Investing in regions: The reformed EU Cohesion Policy 2014-2020

Presentation by
David Müller, Member of cabinet
For Alpeuregio summer school
Basics on EU Cohesion Policy
The European Union is diverse ...

GDP/capita
The European Union is diverse ...

Unemployment
The European Union is diverse ...

Third-level Education
Why an EU Cohesion Policy?

<table>
<thead>
<tr>
<th>GDP per person (% average EU-28)</th>
<th>Top</th>
<th>Bottom</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxemburg</td>
<td>266%</td>
<td>Bulgaria</td>
<td>47%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment rate (% , ages 20-64)</th>
<th>Top</th>
<th>Bottom</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>79.8%</td>
<td>Greece</td>
<td>53.2%</td>
</tr>
</tbody>
</table>

Cohesion Policy aims to reduce disparities between EU regions in order to achieve balanced economic, social & territorial development.

* In the United States, the difference is only 2.5 and in Japan 2
Cohesion Policy finds its origins on the Treaty of Rome

- **Preamble to the Treaty of Rome (1957):** necessity "to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions".

- **Article 174 Treaty of Lisbon (2010):** "In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions".
What is a region?

- Eurostat has developed a classification of territorial units for statistics (NUTS).
- Cohesion policy takes into account the NUTS 2 regions which include from 800,000 to 3,000,000 inhabitants.
- Currently 274 NUTS 2 regions in the EU.
EU Cohesion Policy 2014-2020: 1/3 of the EU budget

The reforms agreed for the 2014-2020 period are designed to maximise the impact of the available EU funding.
Cohesion Policy delivers the Europe 2020 strategy

- Launched in March 2010: Follow-up to the Lisbon Agenda (2000 and 2005)
- A strategy from the European Commission “for smart, sustainable and inclusive growth” over the next 10 years
- Smart agenda: innovation; education; digital society
- Sustainability agenda: climate, energy, and mobility
- Inclusive agenda: employment and skills; fighting poverty and social exclusion
3 funds to invest in growth and jobs

COHESION POLICY FUNDING

DELIVERED THROUGH 3 FUNDS

1. EUROPEAN REGIONAL DEVELOPMENT FUND
2. EUROPEAN SOCIAL FUND
3. COHESION FUND

€351.8bn COHESION POLICY FUNDING + EXPECTED PUBLIC & PRIVATE NATIONAL CONTRIBUTIONS = LIKELY IMPACT OF COHESION POLICY €500bn +
Investing in all EU regions

LEVEL OF INVESTMENT ADAPTED TO LEVEL OF DEVELOPMENT

ALL EU REGIONS BENEFIT

€182 billion for less developed regions
GDP < 75% of EU-27 average
27% of EU pop.

€35bn for transition regions
GDP 75-90% of EU-27 average
12% of EU pop.

€54bn for more developed regions
GDP > 90% of EU-27 average
61% of EU pop.
Cohesion Policy Funding 2014-2020 (€351.8 bn)

- €182.2bn: Less developed regions
- €35.4bn: Transition regions
- €54.3bn: More developed regions
- €10.2bn: European territorial cooperation
- €0.4bn: Urban innovative actions
- €3.2bn: Youth employment initiative (top-up)
- €63.3bn: Cohesion fund
- €1.6bn: Specific allocation for outermost and sparsely populated regions
- €1.2bn: Technical assistance
Budget allocations per Member State (2014-2020)

Total EU allocations of cohesion policy 2014-2020* (billion €, current prices)

* breakdown by category of allocations subject to transfers between categories at the request of the Member States
The method: Programming, Partnership and Shared Management

- Common Strategic Framework
- Partnership Agreements
- Operational Programmes
- Management of programmes/Selection of projects
- Monitoring/Annual reporting
3 authorities to implement Cohesion Policy

- A **managing authority** to implement the operational programme, and a monitoring committee to oversee it;

- A **certification body** to verify the statement of expenditure and the payment applications before their transmission to the Commission;

- An **auditing body** for each operational programme to supervise the efficient running of the management and monitoring system.
The reformed EU Cohesion Policy
Five European Structural & Investment Funds (ESIF) working together

**PARTNERSHIP AGREEMENT**

- European Agriculture Fund for Rural Development
- Cohesion Fund
- European Social Fund
- European Regional Development Fund
- European Maritime and Fisheries Fund

**Common rules for ESI Funds**
- Simplified cost options
- E-governance
- Eligibility rules
- Financial instruments
- CLLD- Community –Led Local Development
11 thematic objectives

1. Research and Innovation
2. Information and Communication technologies
3. Competitiveness of SMEs
4. Low-carbon economy
5. Combating climate change
6. Environment and resource efficiency
7. Sustainable transport
8. Employment and Mobility
9. Social inclusion
10. Better education, training
11. Better public administration
Concentration of investments on 4 thematic priorities (ERDF)

- Research and Innovation
- Information and Communication Technology (ICT)
- Competitiveness of Small & Medium Sized Enterprises (SME) - greater use of Financial Instruments
- Transition to a low CO₂ emissions economy (energy efficiency & renewable energies)

Less developed regions
- 50%
- 12%

Transition regions
- 60%
- 15%

More developed regions
- 80%
- 20%
Better focus on results

Performance reserve
6% funding allocated in 2019 to programmes and priorities which have achieved 85% of their milestones.
Stronger role for partners in planning & implementation

European Code of Conduct on Partnership

- A common set of standards to improve consultation, participation and dialogue with partners during the planning, implementation, monitoring and evaluation stages of projects financed by all European Structural and Investment Funds (ESIF)
- Partners: public authorities, trade unions, employers and NGOs and bodies responsible for promoting social inclusion, gender equality and non-discrimination
- Legally binding
Necessity of pre-conditions for an effective EU investment

Thematic *ex ante* conditionalities

- linked to the **thematic objectives** and **investment priorities** of Cohesion Policy and applied in relation to investments in the **specific thematic area**: strategic, regulatory and institutional pre-conditions, administrative capacity.

General *ex ante* conditionalities

- linked to horizontal aspects of **programme implementation** and apply **across all ESIF**: anti-discrimination policy, gender equality policy.
Examples of pre-conditions for EU funding

- National Transport strategy
- Environmental law compliance
- Public procurement system
- Business-friendly reforms
- ‘Smart specialisation’ strategies

INVESTMENT
Enhanced role for the European Social Fund

For the first time in cohesion policy a minimum share for the ESF is set at 23.1% for 2014-2020

Based on:

- National ESF shares for 2007-2013 and
- Member State employment levels
- Actual share to be determined in the Partnership Agreements based on needs and challenges
- Total ESF amount for EU 28: € 80.3 billion
ESF thematic concentration

- 20% of ESF resources in each Member State for social inclusion, fight against poverty and all forms of discrimination.

- Concentration of funding on max. 5 investment priorities within the 4 thematic objectives: employment/mobility, education/training, social inclusion & better public administration.
Youth Employment Initiative (YEI)

- **A total budget of €6.4 billion** (€3.2 bn specific budget + €3.2 bn ESF budget)
- In regions with a youth unemployment rate above 25%
- Target group: Individuals "NEETs" aged below 25, or optionally below 30:
  - inactive or unemployed (+long-term)
  - registered or not as jobseekers
  - residing in the eligible regions
- Adoption of Operational Programmes including YEI
Sustainable urban development: A priority for 2014-2020

At least 5 % of European Regional Development Fund (ERDF) should be invested in integrated sustainable urban development at national level

- **Integrated urban development strategies** developed by cities to be implemented as Integrated Territorial Investment (ITI), a multi-thematic priority axis or a specific Operational programme
- Projects are selected by the cities in line with the strategies
- Urban-rural linkages have to be taken into account
- Use of community-led local development approaches possible (CLLD): consulting local citizens' organisations
ITI: Combination of funds and programmes

- **Regional ERDF-OP**
- **National ERDF-OP**
- **ESF-OP**

**INTERMEDIATE BODY** + complementary funding from EAFRD and/or EMFF
Other instruments for Urban Development

Innovative actions for sustainable urban development (from 2015)
• €0.37 bln. for 7 years to promote innovative and experimental projects.
• Calls for interest on annual basis.
• At least 50,000 inhabitants involved

Urban development network
• Direct dialogue between European Commission and cities implementing integrated urban development and innovative actions
• Managed by the European Commission

URBACT continues (URBACT III)
• Programme within European Territorial Cooperation programme, all cities can apply
Reinforced cooperation across borders

3 strands:
• Cross-border
• Transnational
• Interregional

Budget for 2014-20: €10.2bn
• 2.9 % of Cohesion Policy budget
Transnational Cooperation
Cross-border Cooperation
Macro-regional strategies

**EU Strategy for**
- the Baltic Sea Region
- the Danube Region
- the Adriatic & Ionian Region
  (proposed by the EC in June 2014)
EU Cohesion Policy: The key elements of the reform

- Link with **EU 2020 Strategy**
- **Coordinated use** of five European Structural & Investment Funds
- **Target** resources at key growth sectors
- Set clear **objectives** and measure **results**
- Ensure the right **conditions for investment**
- Enhanced role for the **European Social Fund**
- Stronger role for **partners** in planning, implementation and control
- **Integrated approach** to territorial development
- Reinforce **cooperation across borders**
Thanks to Cohesion Policy...

So far, in the period 2007-2013:

• 600,000 jobs created – at least 1/3 in SMEs
• 200,000 SMEs supported
• 1,800 km of new or reconstructed railways
• 25,000 km of new or reconstructed roads
• Broadband access for 5 million citizens
• Access to clean drinking water for 3 million citizens
• ESF: 15 million participants per year
• 940 financial instruments in 25 Member States raising €8.36 bn. funding for equity, loans and guarantees
EU Cohesion Policy and Solidarity

- European Union Solidarity Fund (EUSF) established in 2002 following severe flooding in Central Europe
- Financial aid for reconstruction
- To cope with major natural disasters and express EU solidarity towards devastated areas.
- EUSF intervention so far in 56 cases of natural disasters (forest fires, earthquakes, storms, drought, floods)
- 23 European countries have benefitted so far from over 3.58 billion euro in aid
Project examples