Structural Funds

Introduction

The structural funds were set up to give financial support to under-developed and economically weak EU regions. The structural funds comprise the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund and the Instrument for Pre-Accession Assistance (IPA). Between them, they now make up a major part of the EU budget. Alongside their economic aims, the funds are also important in pursuing the EU's aim of solidarity between the regions of the EU. While many welcome their economic goals, the way in which they share out money has frequently been a source for argument, especially following the accession of poorer eastern European countries to the EU.

History

The idea of structural aid for deprived regions was first developed in the early 1970s. The European Social Fund (ESF) had been established in 1958, followed by the ERDF in 1975 and subsequently the idea of structural funding grew immensely. With the accession of poorer countries – Greece, Spain and Portugal – in the 1980s, regional funding became a key means of bringing these countries' wealth up to the European average. In 1994, this idea was taken further with the creation of the Cohesion Fund, which was designed to encourage economic convergence between member states in the lead-up to Economic and Monetary Union (EMU).

In 1999, a model for distributing aid was developed with the aim of preparing for the entry of eastern European countries into the EU in 2004. Upon joining the EU, these countries had only limited access to structural funds, however during the negotiation of the EU's 2007-13 budget, they fought hard to get a better deal.

The model for distributing aid between 2007 and 2013 is based on 3 objectives: convergence; regional competition and employment; and territorial cooperation.

How do the Structural Funds work?

To qualify for structural funds, regions must have one of three objectives set by the EU. These are: to help under-developed regions (with a GDP less than 75% of the EU average); adapting to major economic changes, such as declining rural areas; and helping those with special educational or employment needs. The EU also provides support for rural areas and the Instrument for Pre-Accession Assistance (IPA) provides specific pre-accession aid for countries due to join the EU. The EU Commission sets its own priorities for how the money from the funds is distributed, with a particular emphasis placed on programmes that can help more than one region and forge direct links between local authorities and the Commission.

Facts and figures

- In the current 2014-20 EU budget, structural funds total €351.8 bn
- €10.3bn from the funds will be distributed in the UK.
- All new accession countries are entitled to 'Objective One' structural funds (available to regions where per capita income is below 75% of the EU average).

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Arguments

For

- Structural funds help less well off regions deal with changing economic conditions. In particular, they help to compensate for the effects of joining a single market.
- Solidarity is good for economic growth across the EU.
- Instead of simply giving money to national governments, structural funds focus on needy areas directly.

Against

- The structural funds are a bad way of allocating resources because by focusing on poor regions, structural funds ignore the poverty that exists within wealthier areas.
- The direct relationship between the Commission and the regions cuts out the legitimate role of national governments.
- In an enlarged EU with more poor regions, the distribution of funds will be unsustainable and will mean that poor regions in older member states will lose out.

"Since the Maastricht Treaty was signed in 1992, the European Union has… stood for a European Union of the Regions – a network of relations that is leading to ever closer integration."

Ferenc Gyurcsány, Hungarian Prime Minister, 2004

"Only by mobilising all the resources... at national, regional and local levels, can Europe succeed to promote jobs, growth and solidarity."

Danuta Hübner, EU Regional Policy Commissioner, 2006

Technical Terms

- ***EU regions:*** the EU divides member states into regions (e.g. Yorkshire or North-East England) rather than nations.
- ***Solidarity:*** the EU's aim of encouraging member state to provide financial support to poorer members to improve overall growth.
- ***Convergence:*** the term to describe efforts to encourage unity between European regions.

Links

- http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/l60014_en.htm
- http://www.bis.gov.uk/policies/regional-economic-development/european-structural-and-cohesion-funds

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