitoring committee set up for this purpose. When the Commission approves an operation it immediately defines the indicators, including

<sup>24</sup> See articles 7 to 10 of Regulation (EEC) No. 4253/88 of 19 December 1988, in *OJ*, No. L 374, 31 Dec. 1988.

<sup>25</sup> Established under articles 129 and 130 of the Treaty of Rome.

<sup>26</sup> Article 9 of Regulation (EEC) No. 4253/88.

<sup>27</sup> Commission of the European Communities: *Fourteenth annual report of the ERDF* (Brussels), Final Document COM (90) 136 of 10 May 1990.

financial, by which it will be evaluated. These take into consideration the structural and socio-economic situation of the countries in which the assistance is to be provided. The various particulars that the monitoring arrangement yields can also be used for the *assessment*, similarly carried out in partnership, of the effectiveness of Community support, the socio-economic impact of the operations and their overall impact on the policy of economic and social cohesion. This assessment, whose principles and operating conditions are laid down in the support framework, will be based on macro-economic indicators (national and regional statistical data), information yielded by descriptive and analytical studies and qualitative analyses.<sup>28</sup> The monitoring and assessment phase is currently under way in all the member States.

(5) Like the 1985 ERDF Regulation, the new Regulation <sup>29</sup> *reserves some room for initiative to the Commission itself*. The Commission can decide either to propose to the member States that they submit applications for assistance in respect of *Community initiative programmes*, for operations which are of particular relevance to the Community but would not be covered under the same conditions by the States themselves, or to undertake operational programmes on its own initiative. Any assistance approved in this context is reflected in the establishment or revision of the relevant Community support framework. The Community initiative programmes are sometimes approved by the Council, e.g. when they also contain other kinds of measures for financing by other Community funds or when the Commission proposes a frame of reference for national operations over a certain period of time (three to five years).

For the years 1990-93 the Commission has put aside a total of 3,800 million ECU for such programmes. This will finance not only the *regional policy programmes* for example to support environmental projects (pollution control in medium-sized towns and treatment of toxic industrial waste) in the Mediterranean coastal regions (objectives 1, 2 and 5 (b)) or in coalmining regions, to promote co-operation in frontier regions or the development of insular and very peripheral regions, or to encourage research and innovation in the more backward areas, and the implementation of agricultural or infrastructure projects, etc.; but also the *human resources policy*, with the emphasis again either on the locality (regions concerned by objectives 1, 2 and 5 (b)) or on their relevance in combating youth unemployment or long-term unemployment (new qualifications to cope with developments on the labour market, employment and training for women, or groups with special difficulties).

The concern with frontier policy, for example, which seems to have grown in the Community, in fact dates from before the 1988 reform. It was

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<sup>28</sup> See articles 25 and 26 of Regulation (EEC) No. 4253/88.

<sup>29</sup> *Ibid.*, article 11.

already a factor in the ERDF approach to regional problems, and remained so in the 1988 ERDF Regulation.<sup>30</sup> The Commission also has a budget for inter-regional co-operation.

In financial terms, Community initiative programmes are less significant than the member countries' own programmes. Particularly in the areas of training and employment, their function is to maintain transnational operations which might be given insufficient prominence, doubtless for logistical reasons, under national plans. They also encourage the implementation of employment policies which promote the political aims of the structural funds.

(6) Finally, the *rates of participation by the structural funds in public expenditure* vary between 50 and 75 per cent for regions covered by objective 1 and between 25 and 50 per cent for the others. Studies and some technical assistance measures may be given 100 per cent funding. The Community is also authorised to make advance payments.

## Questions for the future

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In concluding this analysis I should like to consider a few problems that need to be resolved before the objectives discussed above can be attained. Unless there is a satisfactory practical or political response to these difficulties in the coming years it is to be feared that the cohesion sought by the European Community may remain a dream, very far from reality.

## Efficiency control

How can we ensure that assistance from the funds will provide the necessary boost? The idea behind the reform is that the assistance should form part of a wider range of action which should create conditions to encourage capital mobility and a more balanced development of productive activity in all the regions of the Community.<sup>31</sup> It should also stimulate employment.

Landaburu<sup>32</sup> has rightly pointed out that the objective of a single market cannot be isolated from the context of the objective of economic and social cohesion, which involves a range of associated initiatives both in the member States and at Community level. That is how the macro-economic results will be achieved. While at this stage of programme implementation it is not yet possible to make a proper assessment, the issue should be subjected to periodic scrutiny at a high level. It would not be enough for the assessment

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<sup>30</sup> See, for example, article 10 of Regulation (EEC) No. 4254/88 of 19 December 1988, in *OJ*, No. L 374, 31 Dec. 1988.

<sup>31</sup> Commission of the European Communities, Working Document No. SEC(89)575 (Brussels), 7 Apr. 1989.

<sup>32</sup> Landaburu, *op. cit.*, p. 110.

to be made only at the level of the programme support committees or the Standing Committee on Employment (which, however, deserves credit for launching the discussion on this in 1989).

As regards budgeting, the Commission had to commit in 1990 the resources needed up to 1993; the States accepted the principle of using the credits allocated as from 1990 or risking a proportional reduction. There may seem to be nothing out of the ordinary in such budgetary rules for the management of public bodies, combined with the principle of additionality of expenditure, but they encourage States to conduct a budgetary policy in line with the indicative financial plan contained in the support framework. However, since final decisions at these two levels are not taken simultaneously, given the diverse practices and political constraints both within the Commission and among the States, administrative difficulties have already surfaced. It therefore seems that rigorous control over the application of the rules is essential, even if it is not easy. Can it be that the rules are unrealistic in the light of the constraints put on their implementation in the States? It must be hoped that this is not the case. Be that as it may, the budgetary management rules will not be sufficient unless the social and qualitative aims of the funds are also clarified.

## Are the qualitative objectives inadequate?

As regards combating *long-term unemployment*, the ERGO programme<sup>33</sup> was not able to produce the necessary policy assessments in time for the 1988 reform. The Council of Ministers seems to have in effect underwritten the varied national approaches, with their merits and deficiencies, by approving a variety of resolutions. This gives no clear or coherent indications for the management of the ESF. Yet the Council could have noted the best initiatives of member States which might have had a wider application. Such an assessment is still envisaged. Meanwhile, by concentrating on retraining ventures to equip workers for lasting employment, the ESF is pursuing one obvious objective, but showing no interest in other initiatives which might remove the obstacles preventing the social integration of large numbers of people.

As regards *vocational training*, business growth certainly requires greater emphasis to be laid on measures to deal with adaptation to new technology. But with backing being given to virtually all requests by States for post-full-time education measures and not enough action being concentrated (particularly in the less developed regions) on target groups, it may be difficult to measure the real impact of the funds, in terms of new and lasting employment and with regard to the criteria and methods to be used for implementing action and policies.

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<sup>33</sup> The European Community Action Programme for the Long-Term Unemployed, run for the Commission by CEI Consultants Ltd., in collaboration with PA Cambridge Economic Consultants.

## Participation by the social partners

The trade union organisations, for their part, have spoken out. They too are afraid that the mixture of regional and wide-ranging objectives will blur the outlines of the reform. Moreover, they regret that provision has not been made for their participation in preparing plans, support frameworks and operational programmes. Although they are consulted within the ESF Committee, that consultation is seen as purely formal, since it does not concern the overall structural policy and does not take place at the various stages of decision and assessment.

Both employers' and workers' organisations have their own ideas on priority measures, which are not necessarily those adopted without their being consulted. According to the European Trade Union Institute, many ideas for regional development came from the trade union organisations themselves, or at their instigation.<sup>34</sup> This is particularly the case in some frontier regions of the Community. Thus, it points out that the regions chosen or designated under objectives 1 and 2 include a large number of territories smaller than the "Euroregions", where "inter-regional trade union councils" were active and organised union co-operation which often preceded a real regional development policy.<sup>35</sup> There is reason to believe that the assistance from the funds, including the INTERREG cross-frontier development programme, will not be sufficiently co-ordinated to cover these regions or to give priority support to the same black spots on both sides of the frontiers.

It has often been shown – and this is the same argument used with regard to co-operation and technical assistance policy for Third World development – that the policy of regional development and reindustrialisation would be more effective if it succeeded in motivating and mobilising those social and economic forces with their roots in the area.

Employers share this concern and are prepared to take some responsibility when the need arises. Thus, in the Kempen region of Belgium, which faced various problems, the private sector thought it worth while to appoint one of its senior staff to the post of "regional manager" for several years, with the task of undertaking effective co-ordination between all the partners. Local public sectors do not always have sufficient management capacity nor flexible structures. None the less, in the context of decentralised management of the Community structural funds, local and regional authorities should play a more decisive role than hitherto in this mobilisation of local human and technical resources.

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<sup>34</sup> European Trade Union Institute: *La politique régionale de la Communauté européenne* (Brussels), 15-16 Oct. 1990 (English version forthcoming).

<sup>35</sup> Document prepared by the European Trade Union Institute for a conference of the European Trade Union Confederation on inter-regional trade union committees (Luxembourg), 13 Sep. 1990.

## Social cohesion

Bearing in mind the objectives set out in 1988 for action by the Community structural funds, social cohesion appeared as a development objective, economically and territorially; the idea being that the European Community should not tolerate the existence of significant pockets of unemployment or a lack of qualifications in the workforce which would hinder a proper distribution of economic activity.

However, this approach does not go far enough and has to be supplemented by other kinds of Community action.

Social cohesion will never be achieved simply by an economic and budgetary approach. This is not, of course, to ignore the economic impact, particularly if assistance from the funds leads to private investment in the less developed regions, as well as movement of capital, without which the Community funds would amount simply to budgetary transfers. The doubling of the budgetary allocation of the structural funds also testifies to the strong concern that competition should not be distorted by the assets of the less developed regions, namely their lower labour costs. But this approach has its limits. Indeed, using parameters like the unit cost of production, which takes account of all elements of productivity, or consumption patterns and relative prices, it can be seen that the difference in incomes between the regions of the Community is not so striking.<sup>36</sup> Moreover, assistance from the funds represents only 0.16 per cent of European GDP. Even doubled, the influence of the funds is still too weak to ensure real "cohesion".

Another approach seeks to give as much importance to social policy as to economic, monetary and structural policy. The idea here is that action to reduce disparities between various legislations may have the effect of countering the downward pressures which the cost differences arising from the application of the different legislative provisions exert on social protection. This is the rationale of the Social Charter adopted in December 1989 by 11 member States, following which the Commission committed itself to proposing various directives to strengthen certain essential social rights and principles in the national legislations.

## Social cohesion and social exclusion

These moves aimed at social cohesion cannot be reduced to a simple choice between investment or legislative action. Both must be tackled at once. The Community's social cohesion also requires action on other fronts, where political consensus is more difficult to achieve. Some governments are urging the Commission to put out policy guidelines to encourage the convergence of national social security systems or some aspects of them. It is not a question of re-inventing social security, but of promoting its stability and its capacity to adapt to the challenges ahead.

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<sup>36</sup> See report cited in note 8, and also that in note 9, pp. 59-60.



In my view, social cohesion also means that the Community should not tolerate the existence of several tens of millions of people living in poverty and on the margins of society. Of course, the Community lacks the means to give direct support to a common system of supplementary social assistance or to national systems. The Council has opted to keep its operations within modest limits. But there is nothing to prevent the Commission from trying to persuade member States that wider action is desirable at Community level to encourage a more integrated approach on the issues which have to be faced simultaneously in the fight against extreme poverty and exclusion.<sup>37</sup> In the report drafted by Father Joseph Wrésinski in 1987 the Community already has a document which favours a dynamic, integrated, partnership approach, particularly through the participation of the people concerned themselves, and based on the strengthening and indivisibility of human rights.<sup>38</sup>

Shortly after the structural funds' reform in 1988, the Council decided on a third Community programme to combat poverty. Although unfortunately it did not await the assessment of the previous programme, which was quite widely spread despite its limited means, the Council agreed that for the management of the new venture the Commission should draw on certain elements and objectives of the 1988 reform. So far the fight against poverty has not warranted any changes to the Community's constitution, the Treaty of Rome, as was the case with the Single Act with its objective of economic and social cohesion. It is to be hoped that the dynamics of the reform of the structural funds will lead the Community to confront also, and with more conviction than in the past, the situation of these millions of excluded people, for until this problem is resolved we have no right to speak of true social cohesion in the Community.

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<sup>37</sup> See also F. Vandamme: "Nouveaux espaces communautaires de lutte contre la pauvreté", in *Quart Monde* (Paris), No. 2/1989, pp. 30-39.

<sup>38</sup> J. Wrésinski: "Grande pauvreté et précarité économique et sociale", a report on behalf of the Economic and Social Council, in *Journal officiel de la République française* (Paris), No. 6, 28 Feb. 1987 (Paris, La Documentation française, 1987).