



Investing in Europe's Member States and regions

After the European Council's Agreement on the
Financial Perspectives: Putting EU Cohesion Policy
into practice 2007-2013





January 2006

European Commission - Regional Policy Directorate-General

http://europa.eu.int/comm/regional_policy



Overview

-  **Agreement on the EU budget 2007-2013: What would it mean for Cohesion Policy?**
-  **Which Member States and regions are eligible and how will Cohesion Policy instruments be spent?**
-  **Which effects can be expected?**
-  **What next?**



Background

- Between 2001 and 2003:** large debate, organised by the Commission, on future priorities and management with Member States, regions and other players.
- February 2004:** Commission adopts the Communication on Financial Perspectives 2007-13 allocating Euro 336 billion to Cohesion Policy and the 3rd Cohesion Report laying down the framework for the policy's reform. This approach is largely supported by the European Parliament and a majority of Member States but partly contested by six of them.
- 17 December 2005:** the European Council finds a compromise on the Financial Perspectives 2007-13, which allocates Euro 307.6 billion (35.7% of the total) to Cohesion Policy instruments.



EU Financial Perspective 2007-2013

European Council 15 and 16 December 2005: Presidency Conclusions

- Concerning cohesion policy, the Presidency conclusions confirm the new **structure of objectives** (convergence; regional competitiveness and employment; European territorial cooperation) and the **policy's role** in pursuing the Lisbon agenda (expenditure concentrated on Lisbon objectives).
- They fix the level of **allocations between objectives**, geographical eligibility and the allocation method (by region or Member State), including upper transfer limits.
- In addition, the conclusions define several transitional arrangements (e.g. phasing out the Cohesion Fund for certain countries), exceptions (e.g. eligibility; co-financing), and a list of **special treatments** (e.g. additional financial allocations) of several Member States and regions.



EU Financial Perspectives 2007-2013

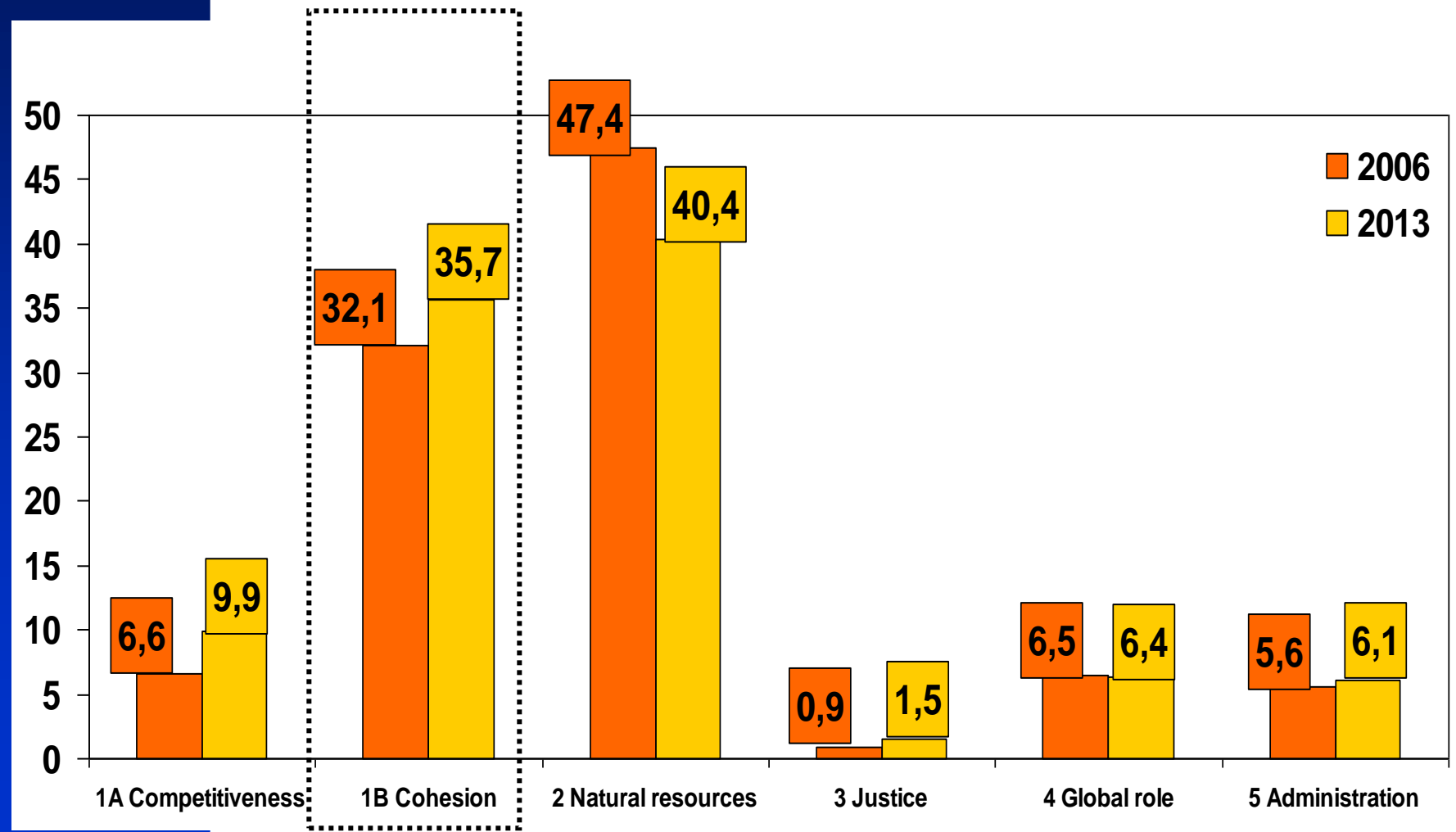
Presidency conclusions of 19 December 2005: Financial Table

COMMITMENT APPROPRIATIONS BY HEADING	<i>In billion of EUR, at 2004 prices</i>	<i>In %</i>
1a. Competitiveness for growth and employment	72.1	8,4%
1b. Cohesion for growth and employment	307.6	35,7%
2. Preservation and management of natural resources	371.2	43,1%
<i>of which market-related expenditure</i>	<i>293.1</i>	<i>34,0%</i>
3. Citizenship, freedom, security and justice (excl. EUSF)	10.3	1,2%
4. The EU as a global partner (excl. EDF)	50.0	5,8%
5. Total administrative expenditure	50.3	5,8%
6. Compensations BG/RO	0.8	0,1%
Total commitments	862.4	
In % of EU-27 GNI	1.045%	



New Budget Structure: Cohesion Policy gains

2006 vs. 2013 in %





Comparison between Commission proposal and Council agreement

Objective	Commission proposal in %	in billion Euro	Council agreement in%	in billion Euro
Convergence	78.54 %	264	81.7 %	251.3
Regional Competitiveness and Employment	17.22 %	57.9	15.8 %	48.8
European Territorial Cooperation	3.94 %	13.2	2.44 %	7.5
Total		336.1		307.6



Objectives, Structural Funds and instruments

2007-2013

Objectives

Structural Funds and instruments

Convergence

ERDF

ESF

Cohesion Fund

Regional Competitiveness and Employment

ERDF

ESF

European territorial Cooperation

ERDF

infrastructure, innovation, investments etc.

vocational training, employment aids etc.

environmental and transport infrastructure, renewable energy

all Member States and regions

Member States with a GNI/head below 90%

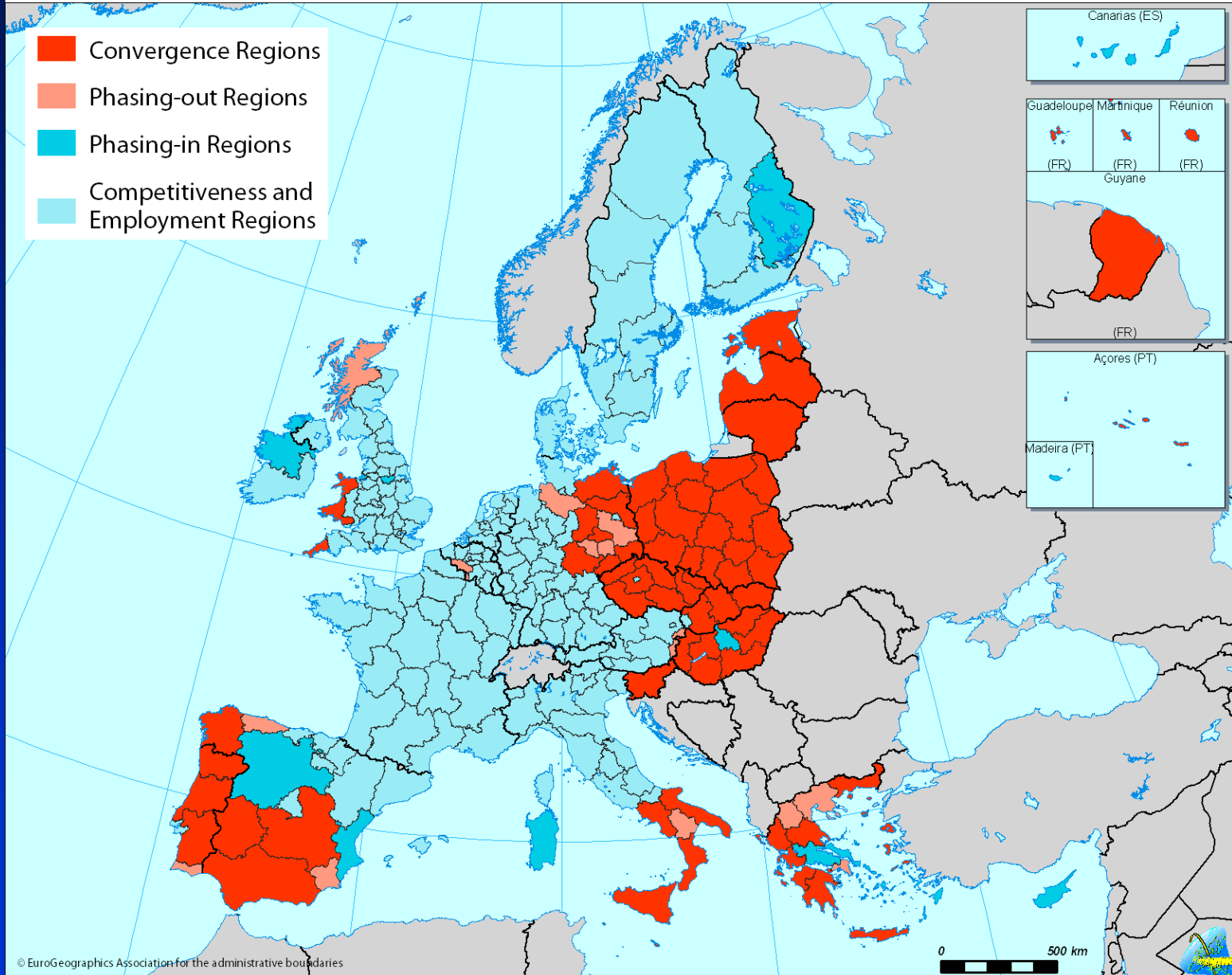


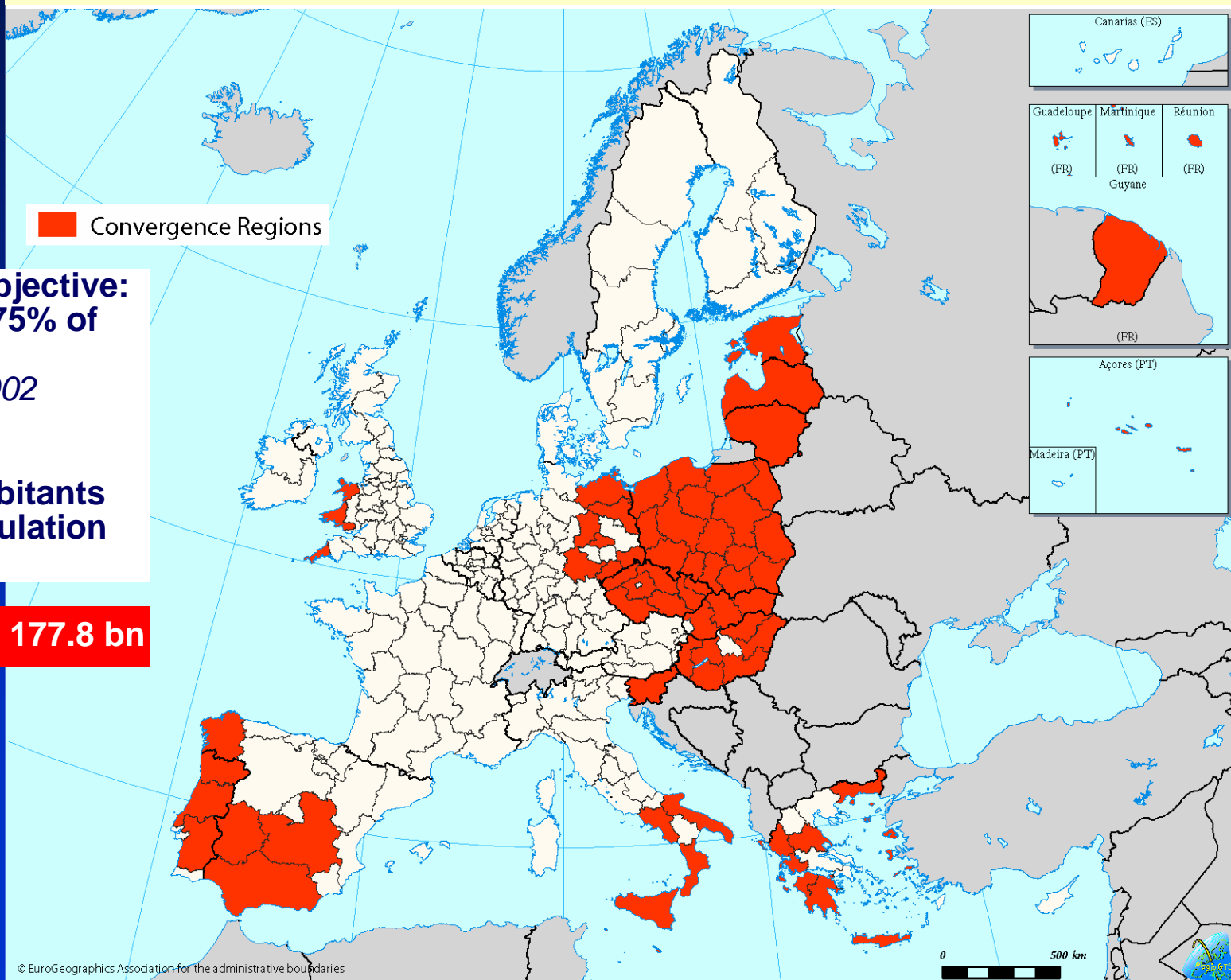
Cohesion Policy 2007-2013


3 Objectives

Budget: EUR 307.6 bn
(0.37% of EU-GNI)

Programmes and Instruments	Eligibility	Priorities	Allocations
Convergence objective			81.7% (EUR 251.33 bn)
Regional and national programmes ERDF ESF	Regions with a GDP/head <75% of average EU25	<ul style="list-style-type: none"> •innovation; •environment/ risk prevention; •accessibility; •infrastructure; •human resources; •administrative capacity 	57.6% EUR 177.29 bn
	Statistical effect: Regions with a GDP/head <75% of EU15 and >75% in EU25		4.1% EUR 12.52 bn
Cohesion Fund including phasing-out	Member States GNI/head <90% EU25 average	<ul style="list-style-type: none"> •transport (TENs); •sustainable transport; •environment; •renewable energy 	20.0% EUR 61.42 bn
Regional competitiveness and employment objective			15.8% (EUR 48.79 bn.)
Regional programmes (ERDF) and national programmes (ESF)	Member States suggest a list of regions (NUTS I or II)	<ul style="list-style-type: none"> •Innovation •environment/risk prevention •accessibility •European Employment Strategy 	15.5% EUR 38.4 bn
	"Phasing-in" Regions covered by objective 1 between 2000-06 and not covered by the convergence objective		3.4% EUR 10.38 bn
European territorial co-operation objective			2.44% (EUR 7.5 bn.)
Cross-border and transnational programmes and networking (ERDF)	Border regions and greater regions of transnational co-operation	<ul style="list-style-type: none"> •innovation; •environment/ risk prevention; •accessibility •culture, education 	<i>of which:</i> 77.6% cross-border 18.5% transnational 3.9% interregional + ENPI



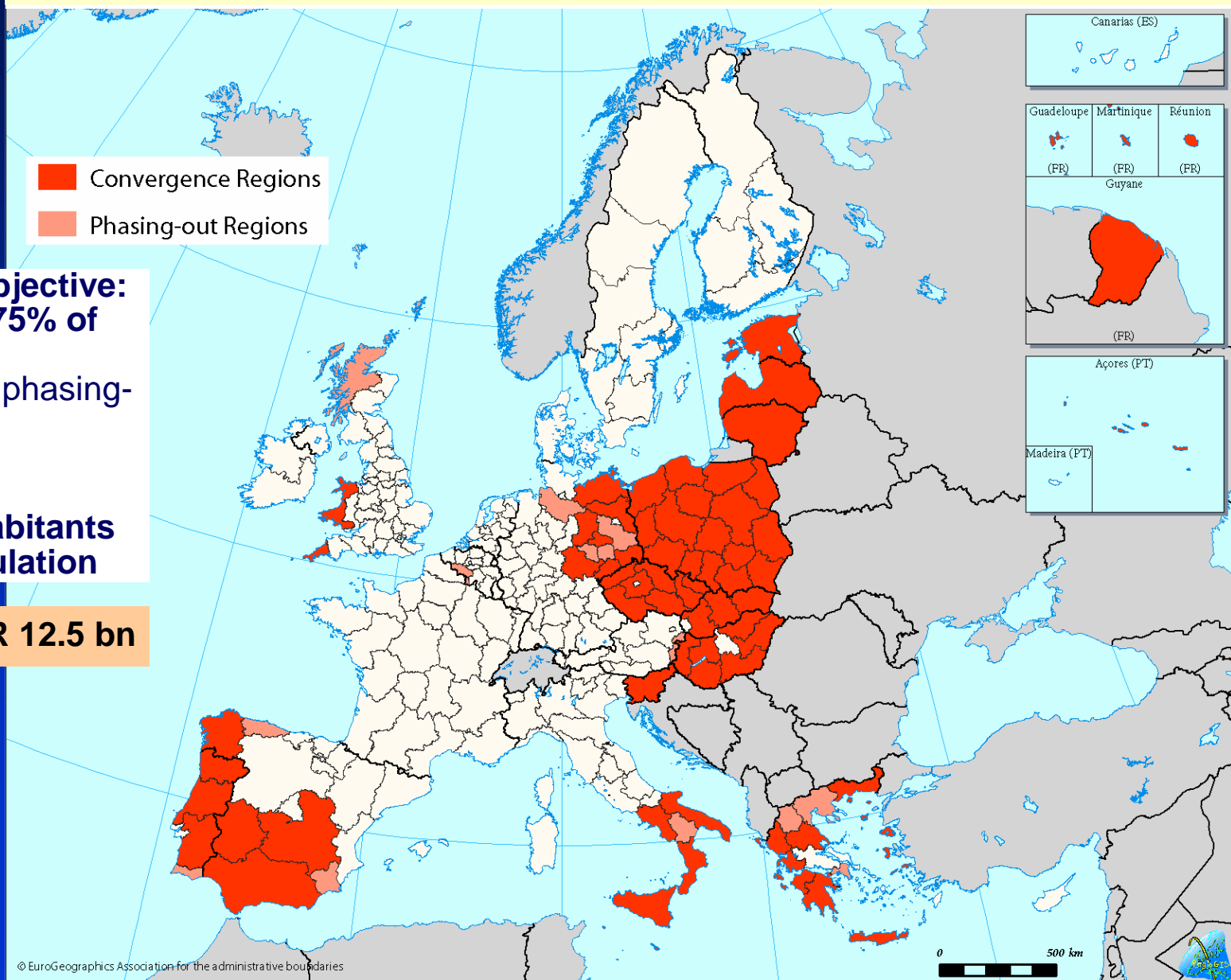


 Convergence Regions

Convergence-Objective:
Regions below 75% of EU25 GDP
Average 2000-2002

86 Regions
124 million inhabitants
27.3% of EU population

Allocation: EUR 177.8 bn

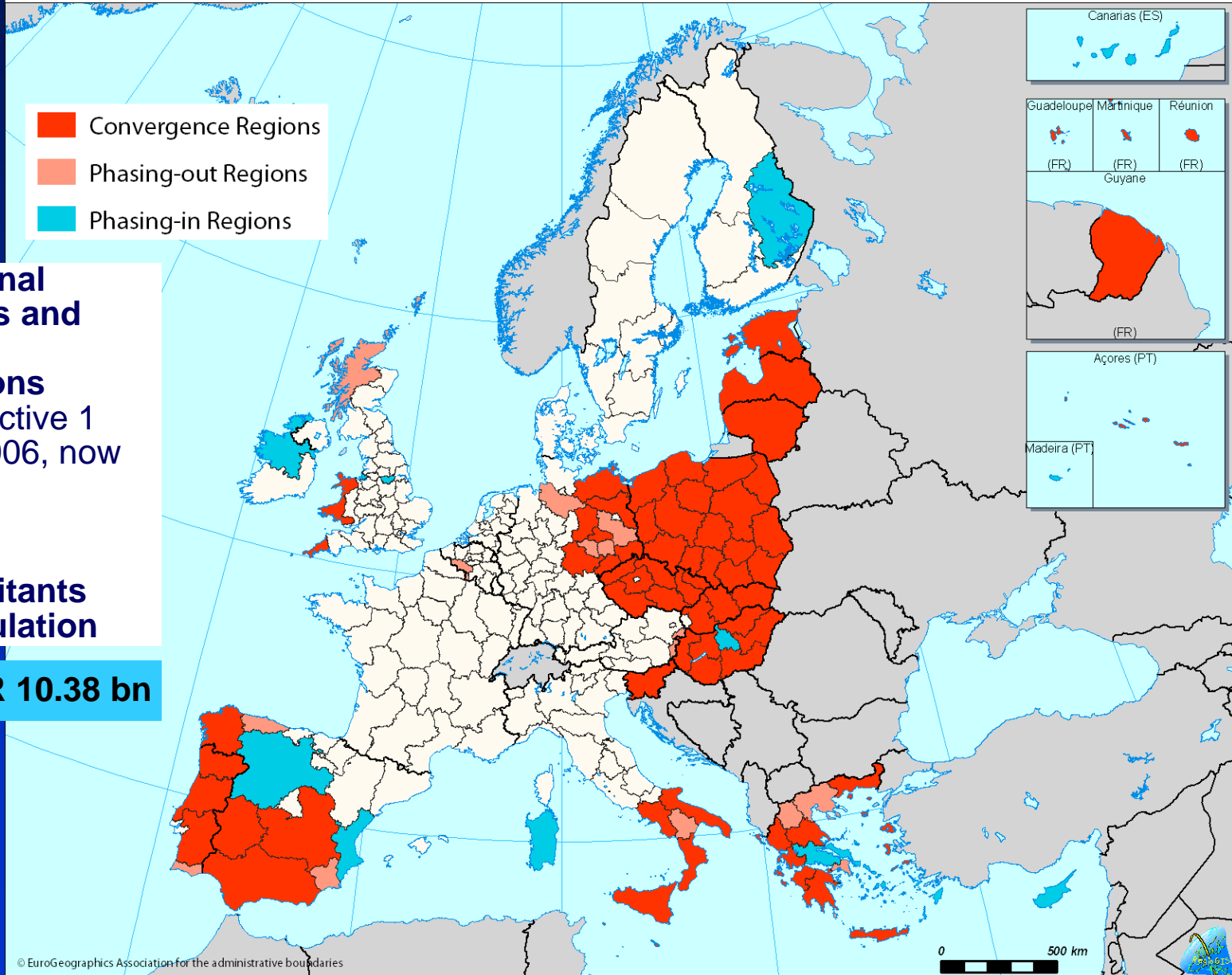


Convergence Objective:
Regions below 75% of EU15 GDP
 (statistical effect/ phasing-out regions)

16 Regions
16.4 million inhabitants
3.6% of EU population

Allocation: EUR 12.5 bn





Objective Regional Competitiveness and Employment:
Phasing-in regions
 (covered by Objective 1 between 2000-2006, now above 75%)

13 Regions
19 million inhabitants
4.2% of EU population

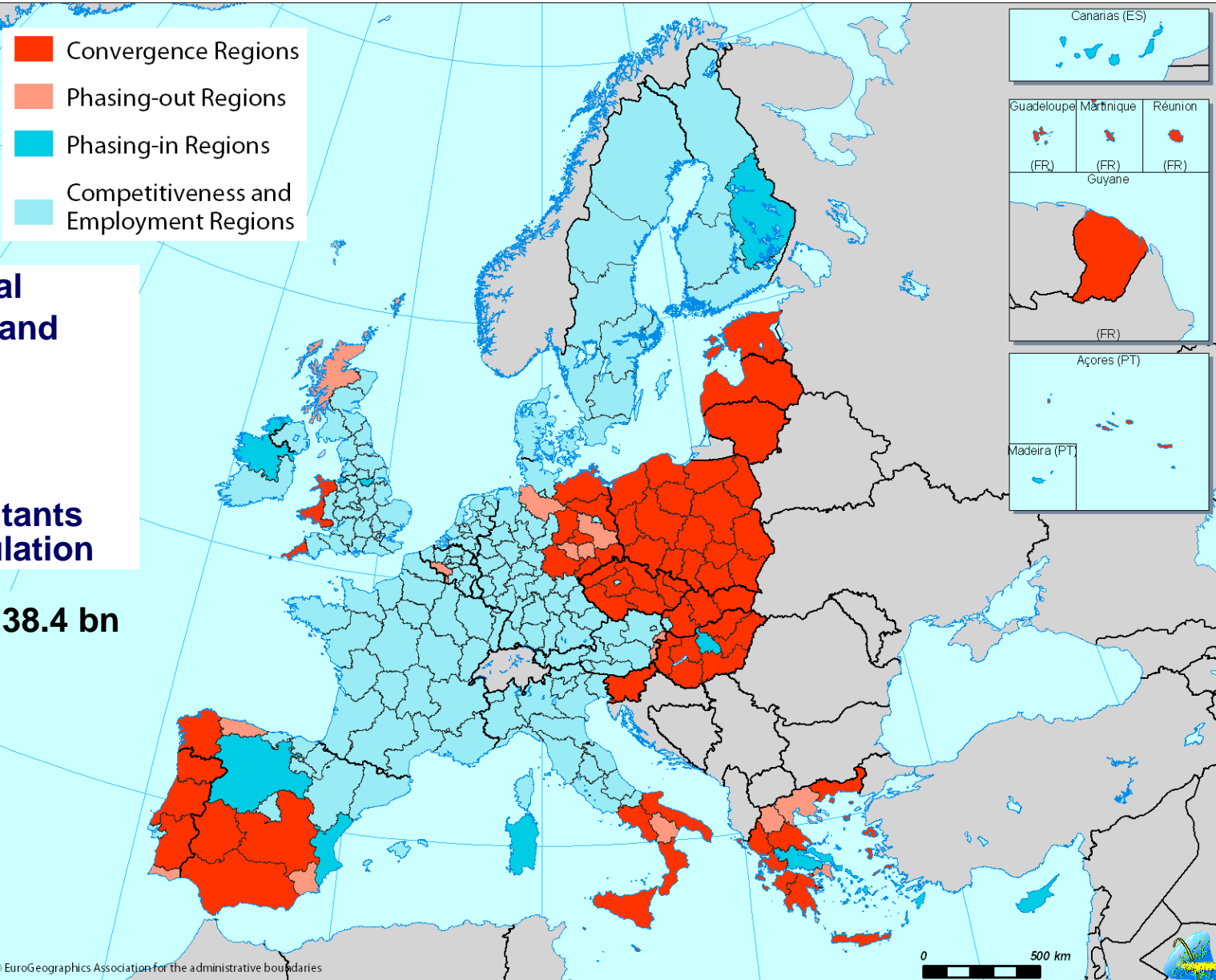
Allocation: EUR 10.38 bn



**Objective Regional
Competitiveness and
Employment:**
(all other regions)

156 Regions
296 million inhabitants
65.1% of EU population

Allocation: EUR 38.4 bn





Convergence and Competitiveness and Employment Objectives

Regions and population covered in EU25/27 (December 2005 figures)

EU25			EU27		
Number of regions	Population		Number of regions	Population	
	million	% of EU		million	% of EU

Convergence Objective

Convergence Regions	70	124	27.3	84	153.7	31.7
Statistical Effect Regions	16	16.4	3.6	16	16.4	3.4
Total	86	140.4	30.9	100	170.1	35.1

Competitiveness and Employment Objective

Phasing-in Regions	13	19	4.2	13	19	3.9
Other Regions	155	295.2	64.9	155	295.2	61.0
Total	168	314.3	69.1	168	314.3	64.9



Possible growth and employment effects

- Growth:** Major gains in terms of additional GDP of approximately 10% in most new MS by 2013 (8.9% in Poland, more than 10% in Baltic States).
- Productivity:** Gains vary between 2.3% (Slovakia; Hungary) and 7% (Bulgaria; Romania).
- Employment:** Overall 2.5 million new jobs (between +4% to 8%).



Possible GDP and productivity growth

Simulation of 2005 based on Hermin model

	Impact on GDP growth		Productivity (2013)
	Additional GDP (2013)	Of which supply side-effects (from 2014)	
République tchèque	10,90%	63%	2,30%
Slovaquie	10,90%	63%	2,30%
Hongrie	8,40%	49%	4,10%
Pologne	9,80%	36%	5,70%
Slovénie	6,80%	34%	2,70%
Lituanie	11,10%	43%	5,80%
Lettonie	12,40%	13%	6,10%
Estonie	11,10%	43%	5,80%
Bulgarie	11,80%	15%	7,00%
Roumanie	11,80%	15%	7,00%
Portugal	2,80%	47%	1,70%
Grèce	1,20%	18%	0,50%



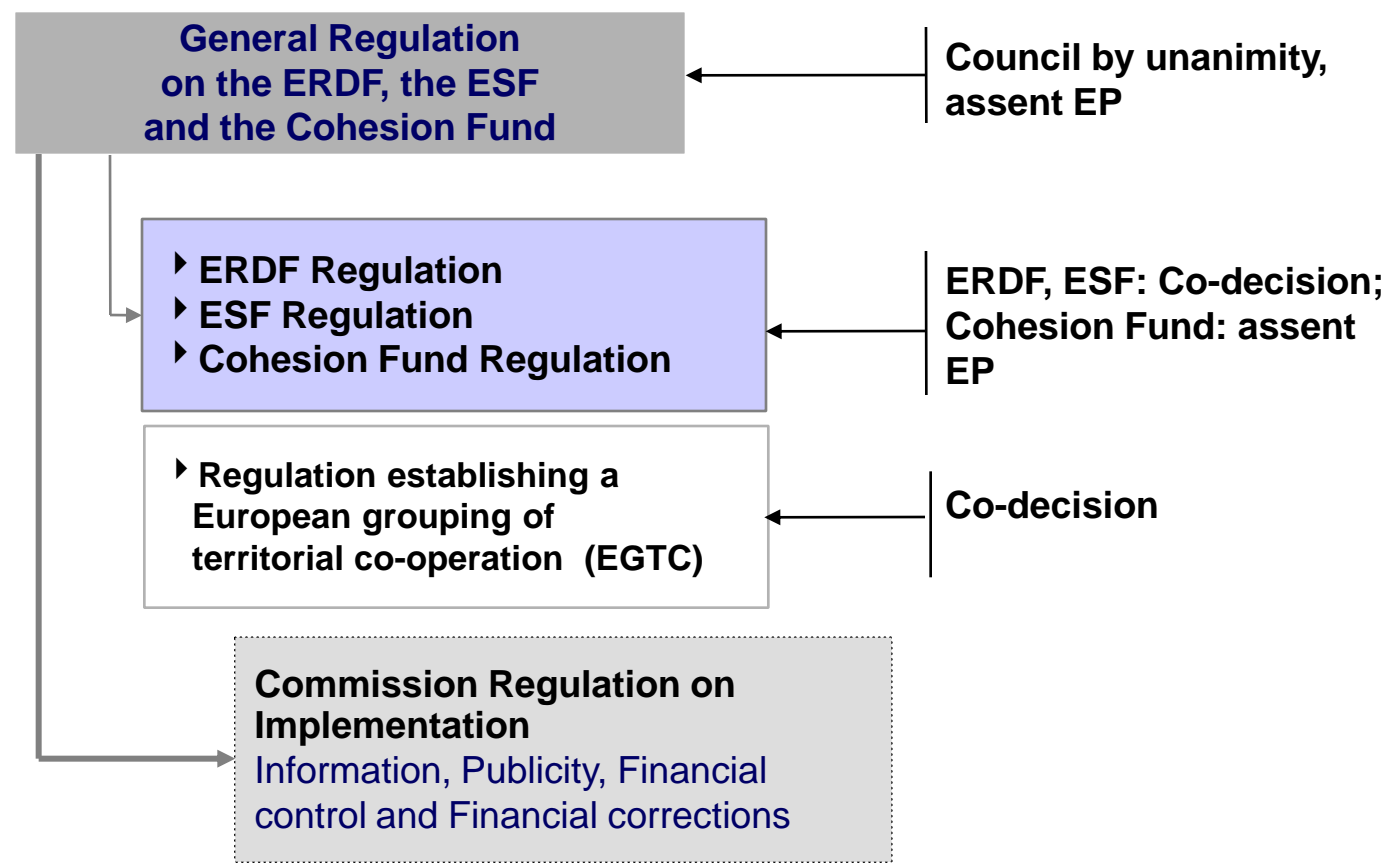
Possible employment growth

Simulation of 2005 based on Hermin model

	Impact on employment	
	Variation % (2013)	creation (<i>thousands</i>)
République tchèque	8,30%	407
<i>Slovaquie</i>	8,30%	<i>nc</i>
Hongrie	4,50%	157
Pologne	4,00%	536
<i>Slovénie</i>	4,30%	40
<i>Lituanie</i>	4,90%	<i>nc</i>
Lettonie	6,30%	63
Estonie	4,90%	29
<i>Bulgarie</i>	5,00%	<i>nc</i>
Roumanie	5,00%	472
Portugal	1,20%	59
Espagne	0,30%	60
Grèce	0,70%	28,1



The regulatory framework



New: General Regulation applies to the Cohesion Fund; a new Rural Development Fund and Fisheries instrument now outside Cohesion Policy; one Commission regulation instead of five on specific aspects; eligibility rules simplified.



Presidency Conclusions 15 and 16 December 2005

Major changes for Cohesion Policy as compared to the Commission proposal

- **Allocation** about 10% below the Commission's proposal, but less than the overall reduction (-13%).
- Phasing-out for the **Cohesion Fund** agreed (exceptional for certain MS).
- **Private costs** declared eligible, but only for Member States with a GDP below 85% and East German Länder.
- Differentiation of **co-financing rates**.
- Maximum **level of transfers** to individual Member States reduced: instead of 4% now between 3.71 and 3.2% (and below) depending on national GNI per head.
- **Additional allocations** for several Member States and regions.



Financing: Differentiation of co-financing rates

Criteria	Member States, regions	ERDF, ESF	Cohesion Fund
(1) Member States whose average per capita/ GDP below 85% between 2001-03	CZ, EE, GR, CY, LV, LT, HU, MT, PL, PT, SI, SK, BG, RO	85%	85%
(2) Member States other than those under (1) eligible to the Cohesion Fund	ES	80%/50%*	85%
(3) Member States other than those under (1) and (2)	AT, BE, DK, DE, FR, IR, IT, LU, NL, SE, SF, UK	75%/50%*	-
(4) Outermost regions referred to in Article 299 (2) of the Treaty	regions in ES, FR, PT	85%	85%**

* The first rate concerns regions eligible under the "Convergence"; the second one those under the "Regional Competitiveness and Employment" objective

** If applicable



Structural Funds' regulations

- Differentiation:** Presidency conclusions of 15 and 16 December 2005 introduced new rules, which differentiate between objectives, eligible MS/region and type of expenditure (e.g. co-financing rates and sources, decommitment of unused funding, social housing).
- Debate not yet finished:** Some issues remain subject to further discussion, such as quality reserves, the use of decommitted funds, addressing urban development, and partnership arrangements.



"Lisbon-new" and Cohesion, rural development and fisheries policies

European Council

Integrated Guidelines for Growth and Employment

European Commission

Council

Cohesion policy

CAP/rural development

Fisheries policy

Community Strategic Guidelines for Cohesion

EU Strategic Guidelines for rural development

Strategic Guidelines for sustainable development of the fisheries sectors and coastal areas dependent from fisheries

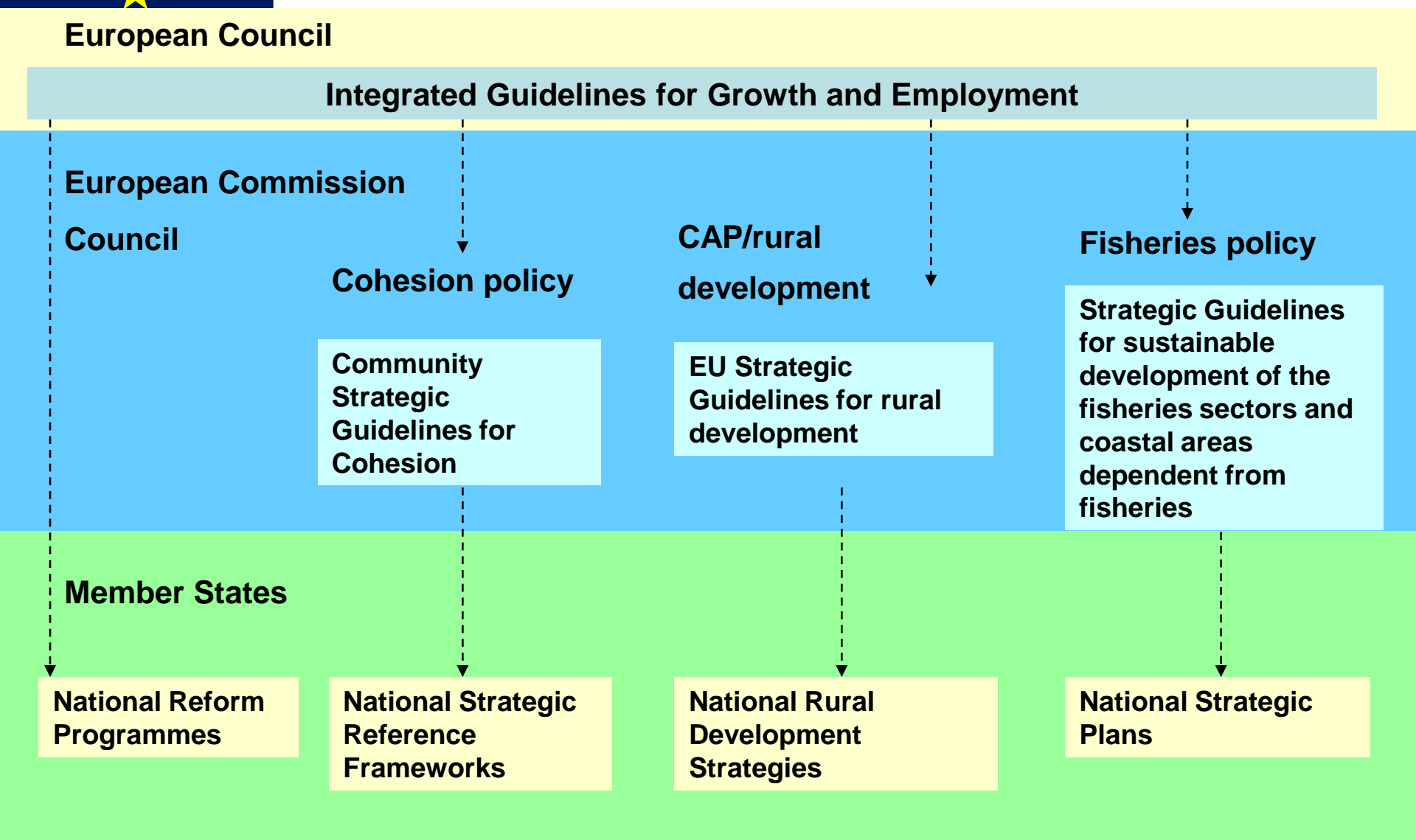
Member States

National Reform Programmes

National Strategic Reference Frameworks

National Rural Development Strategies

National Strategic Plans





Strategic guidelines, programming and follow-up

1

Community's strategic guidelines on cohesion

*proposed by the Commission,
adpoted by the Council, assent by the
European Parliament*

2

National strategic reference framework

*proposed by the Member State in applying the
partnership principle; reflects on the Union's orientations,
lays down a national strategy and its programming;
finally decided by the Commission*

3

Operational Programmes

*one programme by fund and Member State
or region, description of priorities, management and
financial sources; proposed by Member State or region;
finally decided by the Commission*

4

Programme management and project selection

*by Member States and regions; "shared management"
principle = concertation with the Commission*

5

Strategic follow-up and annual debate

*by the European Council in Spring, based on an
annual report of the Commission and Member States*



Programming: Earmarking "Lisbon priorities"

- Presidency conclusions stipulate that **expenditure targets** will be set under both the convergence (60%) and regional competitiveness and employment (75%) objectives for policies which contribute directly to achieving the Lisbon objectives.
- The Commission currently prepares a list of those **categories of expenditure** concerning research and innovation, human capital, business services, major European infrastructures and energy efficiency and renewables.
- **Exception:** these provisions shall not apply to Member States that acceded the Union after 2004.



Next steps

- Budget 2007-2013:** Council, European Parliament and Commission need to agree upon a new Inter-institutional Agreement (April/May?).
- Cohesion Policy regulations and Strategic Guidelines for Cohesion:** the set of five regulations will possibly be agreed by the Council (February 2006) and by Council and EP (June/July 2006).
- Programming and implementation:** Member States and regions to propose National Strategic Reference Frameworks and Operational Programmes (second half of 2006), which will be adopted by the Commission (2006/2007).