CEE Countries and EU Cohesion policy 2021-2027

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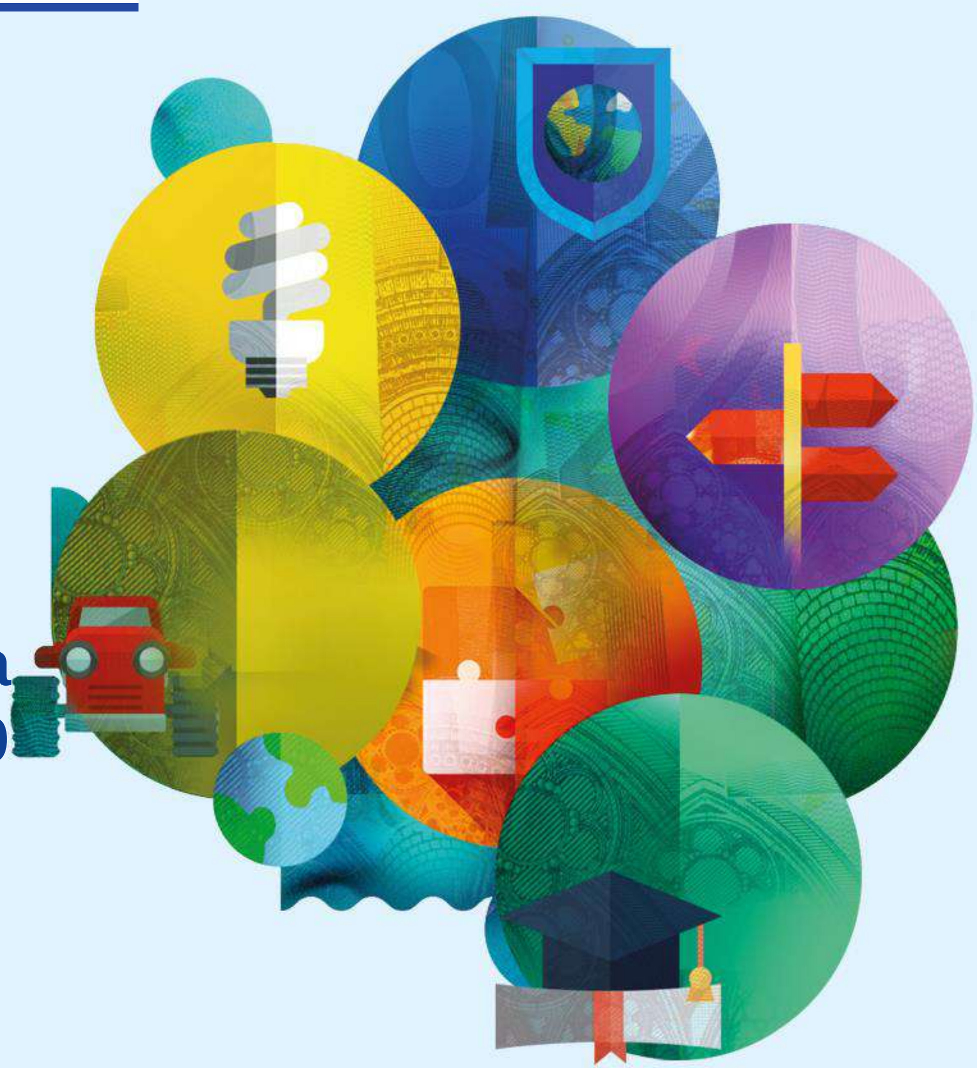
Lublin, 12 September 2019



#CohesionPolicy
#EUinmyRegion

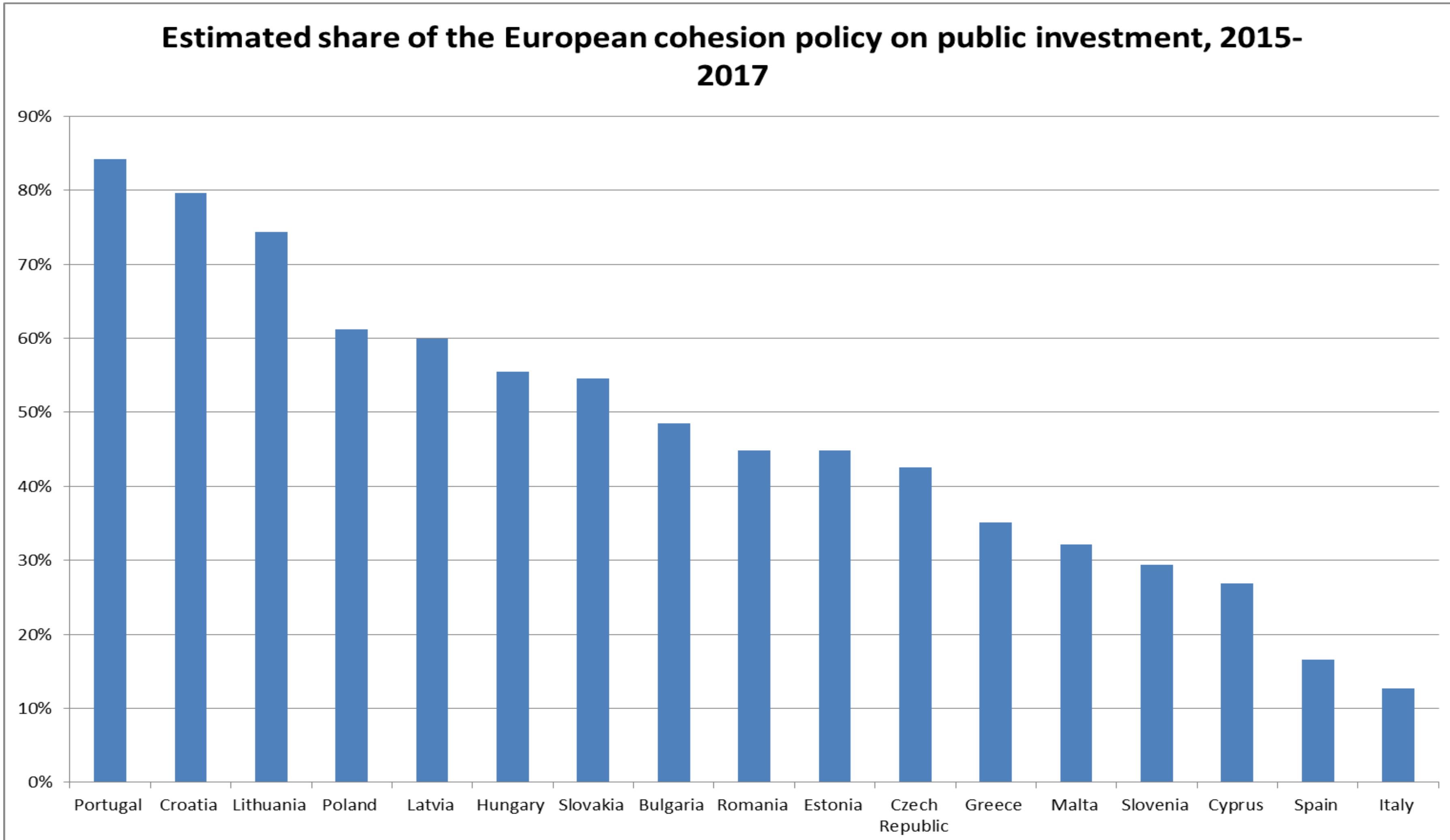
CEE Countries and EU Cohesion Policy 2021-2027 –

New funds, simpler rules and more ambitious policy objectives – a perfect policy mix for CEECs?

European Commission

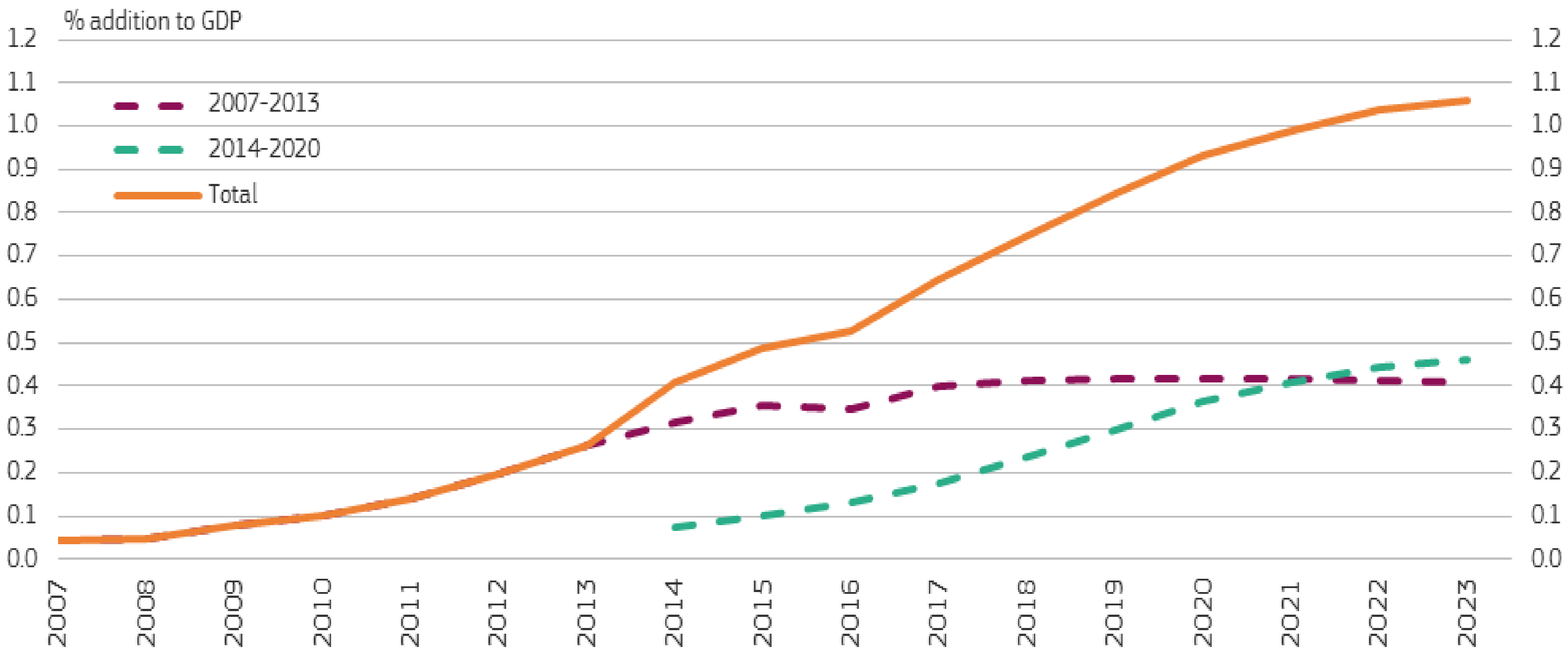
Cohesion policy has a significant impact on cohesion and quality of live

- **Cohesion policy contributed to limiting the fall in public investment**
- **It provided funding equivalent to 8.5% of government investment in the EU, 41% for the EU-13 and over 50% for a number of countries**



- **In 2023, EU-28 GDP is expected to be more than 1% higher thanks to cohesion policy**
- **Full impact long after the termination of programmes**

Figure 6.6 Impact of cohesion policy on EU GDP, 2007-2023



Source: QUEST macroeconomic model

Recent development patterns – their impact on eligibility and allocations

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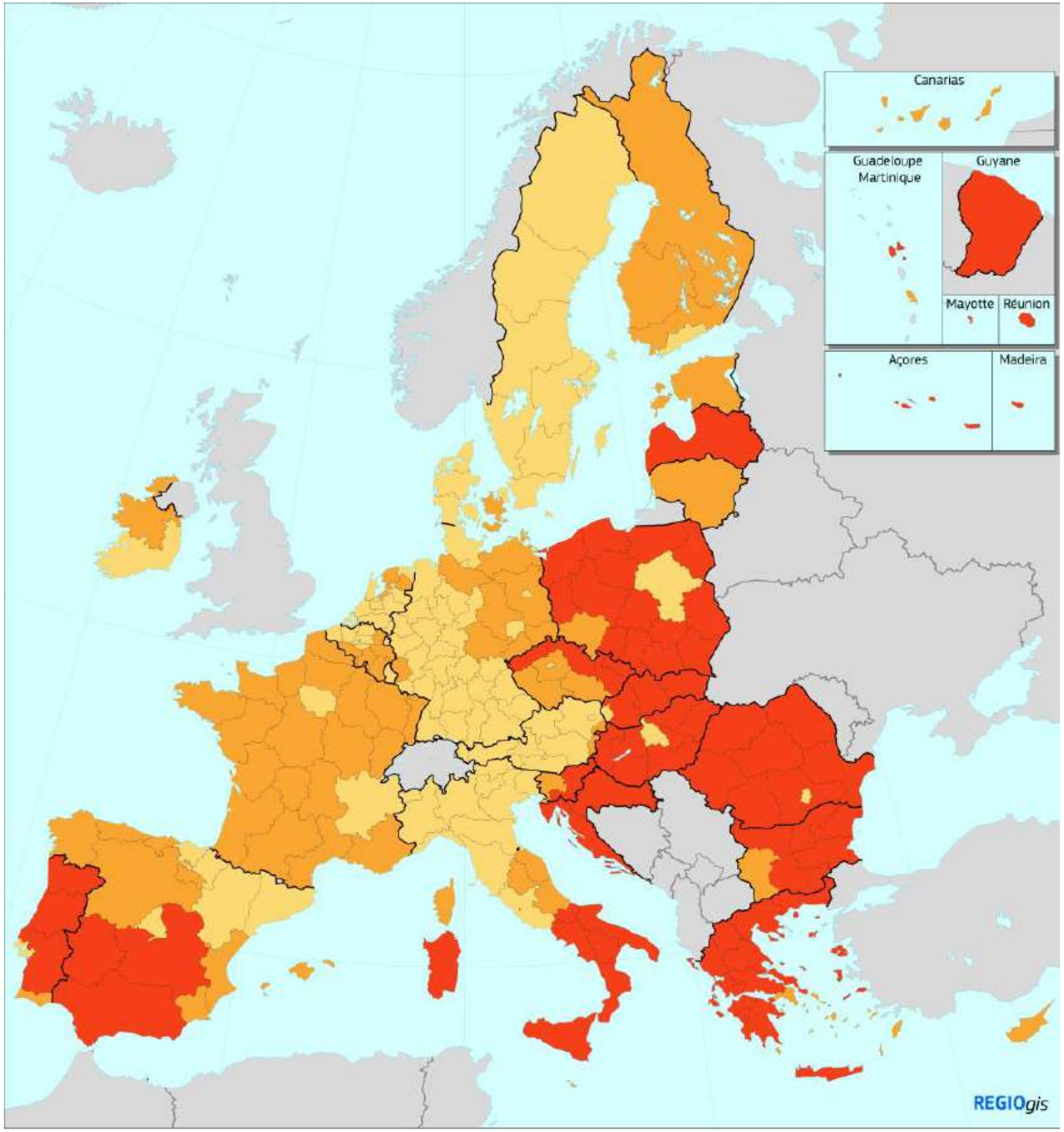

GDP/head (PPS) by NUTS2 region, average 2014-2015-2016

Index, EU-27 = 100

< 75% (less developed regions)

75% - 100% (transition regions)

>= 100% (more developed regions)

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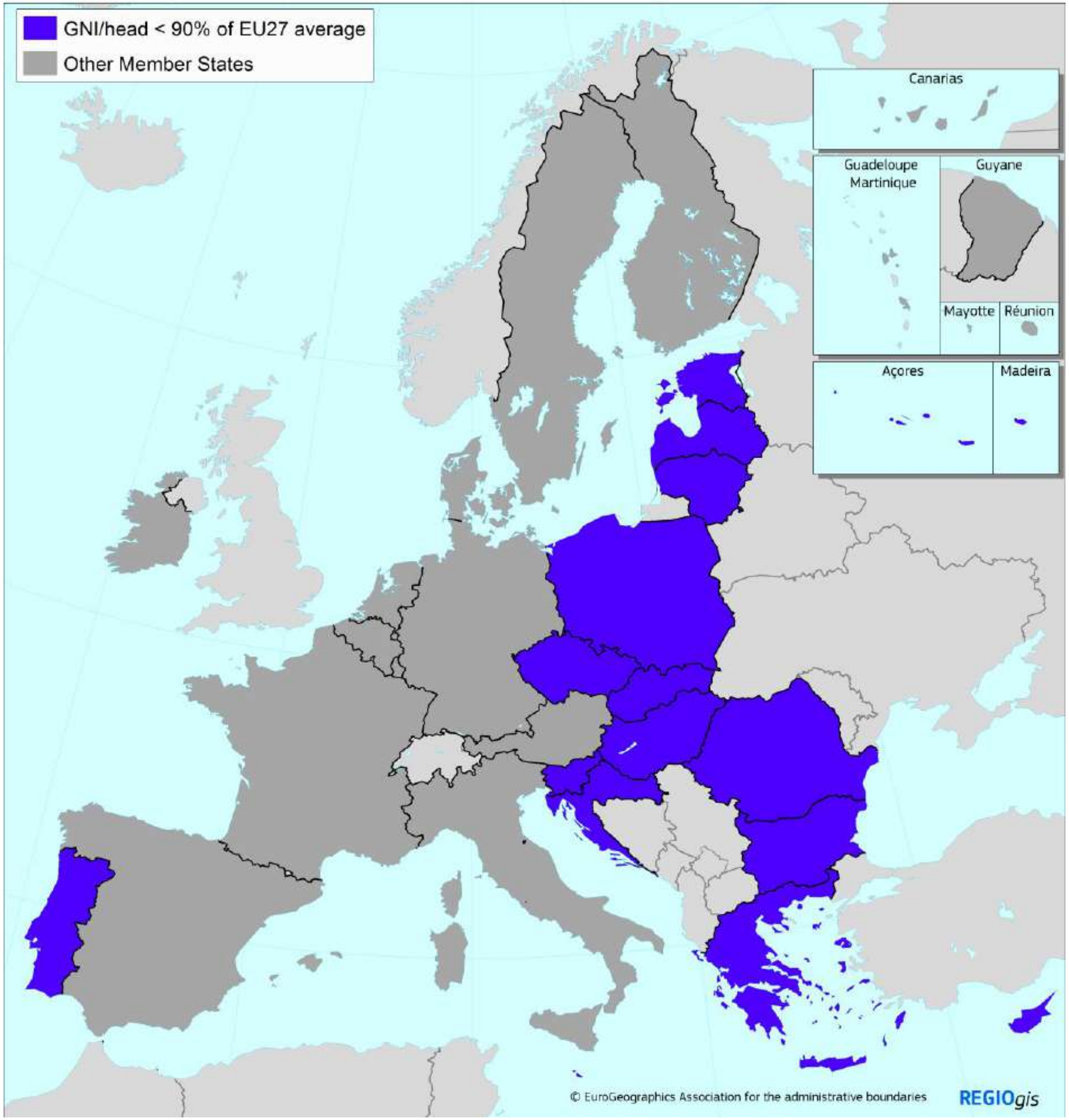
Cohesion Fund eligibility 2021-2027

Category



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Indicators in the "Berlin method" (% indicates financial weight)

	2014-2020	2021-2027
GDP (incl. GNI for Cohesion Fund)	86%	81%
Labour market, education, demographics	14%	15%
Climate	-	1%
Migration	-	3%
Total	100%	100%

Labour market: unemployment rate, youth unemployment rate, employment rate

Education: early school leavers, tertiary level of education, low level of education

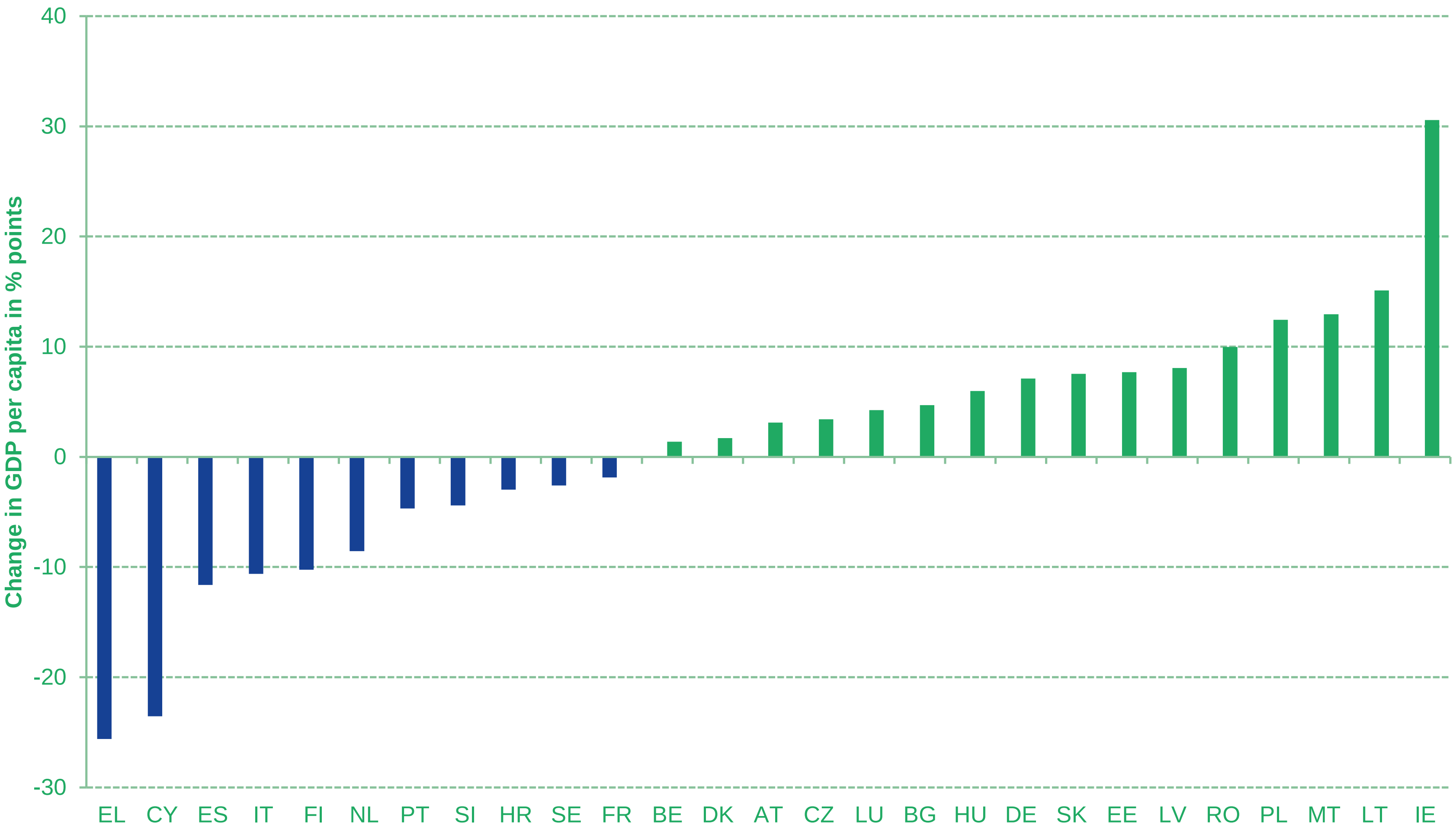
Demographics: population of regions, low density of population

Climate: Green House gas emissions in the non ESD sectors

Migration: Net migration of non EU citizens

Change in GDP per capita

2007-2009 vs 2014-2016



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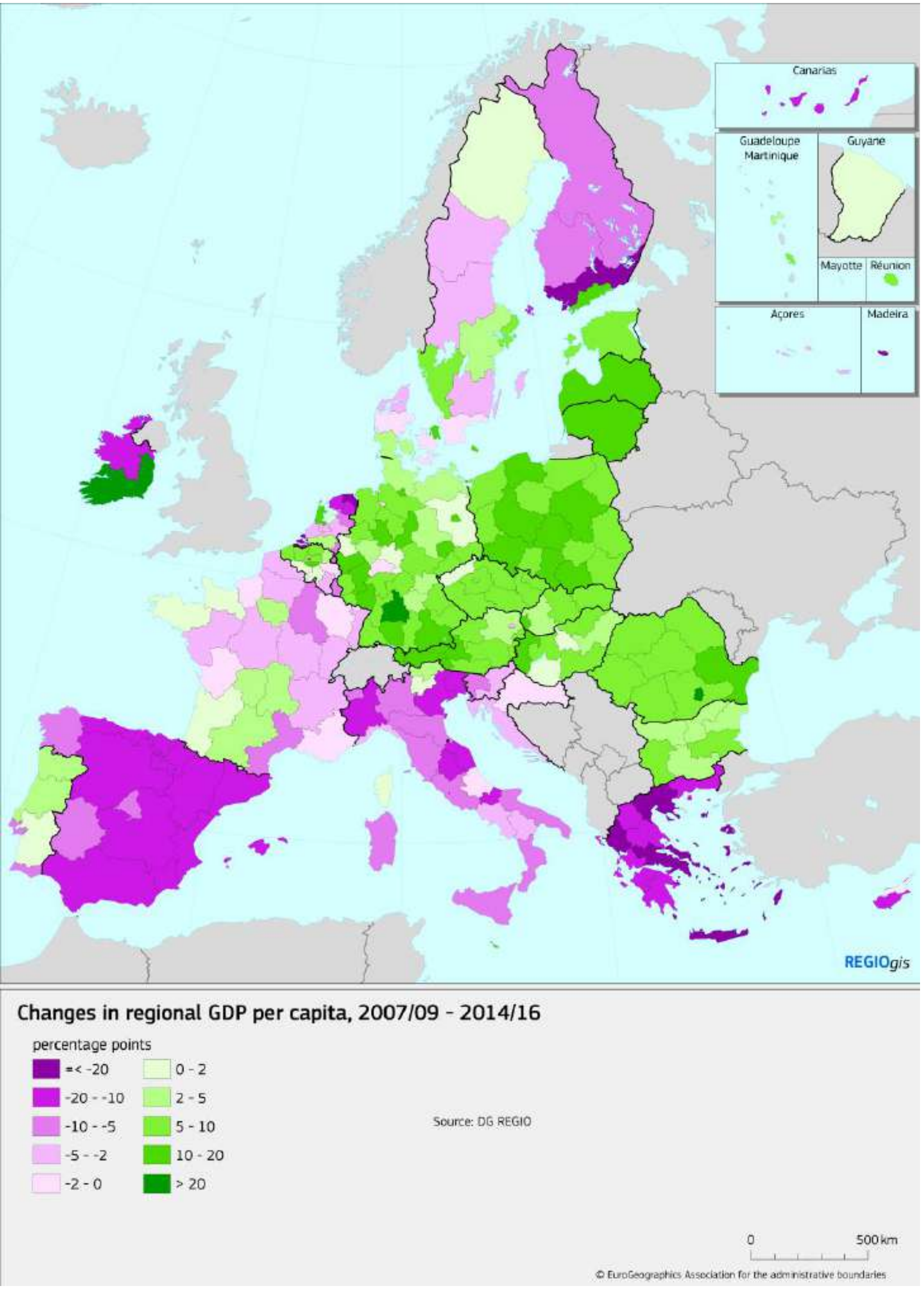

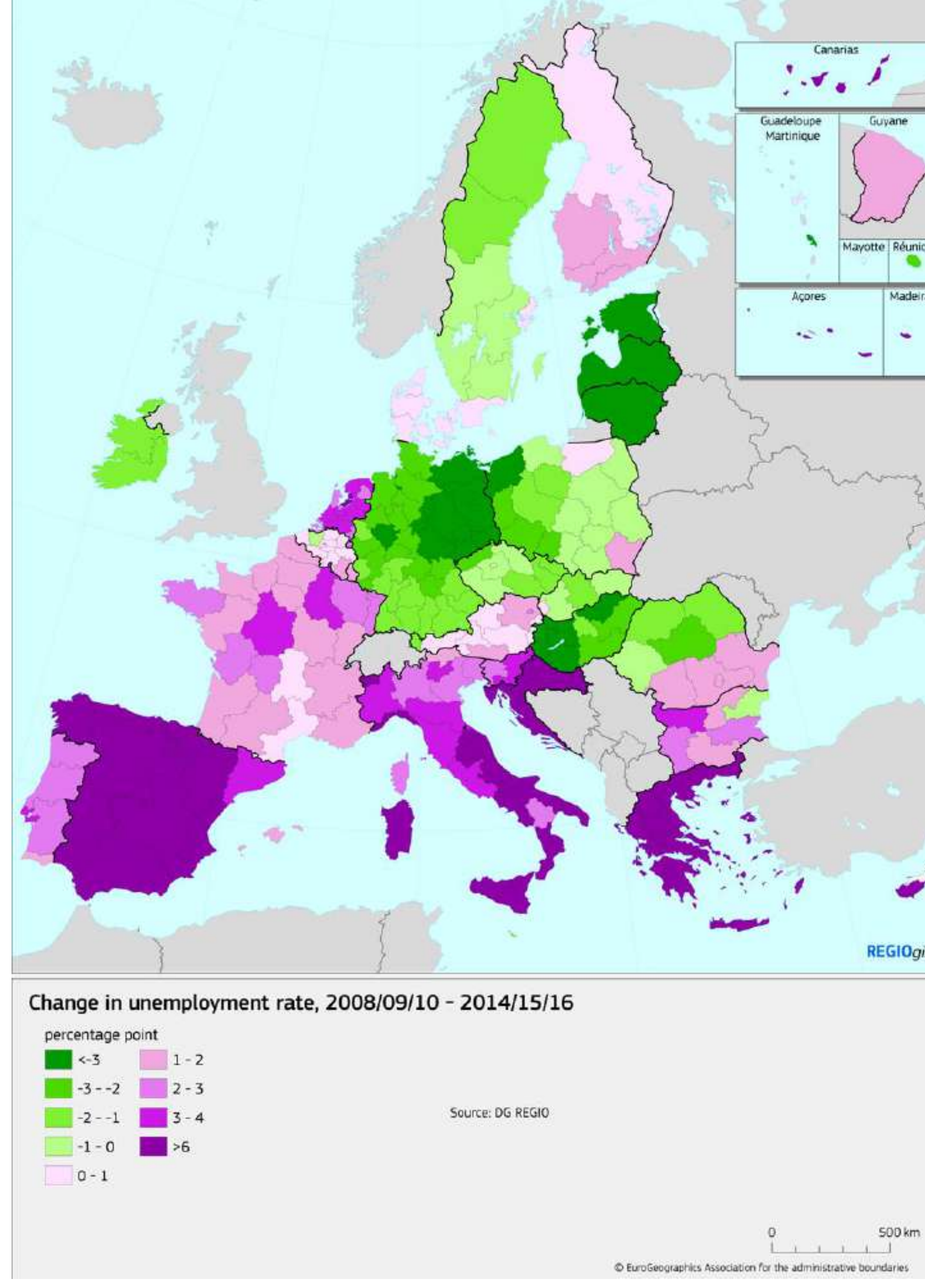

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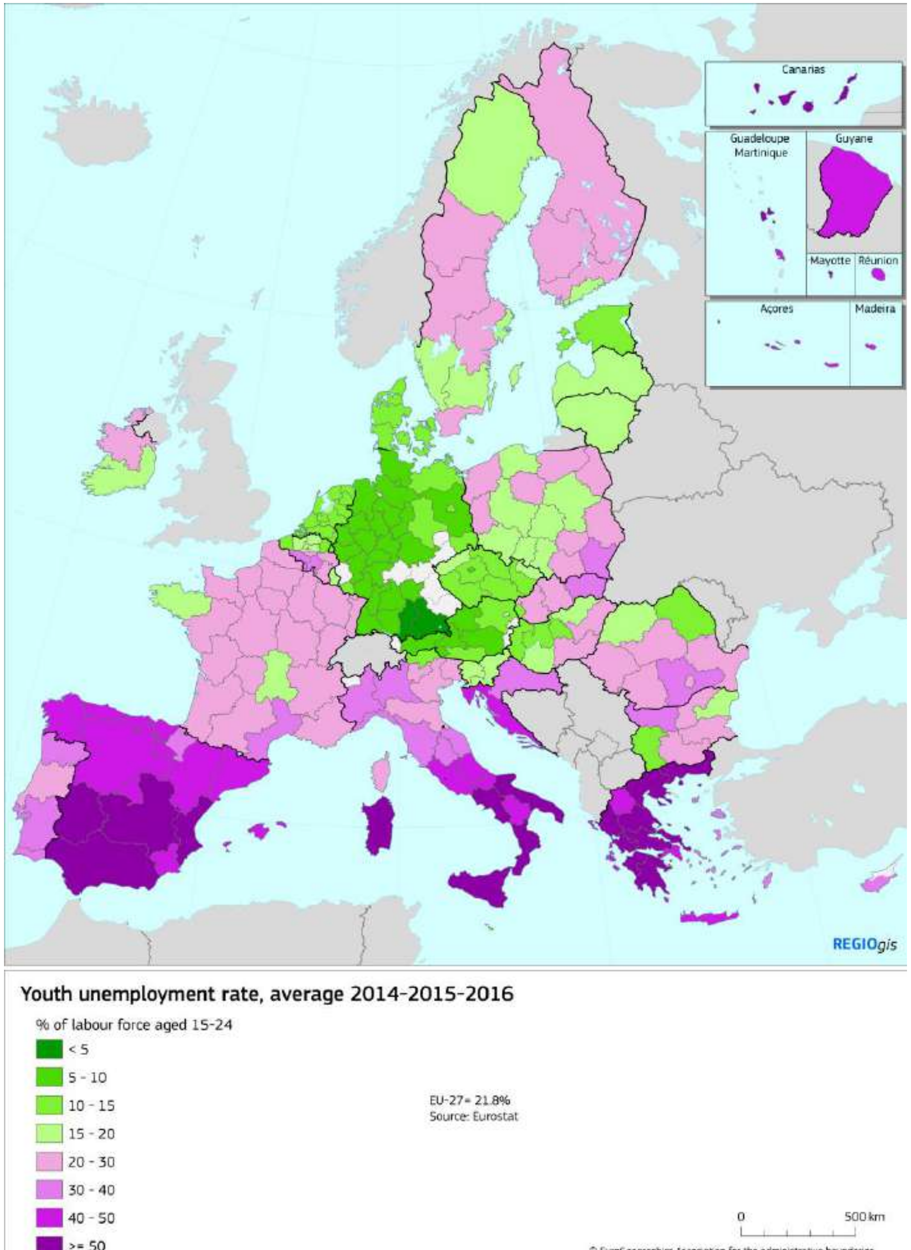
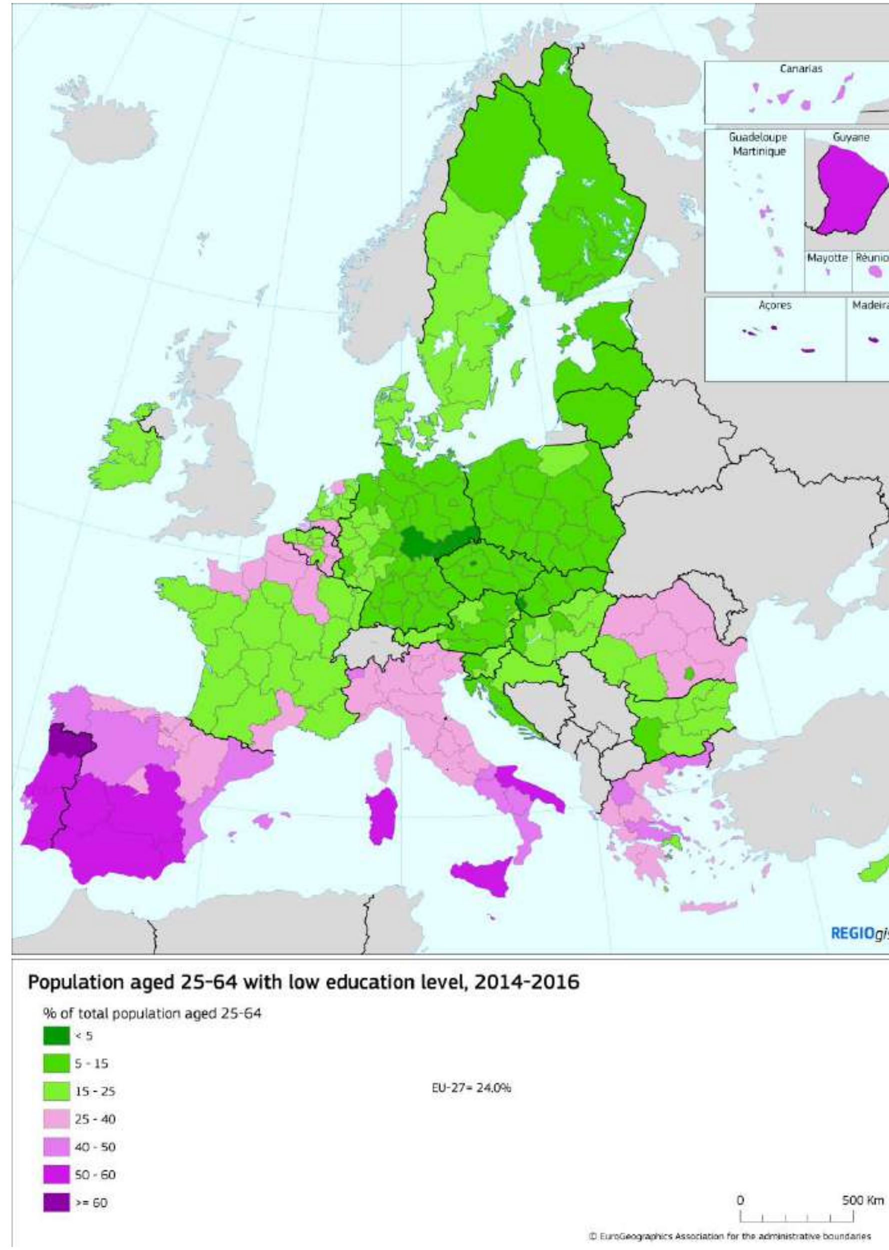
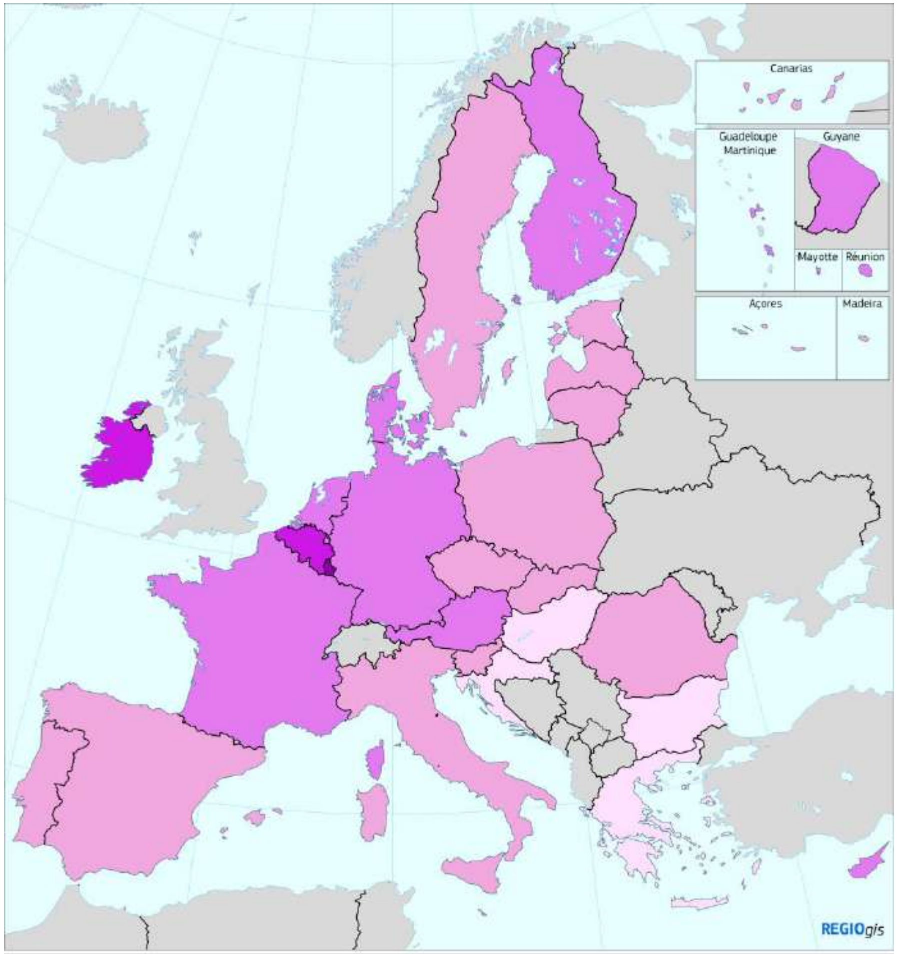

Canarias
Guadeloupe
Martinique
Guyane
Mayotte
Réunion
Açores
Madeira
REGIOgis
Youth unemployment rate, average 2014-2015-2016
% of labour force aged 15-24
< 5
5 - 10
10 - 15
15 - 20
20 - 30
30 - 40
40 - 50
>= 50
EU-27= 21.8%
Source: Eurostat
0
500 km
© EuroGeographics Association for the administrative boundaries


Canarias
Guadeloupe
Martinique
Guyane
Mayotte
Réunion
Açores
Madeira
REGIOgis
Population aged 25-64 with low education level, 2014-2016
% of total population aged 25-64
< 5
5 - 15
15 - 25
25 - 40
40 - 50
50 - 60
>= 60
EU-27= 24.0%
0
500 Km
© EuroGeographics Association for the administrative boundaries

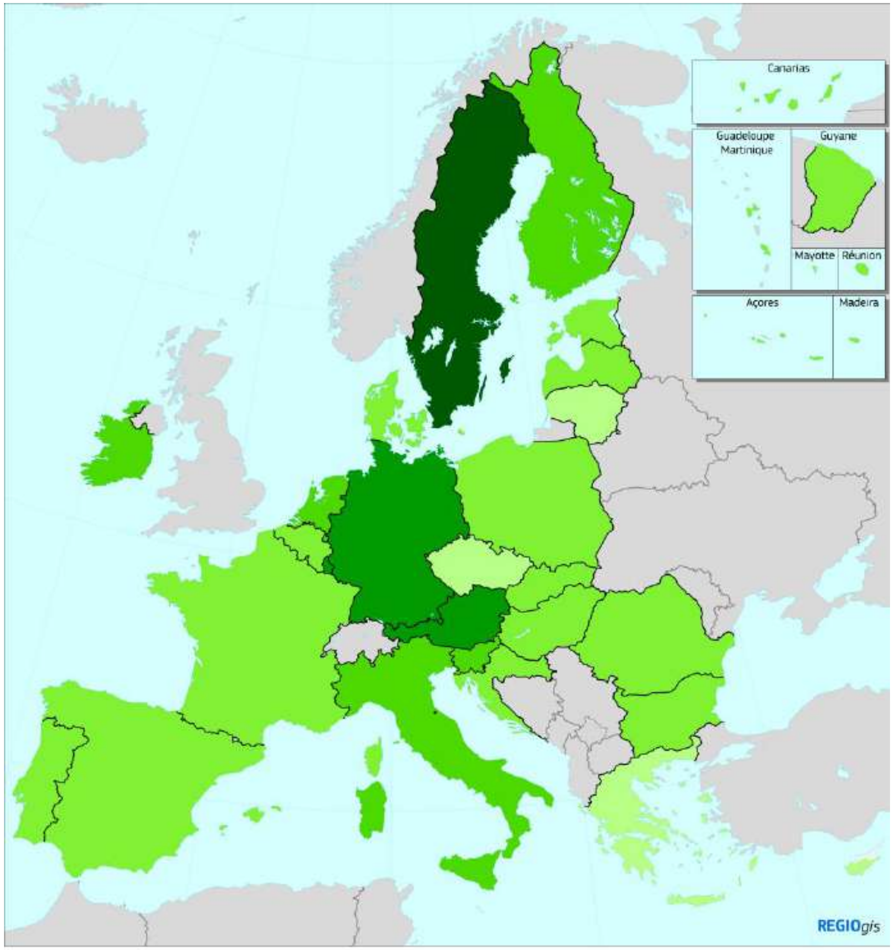


Greenhouse gas emissions in non ETS sectors, distance to the 2030 target, 2016

In tonnes CO2 equivalent per inhabitant

- <= 0
- 0 - 1
- 1 - 2
- 2 - 3
- > 3

0 500 Km



Net migration of non-EU citizens, average 2014-17

Share of total MS population (%)

- <= 0
- 0,01 - 0,20
- 0,21 - 0,40
- 0,41 - 0,60
- 0,61 - 0,80

Source: Eurostat

0 500 km

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Continued concentration on the poorest regions

	2021-2027	2014-2020
Cohesion Fund	13%	22%
Less developed regions	62%	53%
Transition	14%	10%
More developed	11%	15%
Total	100%	100%
Share CF + less developed	75%	74%

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Allocations by Member State

Member State	2021-27 allocation (billions, 2018 prices)	Change from current period (%)	Aid intensity (EUR/head)	Change from current period (%)
BG	8.9	8	178	15
RO	27.2	8	196	17
HR	8.8	-6	298	0
LV	4.3	-13	308	0
HU	17.9	-24	260	-22
EL	19.2	8	254	12
PL	64.4	-23	239	-24
LT	5.6	-24	278	-12
EE	2.9	-24	317	-22
PT	21.2	-7	292	-5
SK	11.8	-22	310	-22
CY	0.9	2	147	-5
SI	3.1	-9	213	-11
CZ	17.8	-24	242	-25
ES	34.0	5	105	3
MT	0.6	-24	197	-28
IT	38.6	6	91	5
FR	16.0	-5	34	-9
FI	1.6	5	42	2
BE	2.4	0	31	-5
SE	2.1	0	31	-6
DE	15.7	-21	27	-20
DK	0.6	0	14	-3
AT	1.3	0	21	-4
NL	1.4	0	12	-3
IE	1.1	-13	33	-17
LU	0.1	0	16	-14
EU27	331	-9.9	106	-11

Simpler rules

A modern, dynamic policy of 331 billion euro (2018 prices)

Modern investment

- Focus on transition to smart, low-carbon economy
- Stronger link to European Semester
- Comprehensive performance data (near real time), open data

Simple, flexible, dynamic

- 7 funds, 1 regulation (50% shorter)
- 80 key administrative simplifications
- Faster implementation (return to n+2)
- Responsive to emerging needs (e.g. migration)

For all regions

- Balanced and fair allocation method
- 75% of financial resources to poorest regions and Member States, where most needed

Improving the quality of government and implementing structural reforms would boost growth

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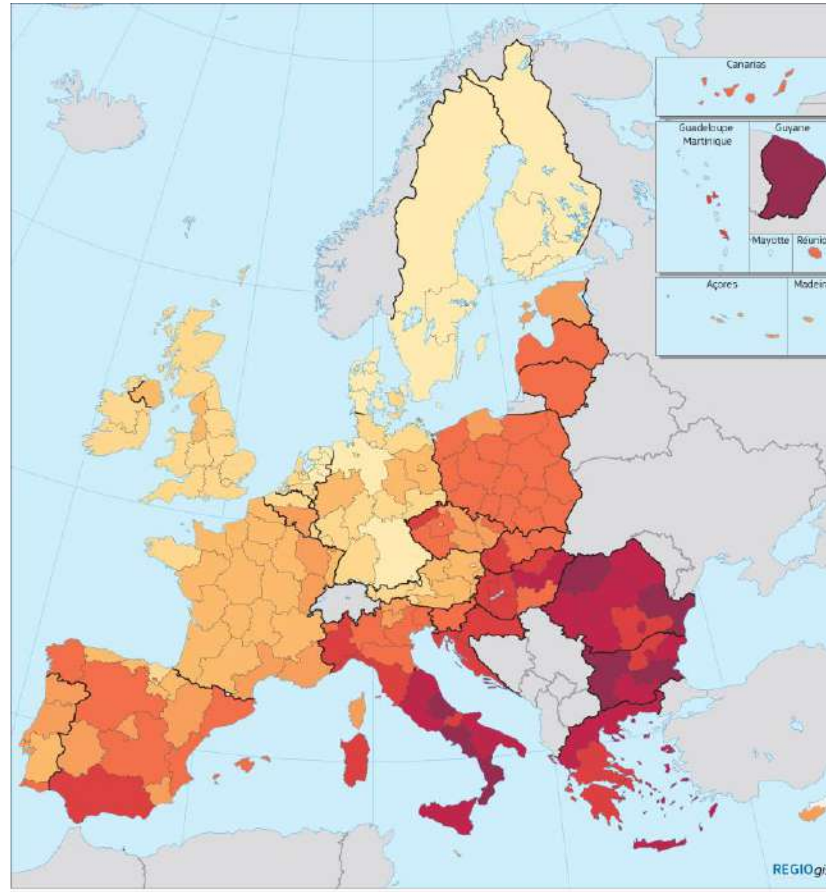
- **Government efficiency differs between Member States and regions**
- **EQI is based on an extensive survey covering the perceptions of people of public sector services (education, healthcare law enforcement)**
- **It measures the extent to which people feel that the services concerned are not affected by corruption, are of a good quality and are accessible in an impartial way**



Map 4.1 European Quality of Government index, 2017

Standard deviation, range from poor quality (negative) to high quality (positive)

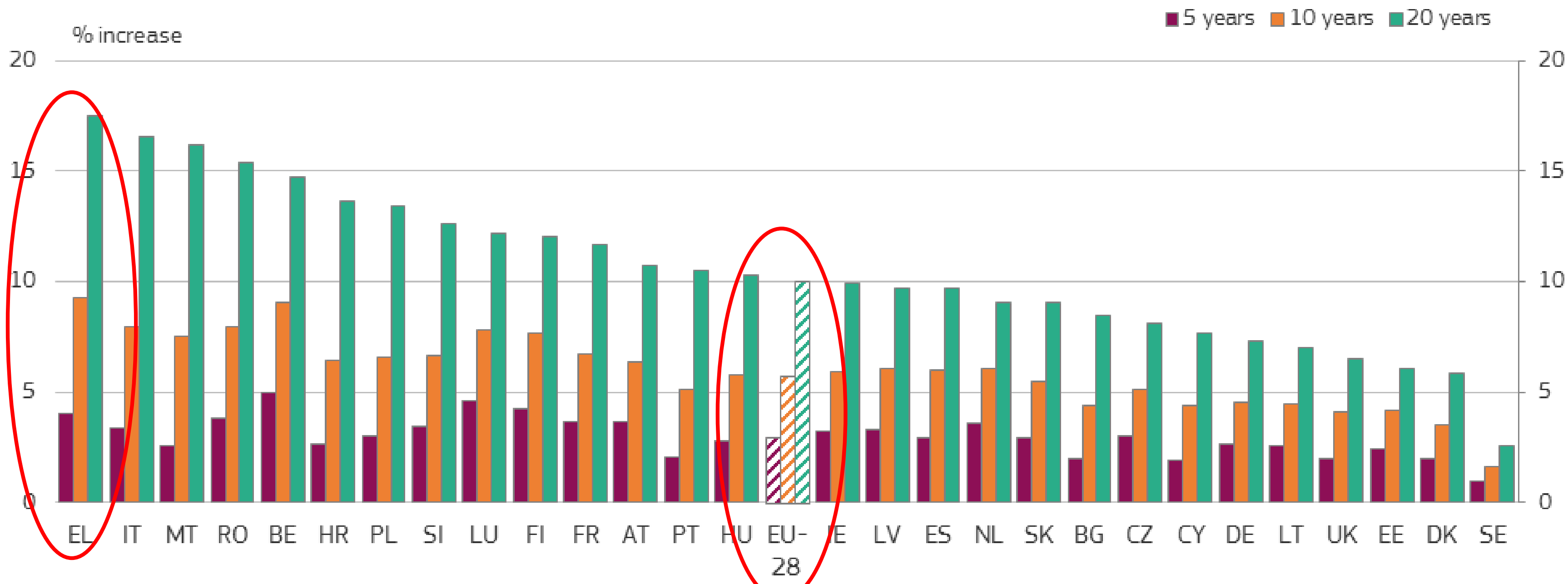
- < -1.75
- -1.75 – -1.25
- -1.25 – -0.75
- -0.75 – -0.25
- -0.25 – 0.25
- 0.25 – 0.75
- 0.75 – 1.25
- > 1.25
- no data

EU = 0
Source: World Bank data and a regional quality of government survey

0 500 km

- **Structural reforms that improve business environment, education and working of the labour markets can have major benefits on regional economies**
- **This is particularly relevant for regions and countries where productivity has barely improved over the past decade**

Figure 4.13 Estimated effect of structural reforms on GDP after 5, 10 and 20 years



The % difference in GDP between a 'reform' scenario and a 'no-reform' scenario according to simulations using the Quest model
Source: Varga J. and J. in 't Veld (2014)

2019 European Semester – stronger linke between Cohesion policy and structural reforms

- Present the view of the Commission services on how to maximise the country-specific positive impact of the three Cohesion policy funds on economic development and convergence
- Identify priority areas for policy action regarding public and private investment in Member States including sectoral and regional dimensions
- Provide the analytical basis for a successful programming of Cohesion policy funds in 2021-2027 (Commission's starting negotiating position)
- Based on this analysis, a new annex (D) to the country report identifies the investment priorities for the ERDF, CF and ESF+.
- Factors for effective delivery (administrative capacity, …. conflict-of-interest, fraud and corruption, social dialogue etc.)

More ambitious policy objectives

Policy objectives

11 objectives are simplified and consolidated to 5:

1. A smarter Europe (innovative & smart economic transformation)
2. A greener, low-carbon Europe (including energy transition, the circular economy, climate adaptation and risk management)
3. A more connected Europe (mobility and ICT connectivity)
4. A more social Europe (the European Pillar of Social Rights)
5. A Europe closer to citizens (sustainable development of urban, rural and coastal areas and local initiatives)

Horizontal issues: administrative capacity building, cooperation outside the programme area

ERDF THEMATIC CONCENTRATION

- Maintaining spending in the key areas for growth and jobs
- At national level based on GNI per head => flexibility

For countries with:	minimum % PO1 ("smarter Europe")	minimum % PO2 ("greener, low carbon Europe")
GNI below 75%	35%	30%
GNI 75-100%	45%	30%
GNI above 100%	60%	PO1 + PO2 min. 85%

- 6% of budget to urban development, delivered through local development partnerships

Scope: excluded actions (Art. 6)

- **On efficiency grounds** (undertakings in difficulty, airports, broadband where 2 networks already)
- **Where other EU mechanisms exist** (decommissioning of nuclear power, reducing greenhouse gasses)
- **Environmental policy choices** (construction of nuclear power stations, residual waste treatment, fossil fuels)
- **Other policy choices** (housing, tobacco)

European Commission

Investment priorities in Poland

Investment-relevant challenges in Poland

- Low **innovation** performance, SMEs slow **productivity** growth, insufficient use of **e-governance**, limited access to **digitally skilled workforce**
- **Air pollution,** dependence **on coal**, challenges linked to **climate change**, too slow progress in recycling of **waste, urban** wastewater not tackled adequately
- Connectivity gaps, low share of **rail** transport in freight, limited **public transport** in rural areas and weak **intermodal urban mobility,** low access to **ultra-fast internet**
- Unsatisfactory **quality and outcomes of education**, low labour market participation of **disadvantaged** groups, low access to **childcare**, underdeveloped **long-term care** and community-based services, health system **too hospital-centred** and lacking **coordination**.
- Striking **disparities** at sub-regional level, strong urban-rural divide, un-coordinated **spatial planning**, progressing urban sprawl

Commission priorities for 2021-2027
Cohesion policy funding in Poland
PO5: A Europe closer to citizens

Strengthening capacities and coordination functions of local authorities and partners through integrated territorial investments and community-led local initiatives focusing on:

- supporting the **innovation and growth potential** of metropolitan areas
- addressing **urban sprawl** and mobility challenges in functional areas
- rationalising the **provision of public services**
- accelerating **socio-economic regeneration** of declining areas

Future of EU Funds in CEECs

Factors for effective delivery of Cohesion Policy in CEECs 2021-2027

- Continue with **territorial and regional approach** (ITIs, CLLD, other territorial tools, regional, multi-regional programmes)
- Making use of the best practice from the **Catching-up Regions and the Coal Regions in Transition** Initiatives (future – JTF)
- **Innovation and climate change policy priorities –** ownership needed!
- **Basic infrastucture** still needed ?
- **Structural reforms** and **administrative capacity** – a Must
- **n+2, co-financing rates, pre-financing** – time to be more prudent
- Faster **implementation in the current period** (between 40%-25% - spending rate in the 6th year of implementation)
- Reduction of **administrative burden** for beneficiaries – stop to EU and national **gold-plating**