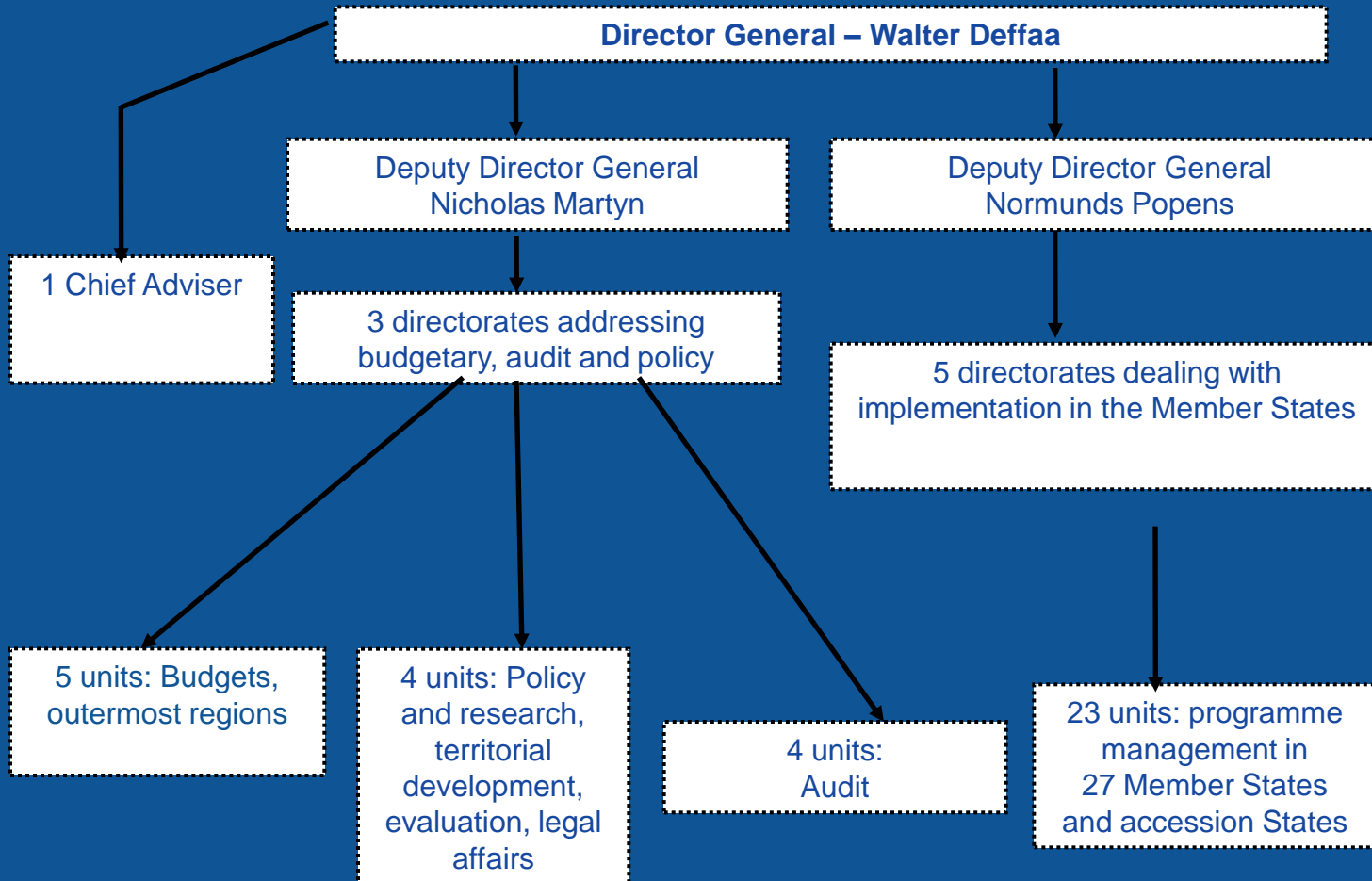




European Union Regional Policy Aims, Methods, Results and... Reform

***Ronald Hall
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Directorate General for Regional Policy
European Commission***

Peru November 2012



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

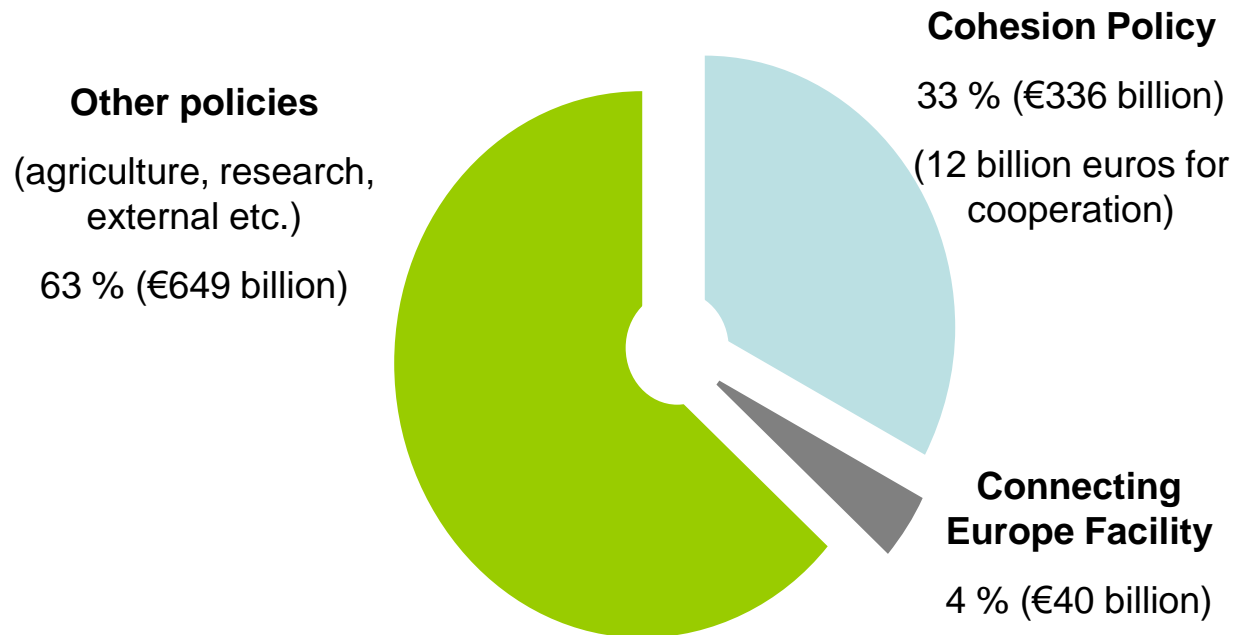
COMMITMENT APPROPRIATIONS BY HEADING	<i>EUR bn, at 2004 prices</i>	<i>in %</i>
1a. Competitiveness for growth and employment (<u>research, innovation, competitiveness</u>)	72.1	8,4%
1b. Cohesion for growth and employment (regional policy)	307.6	35,7%
2. Preservation and management of natural resources (<u>Common Agricultural Policy, rural development, environment</u>)	371.2	43,1%
<i>of which market-related expenditure (CAP)</i>	293.1	34,0%
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

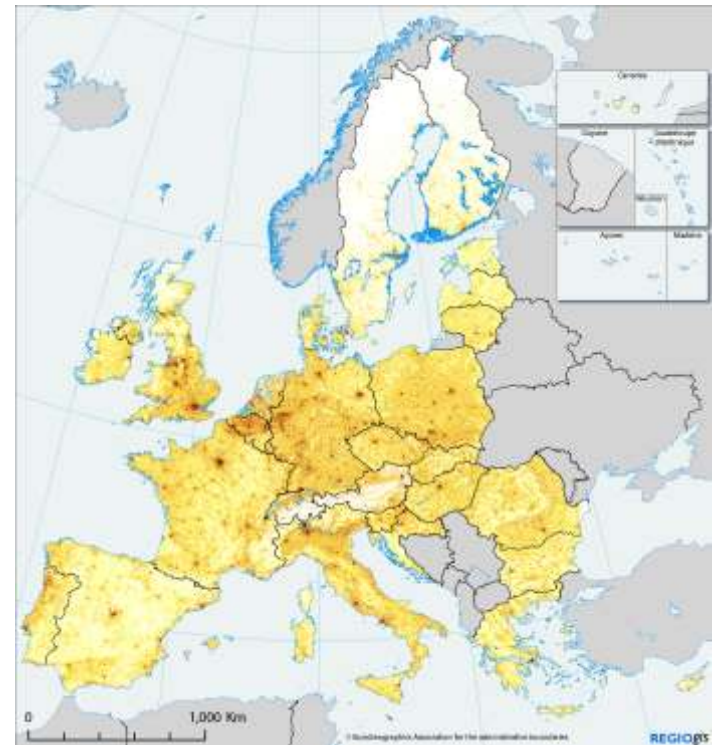
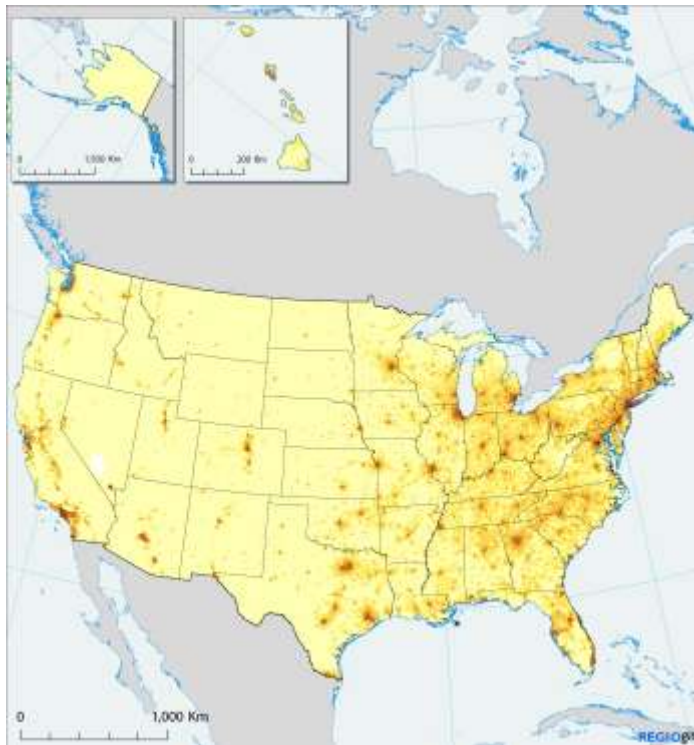
	Population share	GDP share
EU27 regions – most wealthy	25%	37%
EU27 regions – least wealthy	10%	4.1%

Source: Eurostat

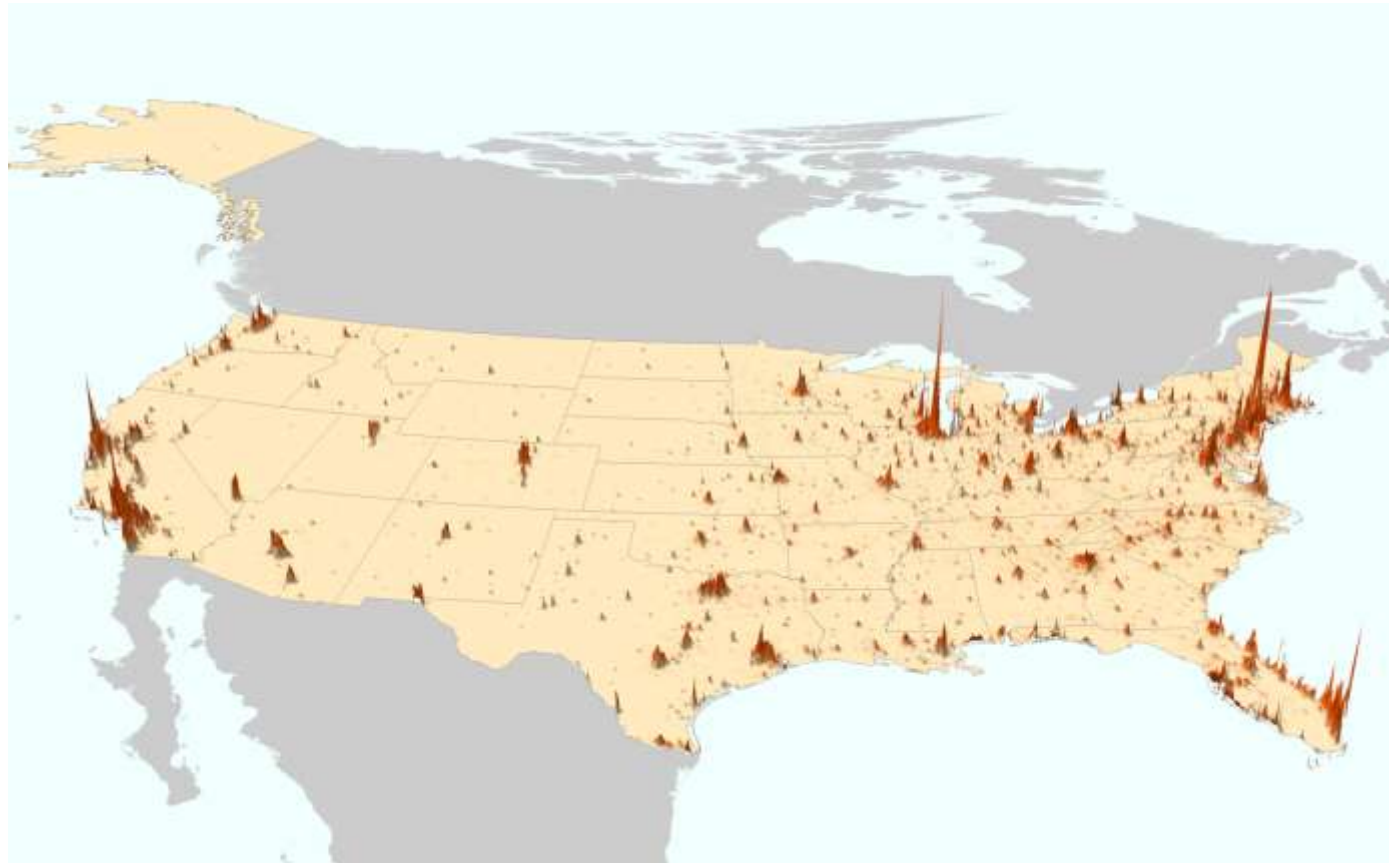
International comparisons: Ratio GDP/head in top/bottom regions with 25% of population

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

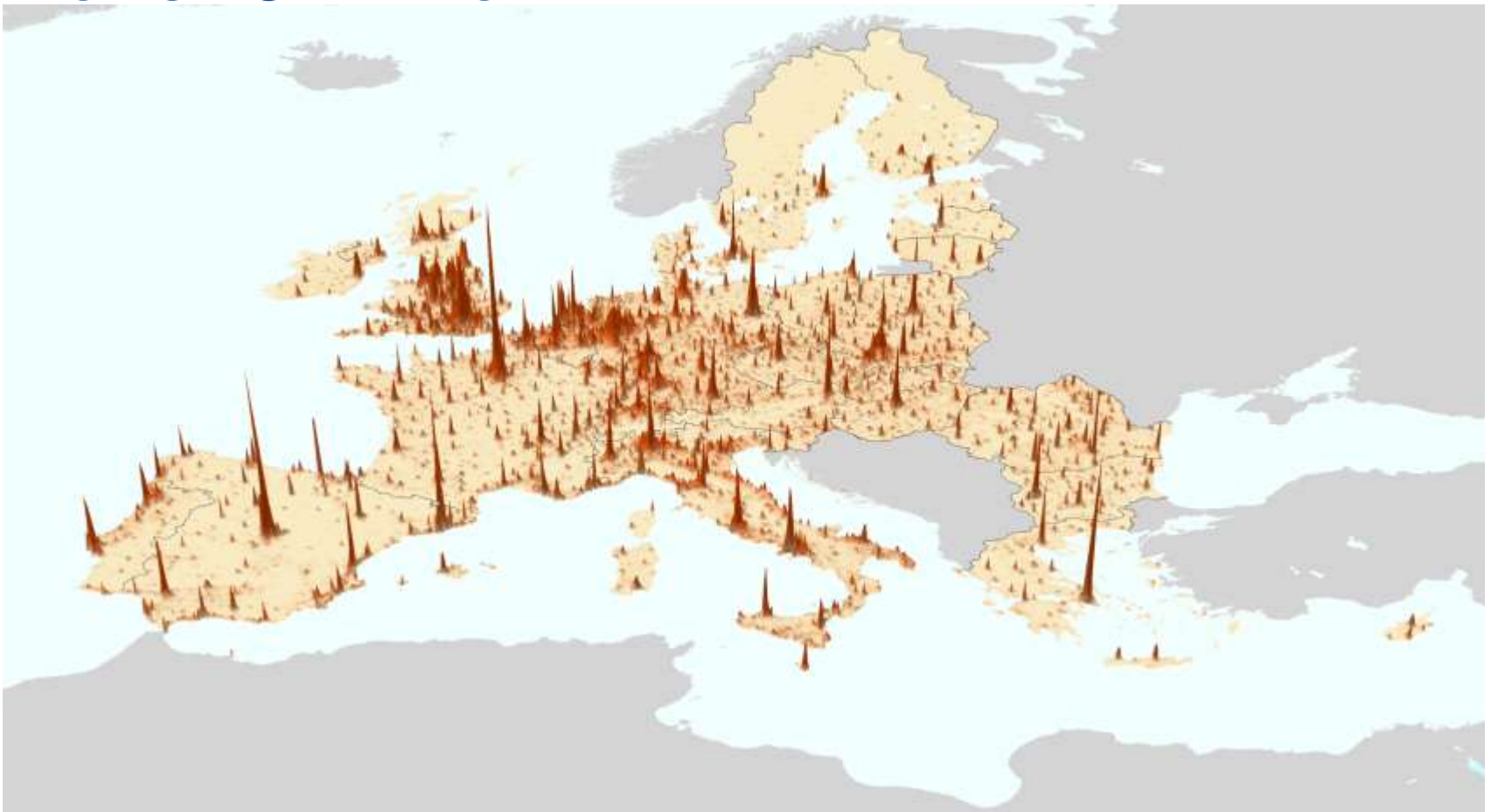
Territorial disparities in development



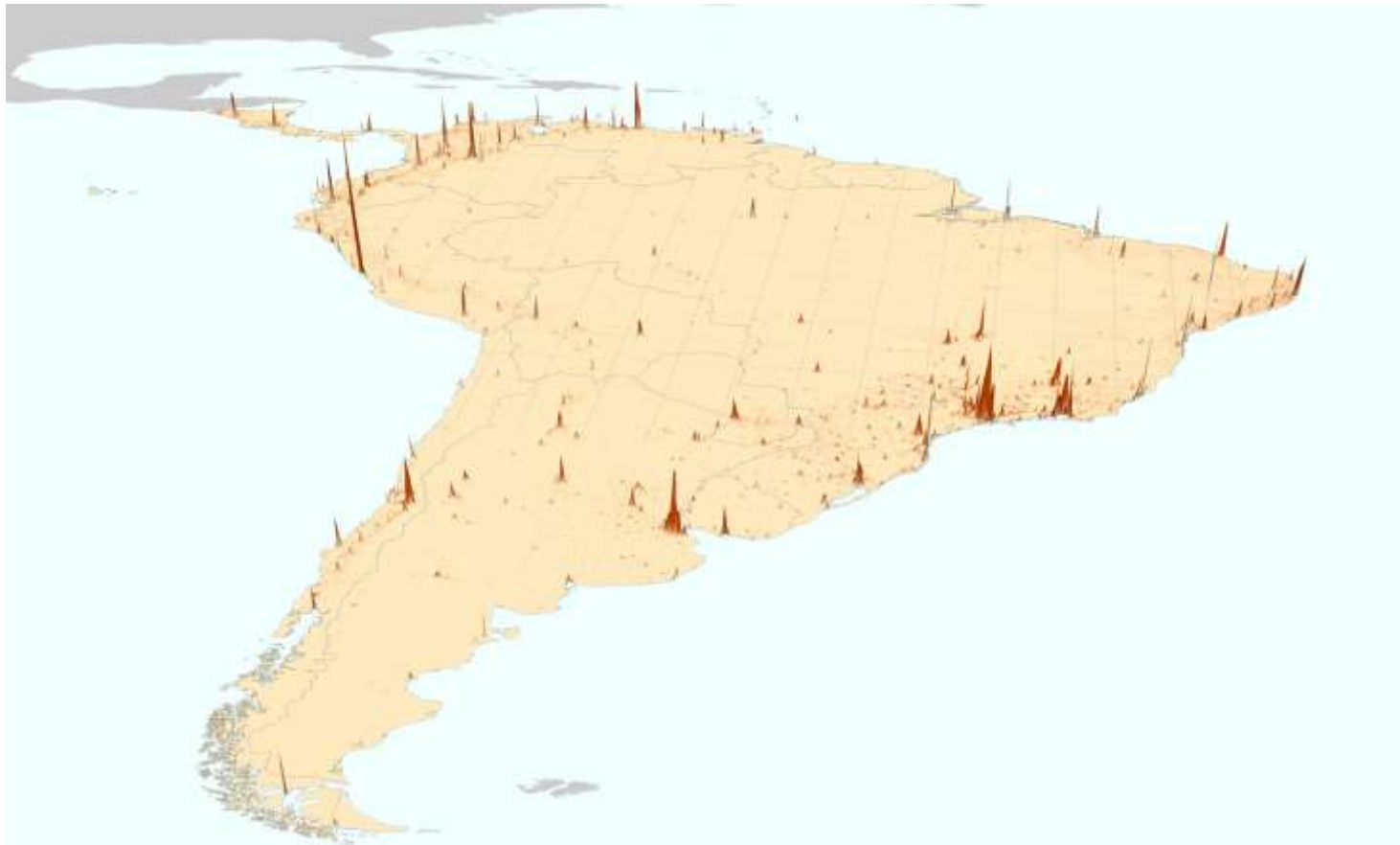
25% live in agglomerations over 5 million



7% lives in agglomerations over 5 million



20% live in agglomerations over 5 million





Principles of EU regional and cooperation 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**
- **Other regions with structural problems**
- **Border regions**







Concentration on the poorest regions: financial impact

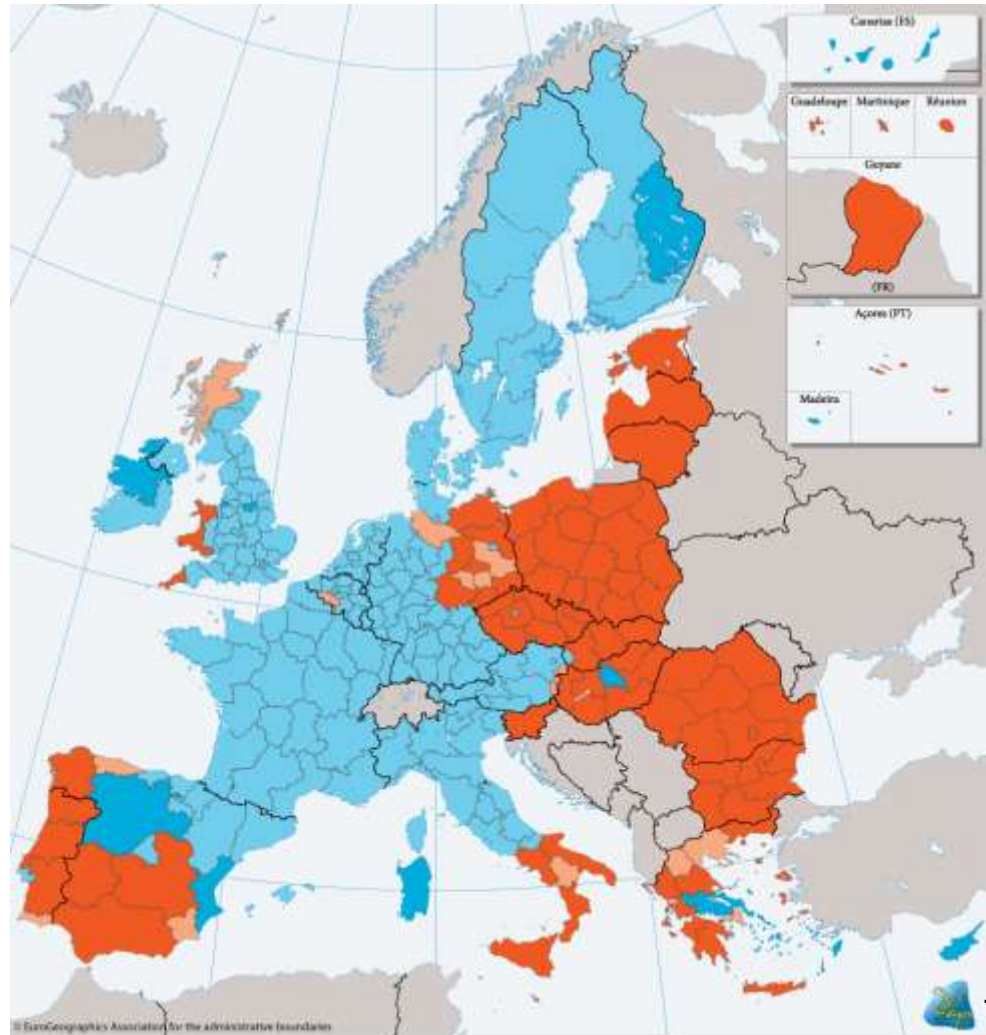
Concentration of EU budgetary resources:

- **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)**

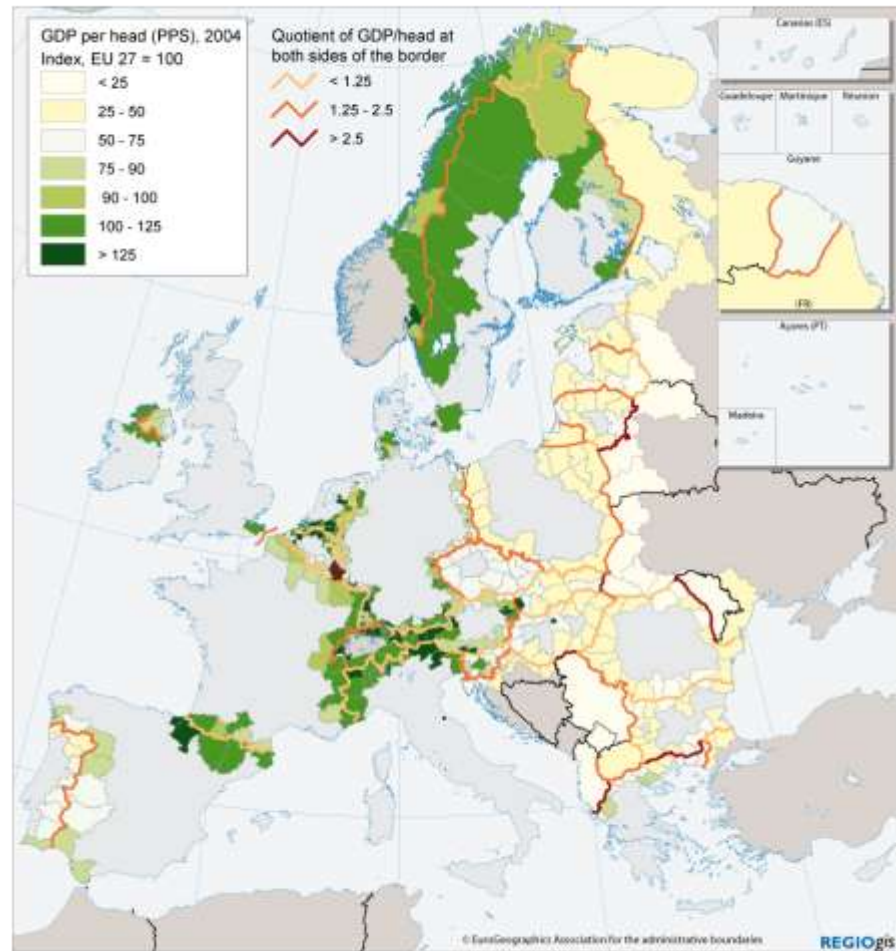
The map of regional aid support, 2007-2013

-  **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



Border disparities in GDP/head (PPS), 2004





Territorial cohesion

A key objective of the EU: achieving economic, social and territorial cohesion

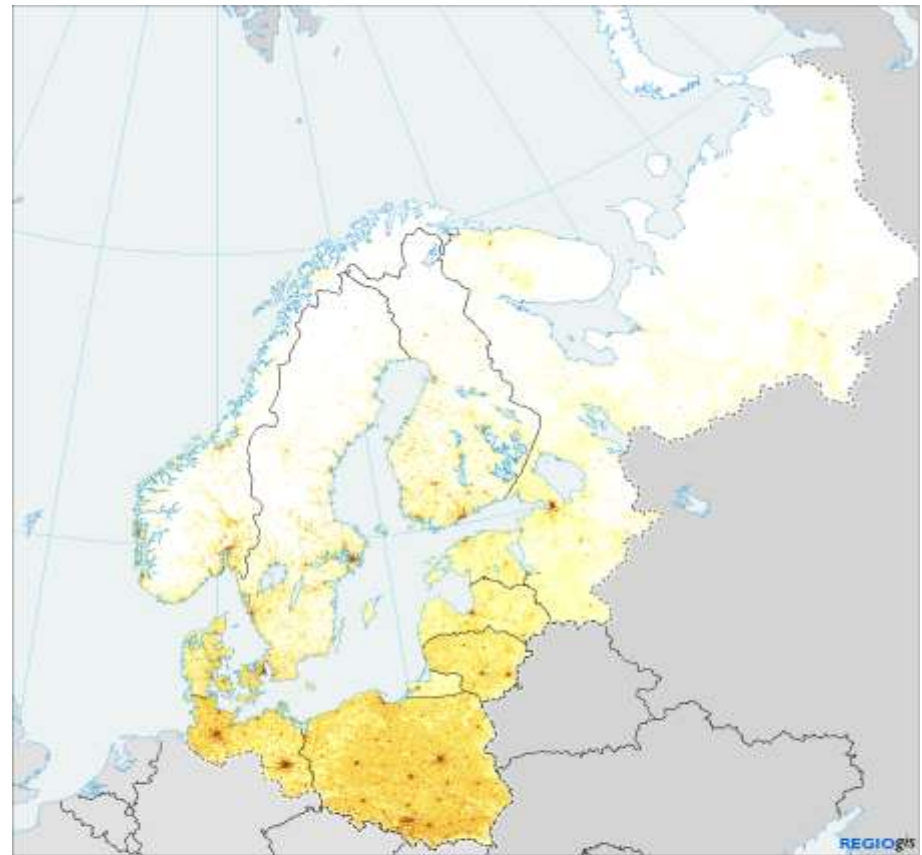
Three strands:

Cross-border: collaboration between two or more adjacent local and regional entities situated in different but neighbouring states

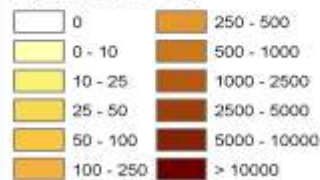
Inter-regional: collaboration between non-adjacent local and regional authorities

Transnational: multi-lateral cooperation is linked to a specific geographic area aiming at an integrated and jointly planned spatial development

New concepts: Macro-regions, example of the Baltic Sea



Population Density



BSR border

EUZ7: 114
BSR: 30

Sources: JRC, Statistics Sweden,
Statistics Finland, Statistics Norway,
Landscan, DG Regio

0 500 Km

© EuroGeographical Association for the administrative boundaries

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)

Promoting Good Governance

Multi-level governance



Methodology for regional and cross-border programmes

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



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

However, looking forward, the de-centralization principle needs to be revisited: the birth of “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.



Example: 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)



Following the 2014-2020 debate

www.ec.europa.eu/info/region

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