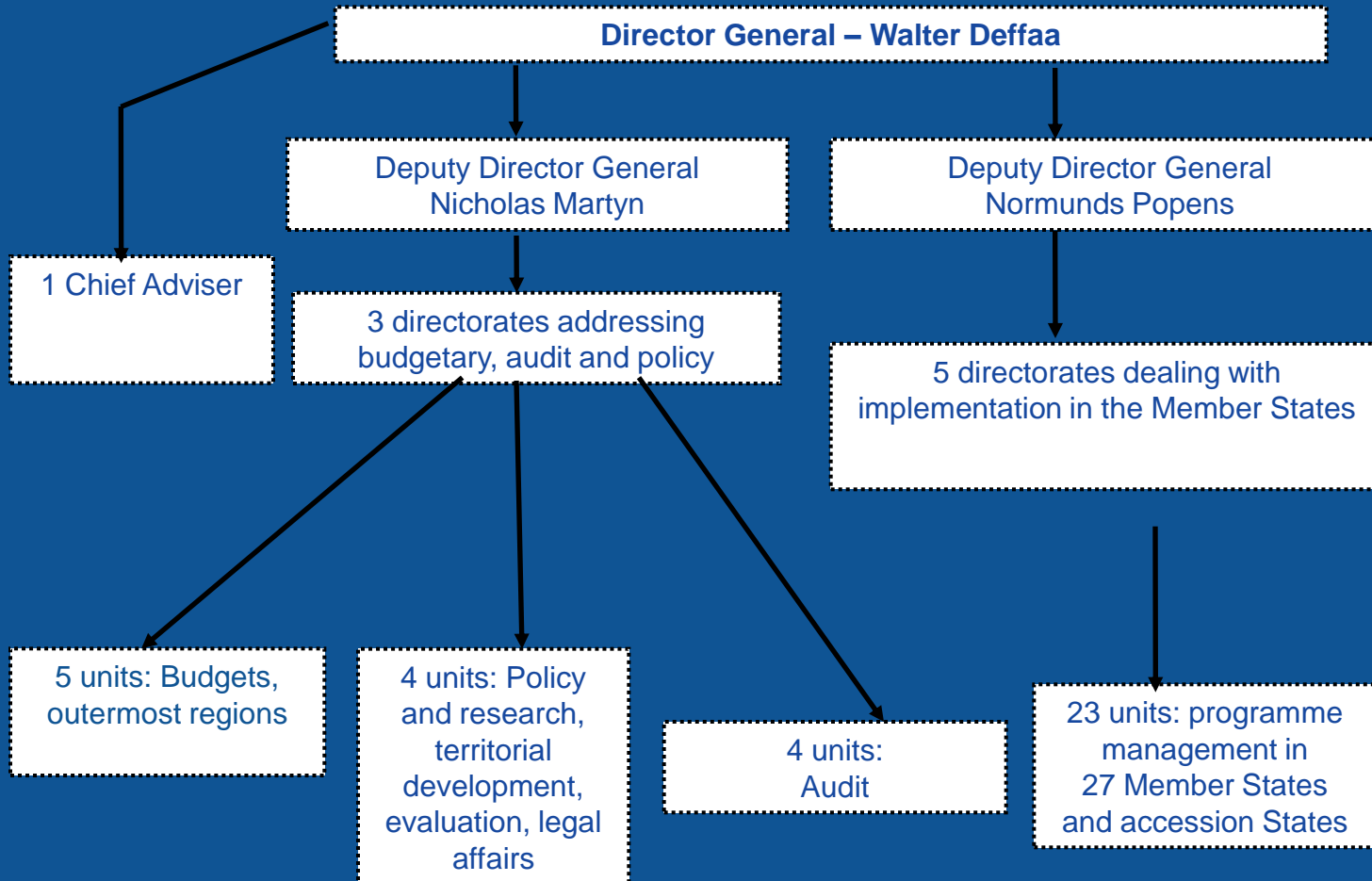




European Union Regional Policy Aims, Methods, Results and... Reform

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European Commission***

Peru November 2012



EU Financial Perspectives 2007-2013 European Council - 19 December 2005

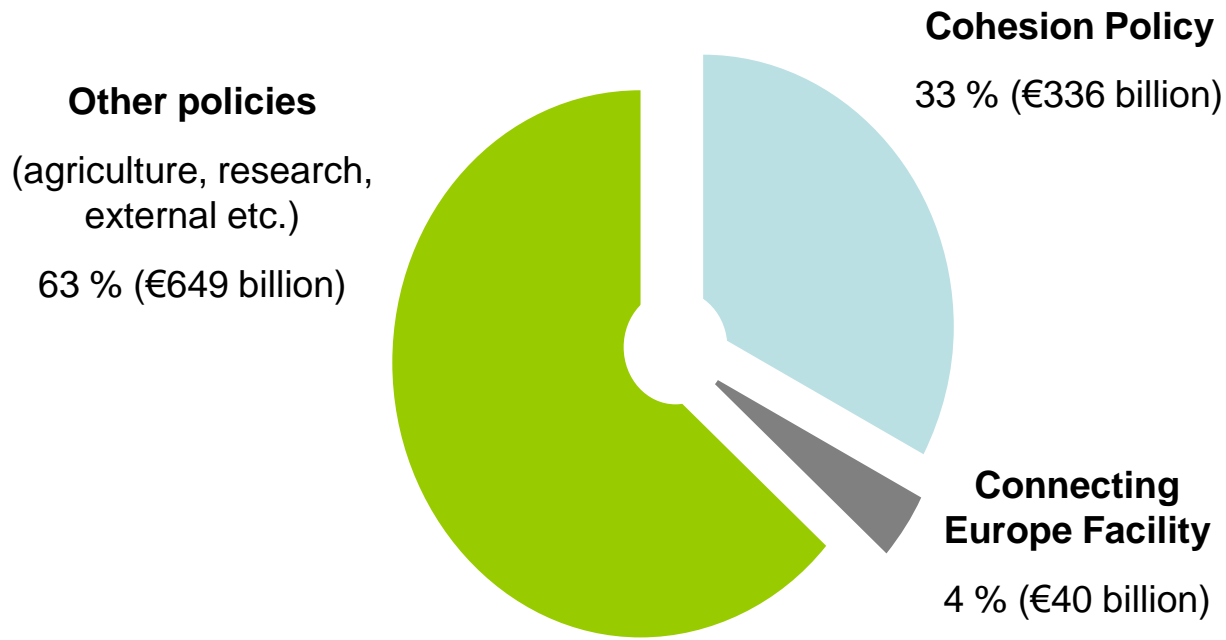
COMMITMENT APPROPRIATIONS BY HEADING	<i>EUR bn, at 2004 prices</i>	<i>in %</i>
1a. Competitiveness for growth and employment (<u>research, innovation, competitiveness</u>)	72.1	8,4%
1b. Cohesion for growth and employment (regional policy)	307.6	35,7%
2. Preservation and management of natural resources (<u>Common Agricultural Policy, rural development, environment</u>)	371.2	43,1%
<i>of which market-related expenditure (CAP)</i>	<i>293.1</i>	<i>34,0%</i>
3. Citizenship, freedom, security and justice (<u>internal policies; public health, asylum, immigration</u>)	10.3	1,2%
4. The EU as a global partner (<u>humanitarian and development aid</u>)	50.0	5,8%
5. Total administrative expenditure	50.3	5,8%
• Compensations Bulgaria and Romania (after accession expected in 2007)	0.8	0,1%
Total commitments	862.4	100
In % of EU-27 GNI	1.045%	

Proposed MFF, 2014-2020

COMPARISON MFF 2007-13/2014-20	Billion € in 2011 prices		Difference (in %)
	2007-2013	2014-2020	
1. Smart and Inclusive Growth	445.5	490.9	10.2%
<i>Of which Cohesion Policy</i>	354.8	336.0	-5.3%
<i>Of which infrastructure (Connecting Europe Facility)</i>	12.9	40.0	209.7%
<i>Of which Competitiveness (CSF research & innovation; Education; Galileo etc)</i>	77.8	114.9	47.7%
2. Sustainable Growth: natural resources	421.1	382.9	-9.1%
<i>Of which Market related expenditure and direct payments</i>	322.0	281.8	-12.5%
3. Security and Citizenship	12.4	18.5	49.9%
<i>of which Freedom, Security and Justice</i>	7.6	11.6	53.0%
<i>of Citizenship</i>	4.8	6.9	44.9%
4. Global Europe	56.8	70.0	23.2%
5. Administration (including pensions and European schools)	56.9	62.6	10.1%
<i>Of which administrative expenditure of EU institutions</i>	48.4	50.5	4.2%
6. Compensations	0.9		
Total commitment appropriations	993.6	1 025.0	3.2%
In % of EU-27 GNI	1.12%	1.05%	

Proposed EU budget 2014-2020

"Ambitious but realistic" proposals issued by the Commission in June 2011 for the Multiannual Financial Framework (MFF)



FINANCIAL INSTRUMENTS FOR REGIONAL POLICY: *You probably wouldn't start from here*

COHESION FUND

- **Decisions at national level
(M-S with GNI per head less than 90% of the
community average)**
- **Transport TENs and environmental *projects***

EUROPEAN REGIONAL DEVELOPMENT FUND

- **Decisions at regional level**
- **Supports physical investment *programmes***

EUROPEAN SOCIAL FUND

- **Supports national programmes**
- **Supports human capital investment *programmes***



The challenge of wide disparities in the European Union

Policy objective in the EU Treaty to
*"reduce disparities in the level of
development"*

EU regional disparities

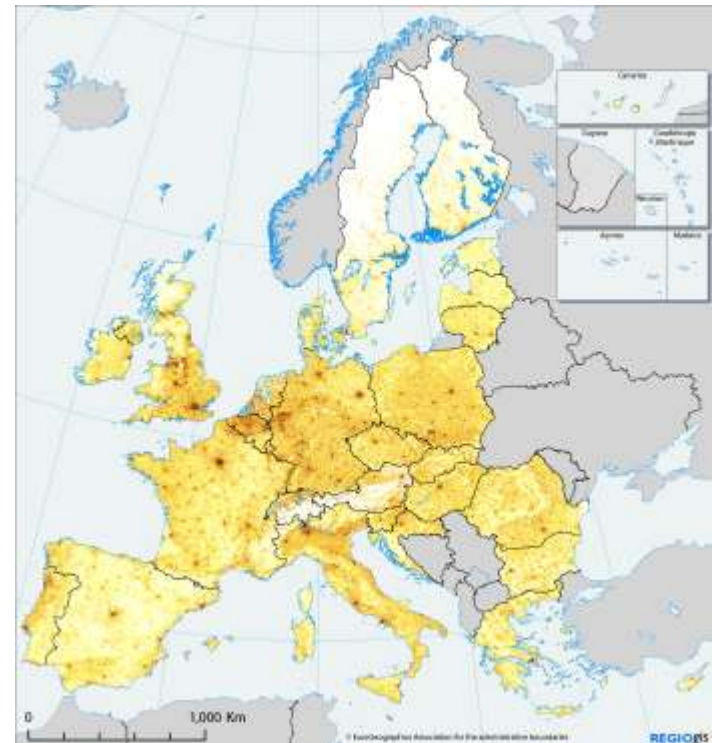
	Population share	GDP share
EU27 regions – most wealthy	25%	37%
EU27 regions – least wealthy	10%	4.1%

Source: Eurostat

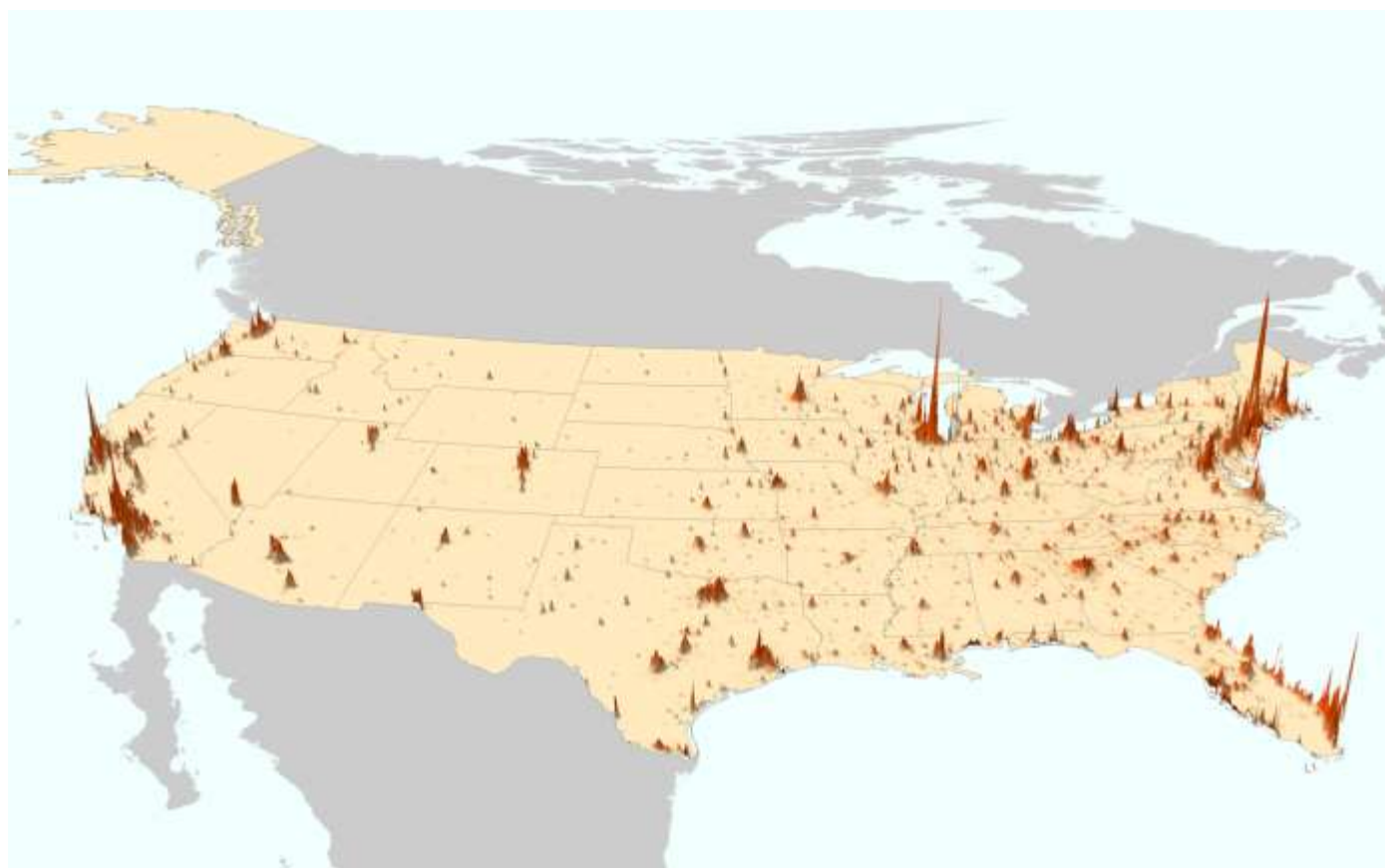
International comparisons: Ratio GDP/head in top/bottom regions with 25% of population

EU	2.6	Brazil	3.6
Japan	1.8	Russia	4.9
USA	1.5	India	3.4
Mexico	3.5	China	3.2

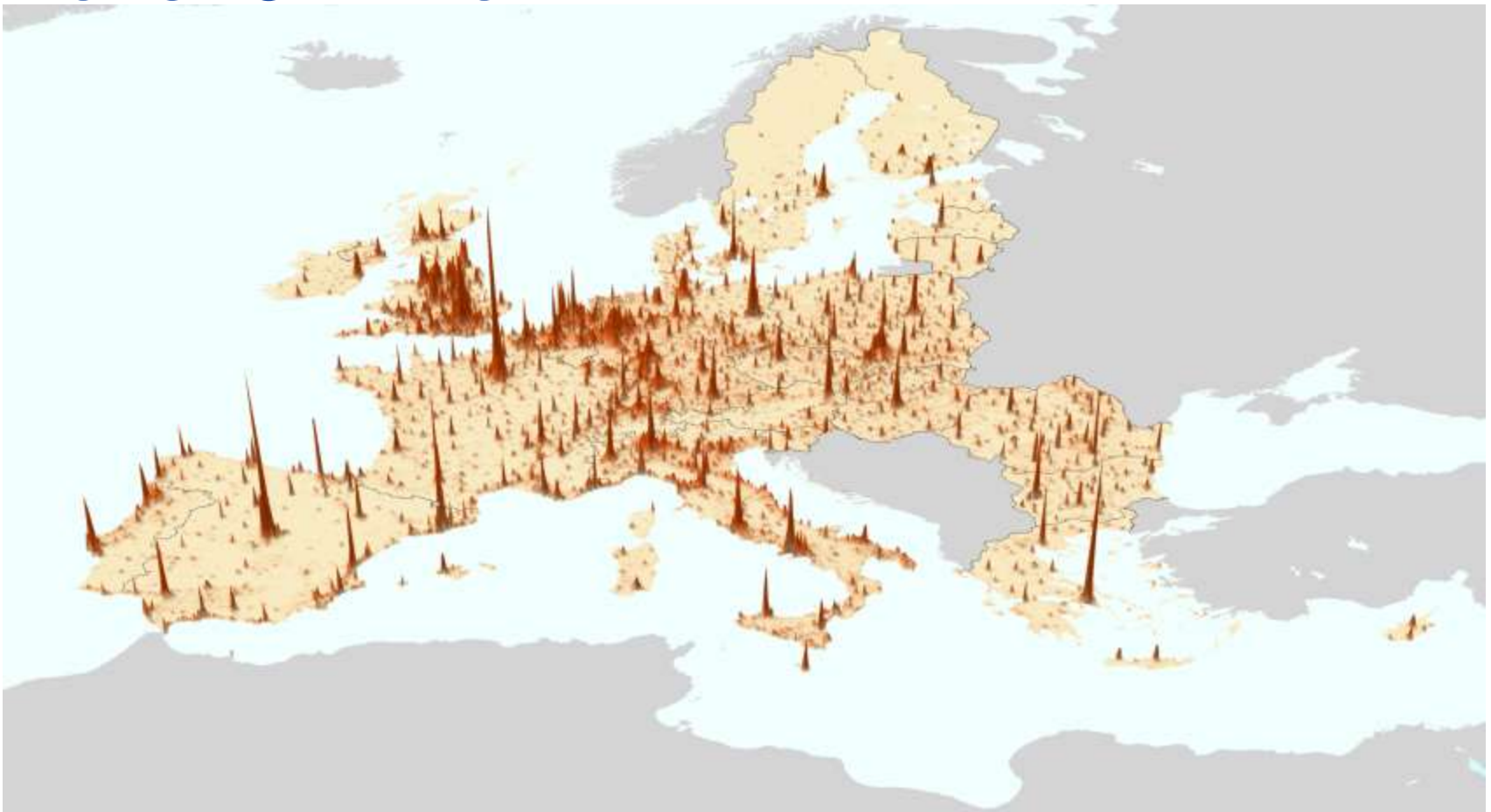
Territorial disparities in development



25% live in agglomerations over 5 million



7% lives in agglomerations over 5 million



20% live in agglomerations over 5 million



Principles of EU regional policy

Principles of EU regional policy

- ❑ A *concentration* of resources on the least prosperous regions
- ❑ A strategic approach:
a *concentration* of the effort on competitiveness (initially the Lisbon Agenda, now Europe 2020)
- ❑ Promoting *good governance*

Concentration of resources on the least prosperous regions

Concentration on the poorest regions: today's policy targets

- **Regions with GDP per head below 75% of EU average: 31% of population (problem of the sharp cut-off between 74,9% and 75%)**
- **Member States with GDP per head below 90% of average: 13 Member States with 25% of population**

Concentration on the poorest regions: methodology





- **Geographical approach: 458 programmes at national and regional level for 2007-2013**
- **Not a system of fiscal transfers – support for 7-year, integrated, strategic investment programmes, but with individual approval of major projects**

Concentration on the poorest regions: financial impact

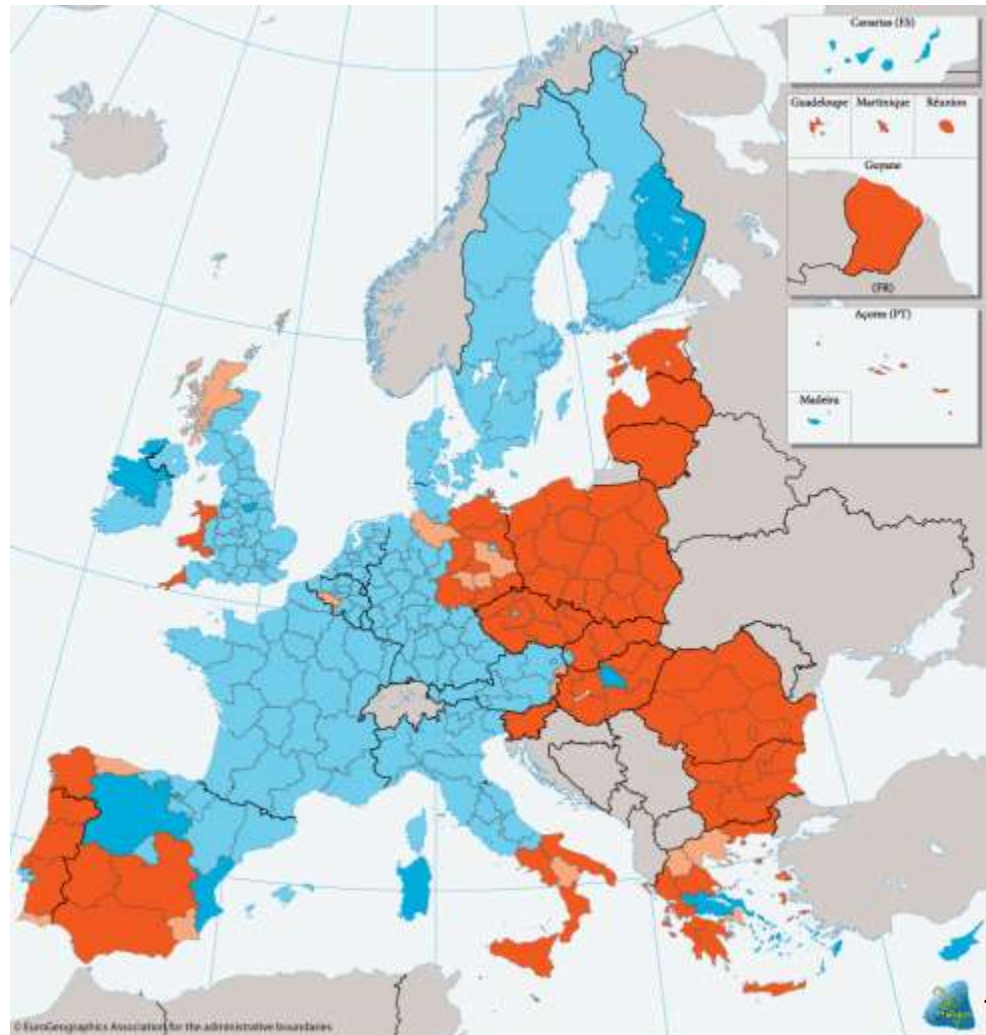
Concentration of EU budgetary resources:

- **82% for “Convergence regions” (35% of population) for catching up**
- **16% for “Competitiveness regions” for restructuring**
- **2.5% “Territorial co-operation” across borders (half the Commission’s initial proposal)**

The map of regional aid support, 2007-2013

-  **Convergence objective**
(Regions > 75% in EU25)
-  **Convergence objective**
statistically affected regions
-  **Objective 'Regional Competitiveness and Employment'**
Phasing-in regions, "naturally" above 75%
-  **Objective 'Regional Competitiveness and Employment'**

Index EU 25 = 100



Concentration: another view
EU transfers as % of
govt gross capital investment
2000-2006 (EU-15) and 2004-2006 (EU-10)

	ERDF	SF	SF+CF
EU-15	7.28	10.92	12.18
EU-10	14.37	23.54	36.78
EU-25	7.30	11.02	12.70

A concentration of the effort on competitiveness (the “Lisbon agenda” and “Europe 2020”)

Competitiveness: meeting the challenge of globalisation (2008 data)

	Pop mill.	Surface area km²	GDP billion €	GDP/capita €	Unempl. %
EU27	499	4.3 mill.	12 507	25 079	7.0
USA	305	9.6 mill.	9819	32 215	5.8



The Europe 2020 strategy, 3 March 2010

- Successor to the Lisbon Agenda (2000 and 2005)
- A strategy from the European Commission “for smart, sustainable and inclusive growth”
- Smart agenda: innovation; education; digital society
- Sustainability agenda: climate, energy, and mobility
- Inclusive agenda: employment and skills; fighting poverty

The Europe 2020 strategy (March 2010)

Principal quantified targets:

- 75% of 20-64 year-olds in employment (69% today)
- 3% of EU GDP invested in RDT (no change on Lisbon target; today 1.8%)
- 20/20/20 climate/energy targets (emissions/renewables/efficiency)
- 10% maximum for early school leavers (drop-out rate; 15% today); 40% minimum for 30-34 year-olds possessing a degree (31%)
- 20 million less at risk of poverty (80 million pre-crisis)

Changing priorities: past expenditure priorities

Principal identifiable sub-sectors:

- Sewerage and purification 19%
- Urban and industrial waste 8%
- Drinking water 8%
- Rail transport 22%
- Roads 14%
- Port 3%

Promoting Good Governance

Multi-level governance





Respecting other priorities and rules of the European Union (also known as "conditionalities")

- **Competition rules/state aid to enterprise**
- **Public procurement rules**
- **Environmental priorities and legislation**
- **Equal opportunities priorities and legislation**

Promoting best practice in managing public resources

- A **managing authority** (a national, regional or local public authority or public/private body to oversee the operational programme, and a monitoring committee to run it);
- A **certification body** (a national, regional or local public authority or body to certify the statement of expenditure and the payment applications before their transmission to the Commission);
- An **auditing body** (a national, regional or local public authority or body for each operational programme to oversee the efficient running of the management and monitoring system)

Promoting the evaluation culture (some results from 2000-06)

At least 1 million gross jobs created in companies supported

R&D investment was 2.5 times higher in assisted companies than in non-assisted companies (East Germany)

Additional 20.5 million inhabitants served by waste water projects according to EU standards

Additional 14 million inhabitants served by water supply projects

2,000 km of motorways (i.e. 24% of all motorway development in the period) and 4,000 km of rail

The ESF supports each year 5.3 million women; 3.3 million young; 1.6 million vulnerable; 1 million long-term unemployed; 5 million low-skilled

It is a profitable investment: 40% of the unemployed trained find a job

One out of four jobs created in the EU between 2000 and 2006 has been filled by an ESF participant

Over one third of the Active Labour Market Policy expenditure was provided by ESF and corresponding national co-funding

A review of dilemmas faced and responses for 2014-2020

- *Dilemma: Achieving a genuine strategic vision (integrated approach) or “carving-up” among ministries (horizontally) or authorities (vertically)*
- *Response: Common rules. Funds covered by **Common Strategic Framework** including Cohesion Policy, rural development and maritime & fisheries policy*

A review of dilemmas faced and responses for 2014-2020

- Dilemma: *Achieving consensus around a limited number of priorities or trying to satisfy all-comers*
- Response: *"thematic concentration" on competitiveness factors*

"Thematic concentration" on Competitiveness Factors (EUR 2020)

- Research & innovation
- Information and communication technologies (ICT)
- Competitiveness of Small and Medium-sized Enterprises (SMEs)
- Shift towards a low-carbon economy
- Climate change adaptation & risk prevention and management
- Environmental protection & resource efficiency
- Sustainable transport & removing bottlenecks in key network infrastructures
- Employment & supporting labour mobility
- Social inclusion & combating poverty
- Education, skills & lifelong learning
- Institutional capacity building & efficient public administrations

A review of dilemmas faced and responses for 2014-2020

- *Dilemma: Decentralising and empowering or lacking real information at the centre (the Commission) and losing of control of/influence over the programmes (strategically and financially)*
- *Response: A combination of targeting (indicators) and decentralised management (greater proportionality)*

Decentralising and Empowering

I. Objectives set and indicators used to measure progress towards Europe 2020 targets; greater ex ante conditionality

II. Greater proportionality

- *Exemptions for low volume programmes*
- *Exemptions for systems that have delivered consistently good results*
- *Limitations on frequency of Commission audits on individual operations*

Developing ex ante conditionalities

- Problem: how to achieve EU priority aims in a decentralised, multi-level governance system
- Solution: greater conditionality of aid on the putting in place of the apparatus required to achieve certain desired outcomes
- Not a new concept but applied in the past essentially to general themes derived from EU Directives, regulations and rules and policy priorities (equality of opportunity, sustainable development, etc)
- Post 2014: more specific, ex-ante conditionalities covering EU priority areas.

Ex ante conditionalities: Sector proposals for 2014-2020

- Research and innovation
- Digital growth
- SME competitiveness
- Energy efficiency
- Renewable energies
- Risk prevention and risk Management
- Waste sector
- Water sector

Ex ante conditionalities: Sector proposals for 2014-2020

- Road infrastructure
- Rail infrastructure
- Labour market:
 - *Self-employment, entrepreneurship and business creation*
 - *Modernisation and strengthening of labour market institutions*
 - *Active and healthy ageing*
 - *Adaptation of workers, enterprises and entrepreneurs to change*

Ex ante conditionalities: Sector proposals for 2014-2020

- education:
 - *Early school leaving*
 - *Higher education*
 - *Active inclusion*
 - *Roma inclusion*
 - *Health*



Example 1: Research and Innovation

Ex-ante conditionality:

The existence of a national or regional research and innovation strategy for smart specialisation in line with the National Reform Program, to leverage private research and innovation expenditure, which complies with the features of well-performing national or regional research and innovation systems

Criteria for fulfilment:

A national or regional research and innovation strategy for smart specialisation is in place that:

- *is based on a SWOT analysis to concentrate resources on a limited set of research and innovation priorities;*
- *outlines measures to stimulate private RTD investment;*
- *contains a monitoring and review system.*

A Member State has adopted a framework outlining available budgetary resources for research and innovation;

A Member State has adopted a multi-annual plan for budgeting and prioritization of investments linked to EU priorities (-ESFRI)

Example 2: Digital agenda and Next Generation Access (NGA) Infrastructure

Ex-ante conditionality:

The existence of national NGA Plans which take account of regional actions in order to reach the EU high-speed Internet access targets , focusing on areas where the market fails to provide an open infrastructure at an affordable cost and to an adequate quality in line with the EU competition and state aid rules, and provide accessible services to vulnerable groups

Criteria for fulfilment:

A national NGA Plan is in place that contains:

- a plan of infrastructure investments through demand aggregation and a mapping of infrastructure and services, regularly updated;
- sustainable investment models that enhance competition and provide access to open, affordable, quality and future proof infrastructure and services;
- measures to stimulate private investment.

Example 3: SME competitiveness

Ex-ante conditionality

Specific actions have been carried out for the effective implementation of the Small Business Act (SBA) and its Review of 23 February 2011 including the "Think Small First" principle.

Criteria for fulfilment:

The specific actions include:

- a monitoring mechanism to ensure the implementation of the SBA including a body in charge of coordinating SME issues across different administrative levels ("SME Envoy");
- measures to reduce the time to set-up business to 3 working days and the cost to €100;
- measures to reduce the time needed to get licenses and permits to take up and perform the specific activity of an enterprise to 3 months;
- a mechanism for systematic assessment of the impact of legislation on SMEs using an "SME test" while taking into account differences in the size of enterprises, where relevant.

Example 4: Energy efficiency

Ex-ante conditionality:

- Transposition of Directive (2010/31/EU) on the energy performance of buildings
- Compliance with GHG reporting requirements (Article 6(1) of Decision No 406/2009/EC of the EP and Council)
- Transposition of Directive 2006/32/EC on energy end-use efficiency and energy services
- Transposition of Directive 2004/8/EC on the promotion of cogeneration

Criteria for fulfilment:

- Adoption of methodology for calculating the energy performance of buildings, setting of minimum energy performance requirements and calculation of cost-optimal levels of minimum energy performance requirements (Article 3, 4 and 5) and adoption of measures necessary to establish a system of certification of the energy performance of buildings (Article 11 of Directive 2010/31/EU)
- Realisation of the required rate of renovation of public buildings;
- Final customers are provided with individual meters;
- Promotion of efficiency in heating and cooling (Directive 2004/8/EC)

Example 5: Water sector

Ex-ante conditionality:

The existence of (a) water pricing policy which ensures adequate incentives and (b) an adequate contribution of the different water uses to the recovery of the costs of water services

Criteria for fulfilment:

- ensure contribution of the different water uses to the recovery of costs
- adoption of a river basin management plan in accordance with Article 13 of Directive 2000/60/EC

Example 6: Road infrastructure

Ex-ante conditionality:

Comprehensive national transport plan containing appropriate prioritisation of investments in core and comprehensive TEN-T, and in secondary connectivity

Criteria for fulfillment:

- prioritisation of investments taking into account the contribution of investments to mobility, sustainability, the reduction of GHG emissions and contribution to the Single European transport area
- a realistic and mature project pipeline (including timetable, budgetary framework)
- strategic environmental assessment
- measures to strengthen capacity of intermediary bodies and beneficiaries to deliver the project pipeline.

Example 7: Access to employment for job-seekers and inactive people

Ex-ante conditionality:

Active labour market policies are designed and delivered in coherence with the Employment guidelines and the Broad Guidelines for the economic policies of the Member States and of the Union regarding the enabling conditions for job creation

Criteria for fulfilment:

Employment services have the capacity to and do deliver:

- personalised services and active and preventive labour market measures at an early stage, which are open for all jobseekers;
- anticipating and counselling on long-term employment opportunities created by structural shifts in the labour market such as the shift to a low carbon economy;
- transparent and systematic information on new job vacancies.
- Employment services have set up networks with employers and education institutes.

Example 8: Administrative efficiency

Ex-ante conditionality:

The existence of a strategy for reinforcing the Member States' administrative efficiency including public administration reform

Criteria for fulfilment:

- an analysis and strategic planning of legal, organisational and/or procedural reform actions
- the development of quality management systems
- actions for simplification rationalisation of administrative procedures
- the development and implementation of human resources strategies and policies covering the recruitment plans and career paths of staff, competence building and resourcing
- the development of procedures and tools for monitoring and evaluation

A review of dilemmas faced and responses for 2014-2020

- *Dilemma: Setting allocations for 7 years or adjusting allocations based on performance/changing priorities (crisis)*
- *Response: the performance reserve: 5 % of national allocations (3-way system: by Member State, fund and category of region)*

A review of dilemmas faced and responses for 2014-2020

- *Dilemma: adopting a one-size-fits-all management system or a differentiated system according to institutional and administrative capacities.*
- *Response: thematic emphasis on institutional capacity building & efficient public administrations; proportionality in management and control systems*

A review of dilemmas faced and responses for 2014-2020

- Dilemma: Ensuring transparency for citizens, taxpayers and political representatives or reducing bureaucracy and reporting requirements and/or refocusing audits
- Response: Reinforced communications requirements. New output auditing option

A review of dilemmas faced and responses for 2014-2020

- *Dilemma: Changing the rules each planning period or maintaining continuity (problem of the learning curve)*
- *Response: Many new proposals for simplification including merger of management and certifying authorities; easier creation of European Groupings for Territorial Cooperation; common rules for different funds*

A review of dilemmas faced and responses for 2014-2020

- *Dilemma: providing 100% finance from the centre or co-financing projects and programmes. Related issues: revenue generating projects and financial engineering*
- *Response: 75-85 % in less developed and outermost regions; 60 % in new category of transition region; 50 % in more developed regions. Enhanced financial engineering provisions*

Financial engineering

Promoting the use of innovative financing instruments

- Extending scope to all areas of investment
- Clearer regulatory framework
- 10 % bonus for innovative financing instruments & community-led development
- A range of options offering flexibility to programme managers



Following the 2014-2020 debate

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