Impact of EU regional Policy on Economic integration and Social Cohesion

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The original concept (brief history)

- Rome treaty (1957): Regional development was not mentioned

- First enlargement of the EU (1973): A solidarity mechanism was created
  - European Regional Development Fund (ERDF)
  - All member states benefit from the fund but the most underdeveloped regions benefit the most

- In the eighties: The Structural fund and the Cohesion fund were set up. The latter only for countries who’s GDP/capita is lagging behind more then 10% of the EU average (Ireland, Portugal, Spain, Greece).
Cohesion Policy
One of the most prominent EU policies

In 1980 the Structural Fund reached 3.0 billion or 17% of an overall EU budget of 17.5 billion.

In 2005 the Structural Fund stands at 37 billion or 35% out of a total of 105 billion.

⇒ In 25 years the cohesion policy of the EU has become one of the most prominent EU policies
What has been achieved until now?

- Some significant figures for so-called ‘objectieve I regions’

  - Growth of GDP/head in the cohesion countries was 1% above the EU average and employment - except for Greece - increased by much more than the average.

  - In Ireland GDP/head was in 2001 even 17% above EU average, whereas it was 25% below that average at the beginning of the 1990s.

  - Simulations indicate that as a result of structural interventions GDP in 1999 was some 1.4% higher as it would otherwise have been in Spain, 2.2% in Greece, 2.8% in Ireland and 4.7% in Portugal.

⇒ Underdeveloped regions have grown faster than the EU average, thereby reducing the gap with developed regions.
What has been achieved until now?

- Repartition of the means of the Structural Funds
  - 41% to economic infrastructure (roads, railways, waterways, ports, airports, industrial zoning, communication, research and technology)
  - 34% to productive environment (waste disposal, etc.)
  - 23% to human resources (education, health care, etc.)

⇒ Basic infrastructure has substantially improved, putting the ‘objective I regions’ in a position to participate in the development drive.
What has been achieved until now?

- Achievements in ‘objective II regions’ (reconversion of industrial areas)
  - Significant leverage effect: each Structural Funds Euro provides 3 other ones for intervention.
  - Main interventions concern the productive environment (support for small and medium-sized enterprises, innovation, managerial skills, etc.
  - Most reconversion programmes kept employment at a reasonable level.
The challenge ahead

- Cohesion policy and the enlargement of the EU with 10 Member States (1/05/2004):
  Complicated but even more necessary!

  - Nearly all the regions in these ten new countries are ‘objective I regions’.
  
  - GDP/head in those countries is only 45% of the EU-15 average.
  
  - Social and economic infrastructure are dramatically deficient.
Proposals for a new cohesion policy

- Less objectives and simplify the procedures
- Proposed budget is status-quo
  
  Certain Member States want to freeze the budget at 1% of GDP which would mean that ‘objective II regions’ would be deleted.
- Rural development will again be taken in charge under the heading agricultural policy
- The Community Support Framework will be replaced by a strategic reference document
- Participation of regional and municipal authorities will be reinforced and at the same time the European Commission’s involvement will be reduced.
- How to monitor the programmes?