



# **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](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

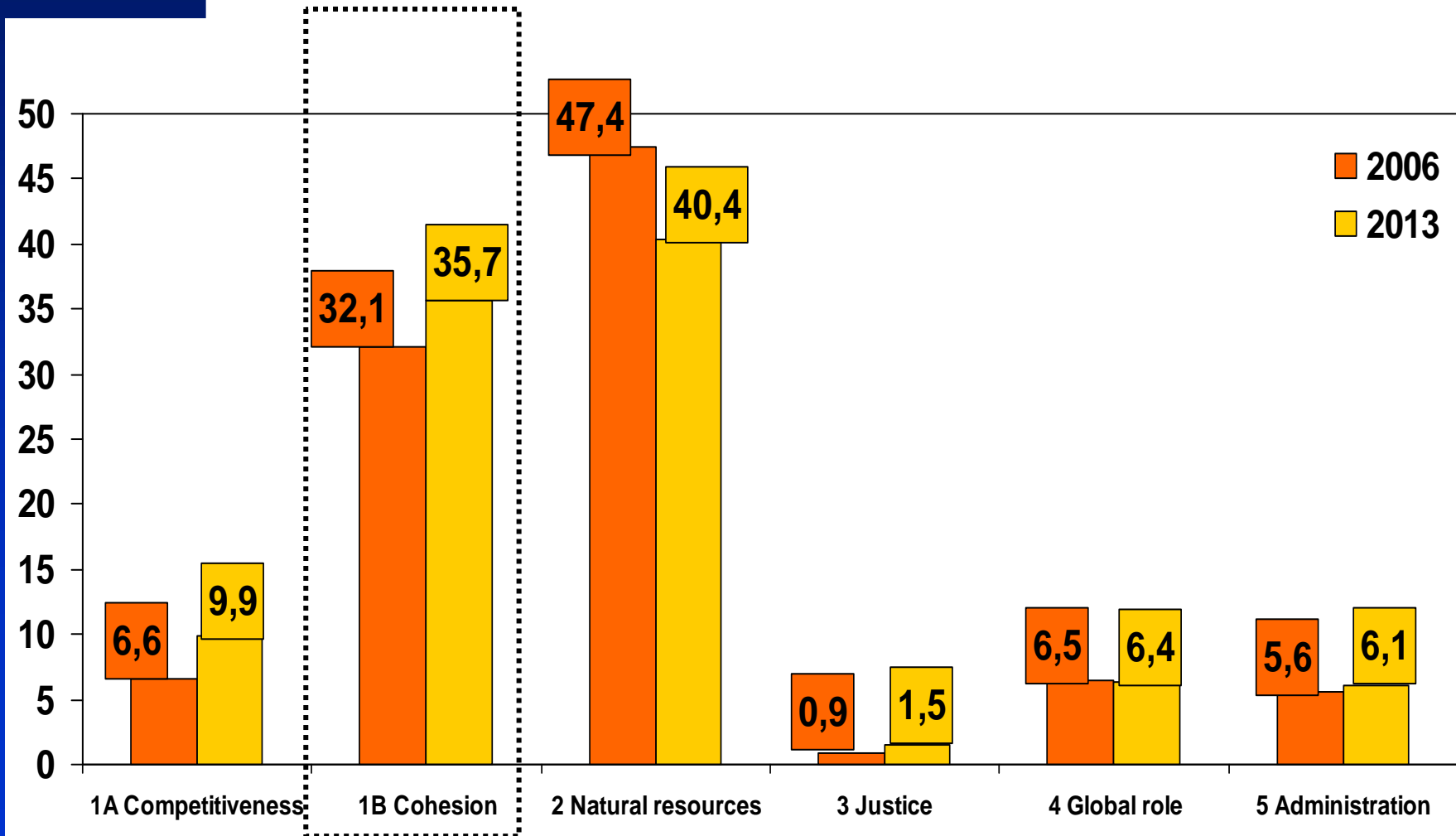
*Presidency conclusions of 19 December 2005: Financial Table*

<b>COMMITMENT APPROPRIATIONS BY HEADING</b>	<i>In billion of EUR, at 2004 prices</i>	<i>In %</i>
1a. Competitiveness for growth and employment	72.1	8,4%
<b>1b. Cohesion for growth and employment</b>	<b>307.6</b>	<b>35,7%</b>
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%
<b>Total commitments</b>	<b>862.4</b>	
<b>In % of EU-27 GNI</b>	<b>1.045%</b>	



## 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
<b>Total</b>		<b>336.1</b>		<b>307.6</b>



# 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)

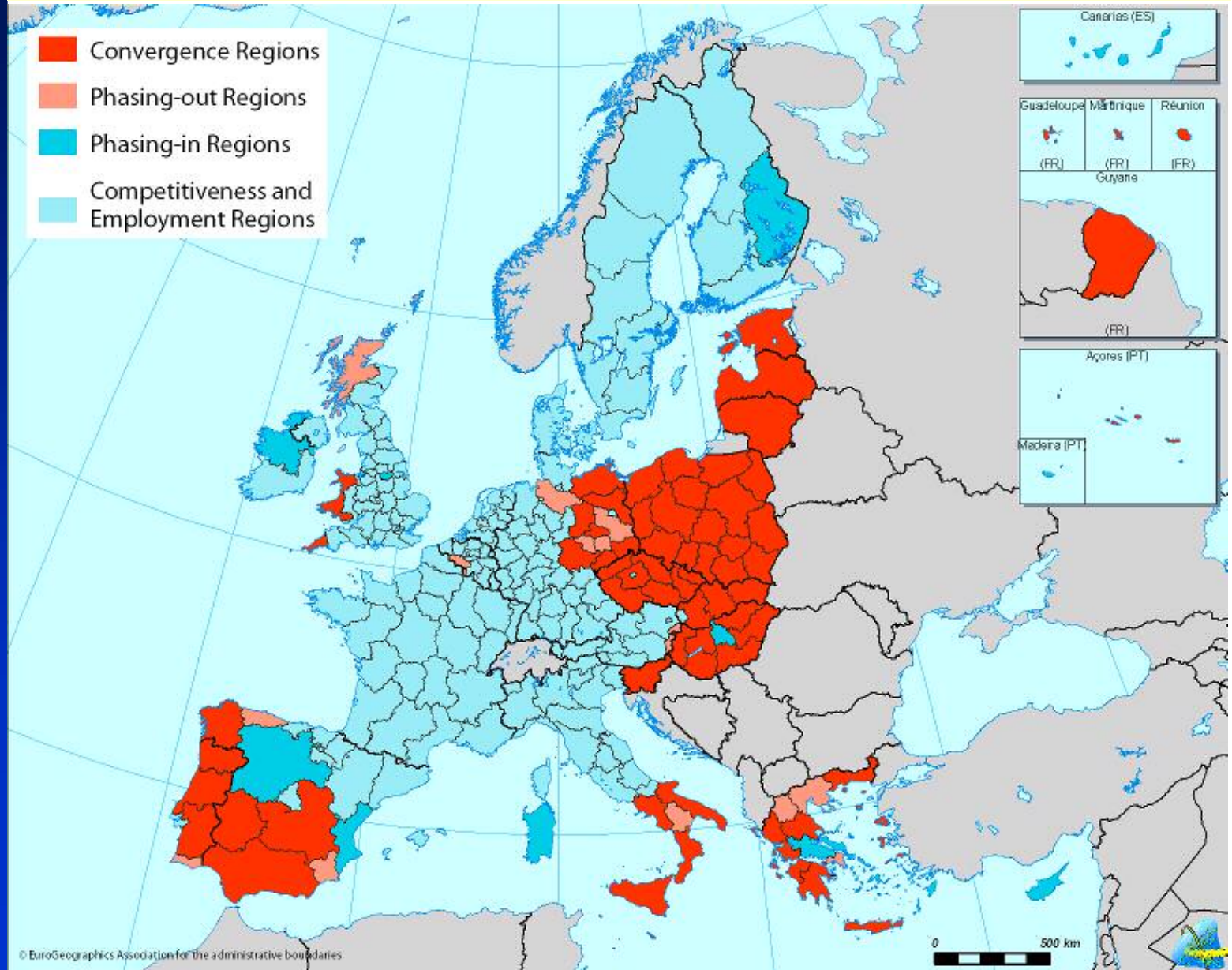
Programmes and Instruments	Eligibility	Priorities	Allocations
<b>Convergence objective</b>			<b>81.7%</b> <b>(EUR 251.33 bn)</b>
<b>Regional and national programmes</b> ERDF ESF	Regions with a GDP/head <75% of average EU25	<ul style="list-style-type: none"> <li>•innovation;</li> <li>•environment/ risk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



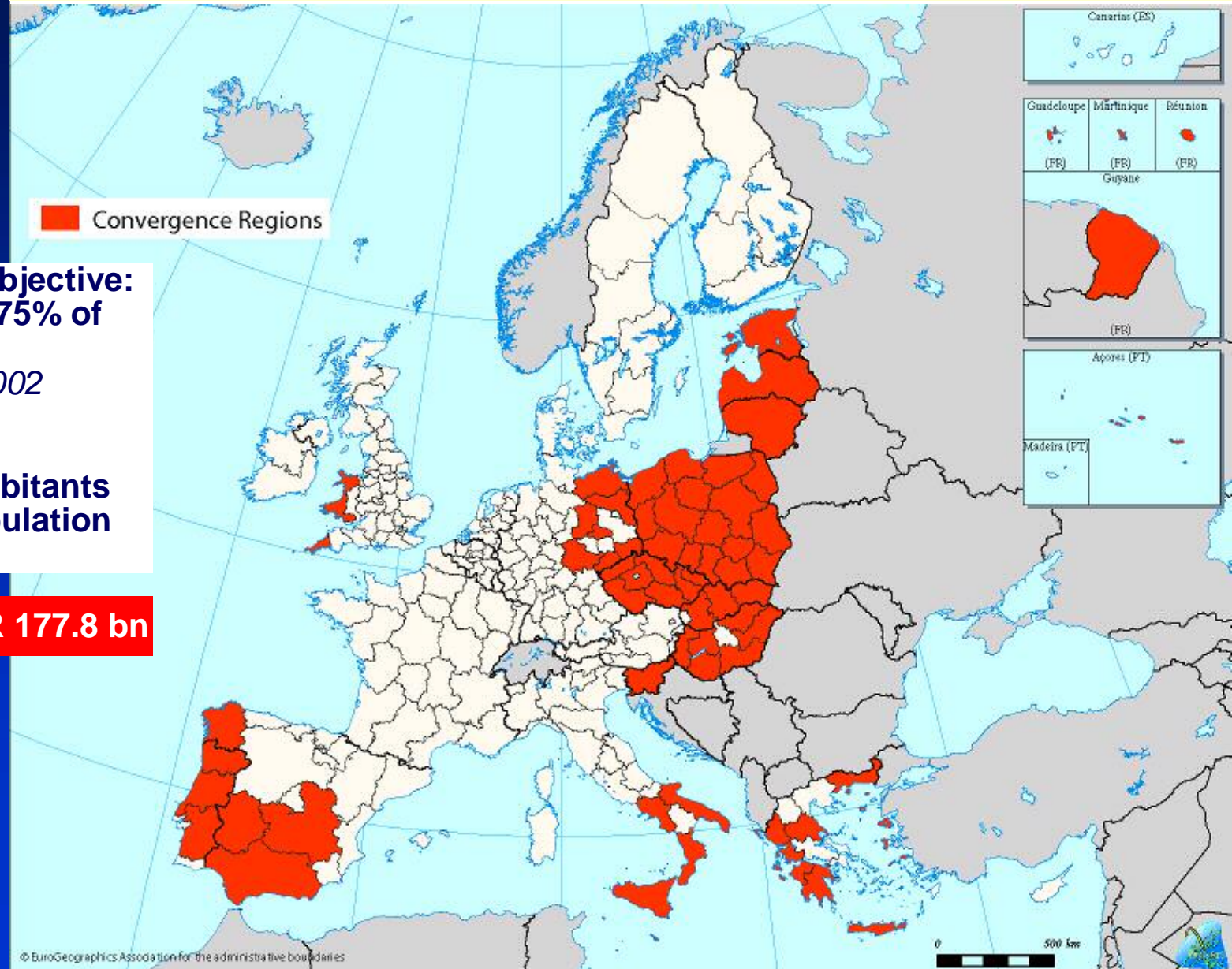
# EUROPEAN COMMISSION

## Regional Policy

January 2006  
EN



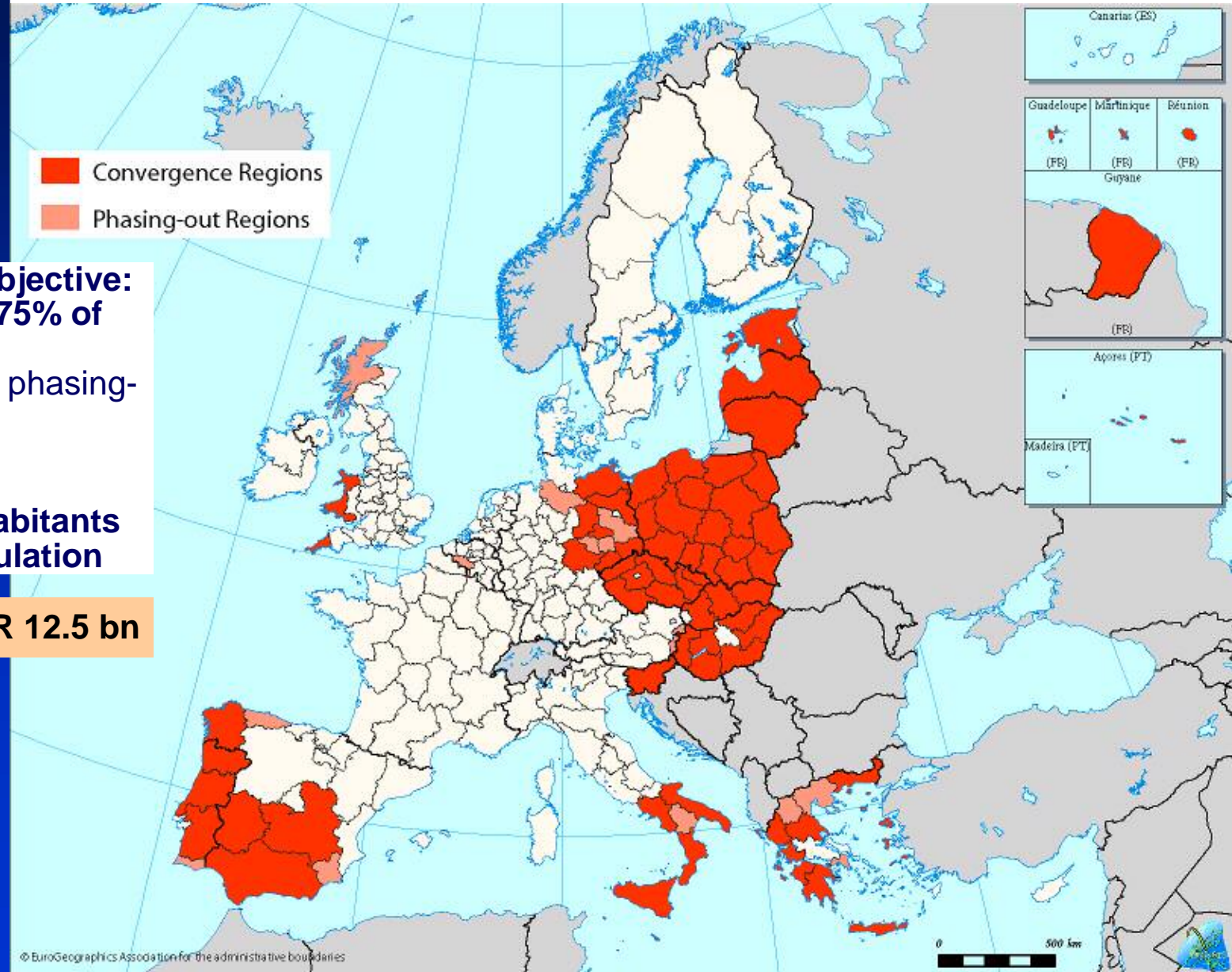




**Convergence-Objective:**  
Regions below 75% of  
EU25 GDP  
*Average 2000-2002*

**86 Regions**  
**124 million inhabitants**  
**27.3% of EU population**

**Allocation: EUR 177.8 bn**

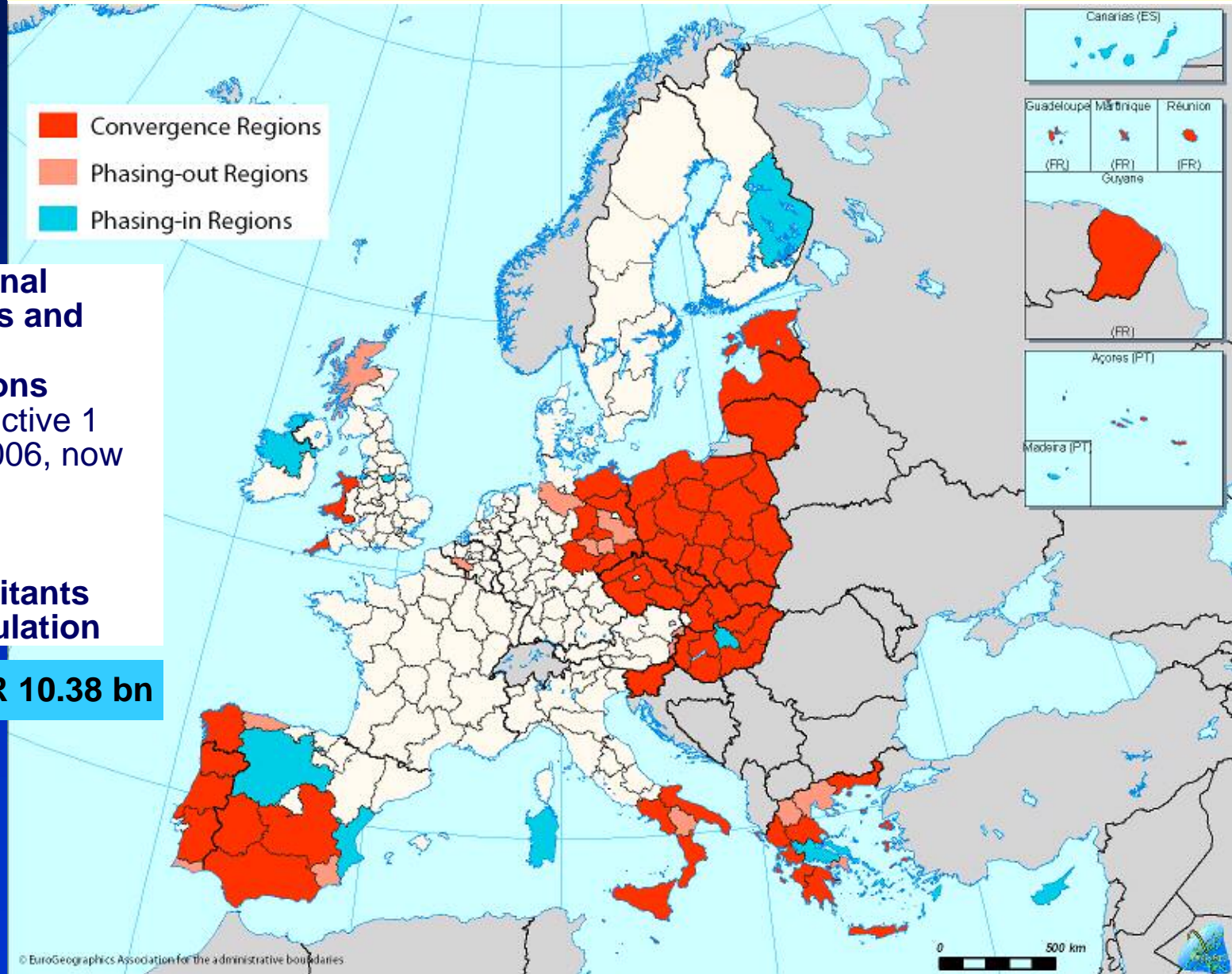


**Convergence Objective:**  
Regions below 75% of EU15 GDP  
(statistical effect/ phasing-out regions)

**16 Regions**  
**16.4 million inhabitants**  
**3.6% of EU population**

**Allocation: EUR 12.5 bn**

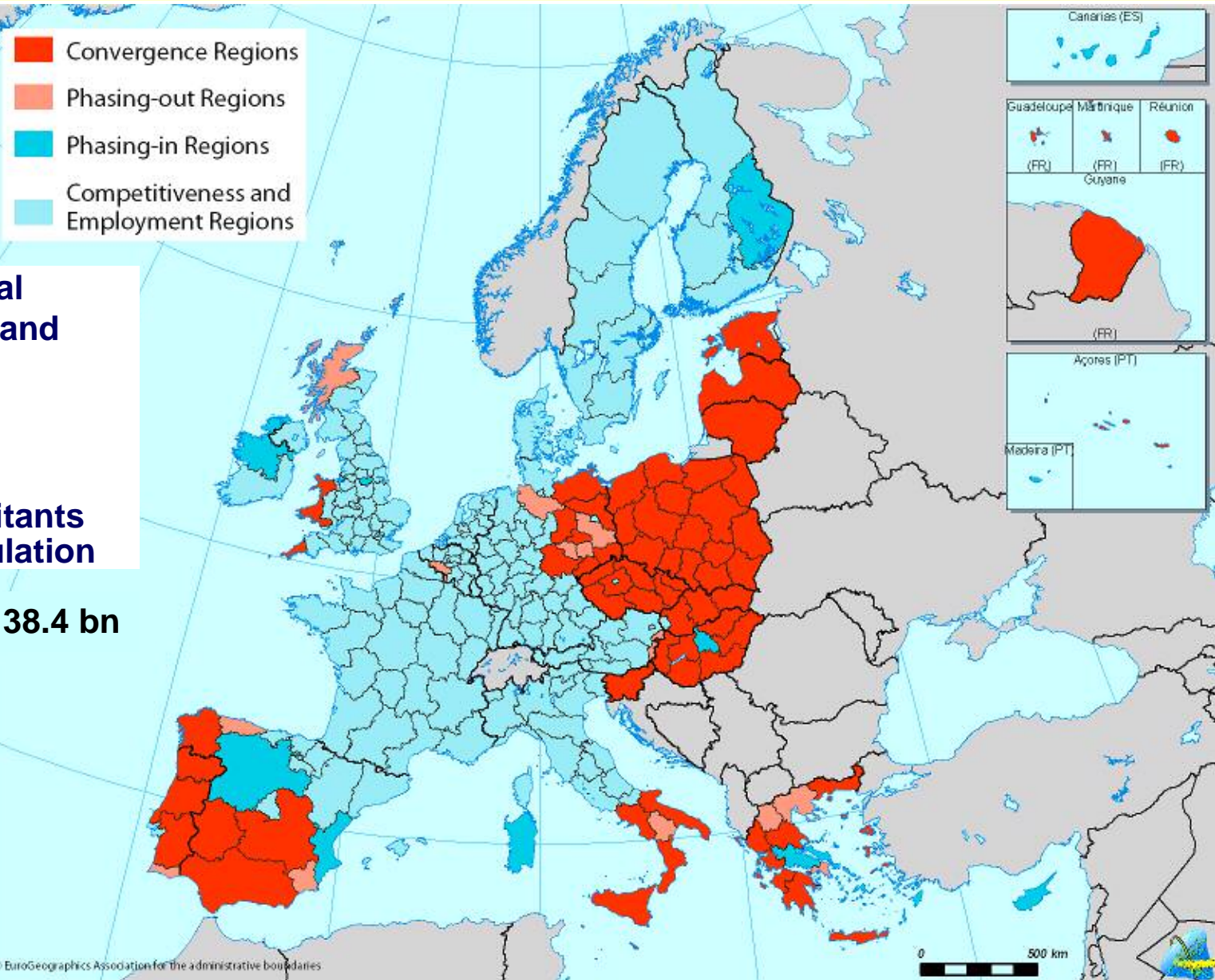




**Objective Regional Competitiveness and Employment:**  
**Phasing-in regions**  
(covered by Objective 1 between 2000-2006, now above 75%)

**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
<b>Total</b>	<b>86</b>	<b>140.4</b>	<b>30.9</b>	<b>100</b>	<b>170.1</b>	<b>35.1</b>

### 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
<b>Total</b>	<b>168</b>	<b>314.3</b>	<b>69.1</b>	<b>168</b>	<b>314.3</b>	<b>64.9</b>



## 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%
<i>Slovaquie</i>	10,90%	63%	2,30%
Hongrie	8,40%	49%	4,10%
Pologne	9,80%	36%	5,70%
<i>Slovénie</i>	6,80%	34%	2,70%
<i>Lituanie</i>	11,10%	43%	5,80%
Lettonie	12,40%	13%	6,10%
Estonie	11,10%	43%	5,80%
<i>Bulgarie</i>	11,80%	15%	7,00%
Roumanie	11,80%	15%	7,00%
Portugal	2,80%	47%	1,70%
Grèce	1,20%	18%	0,50%



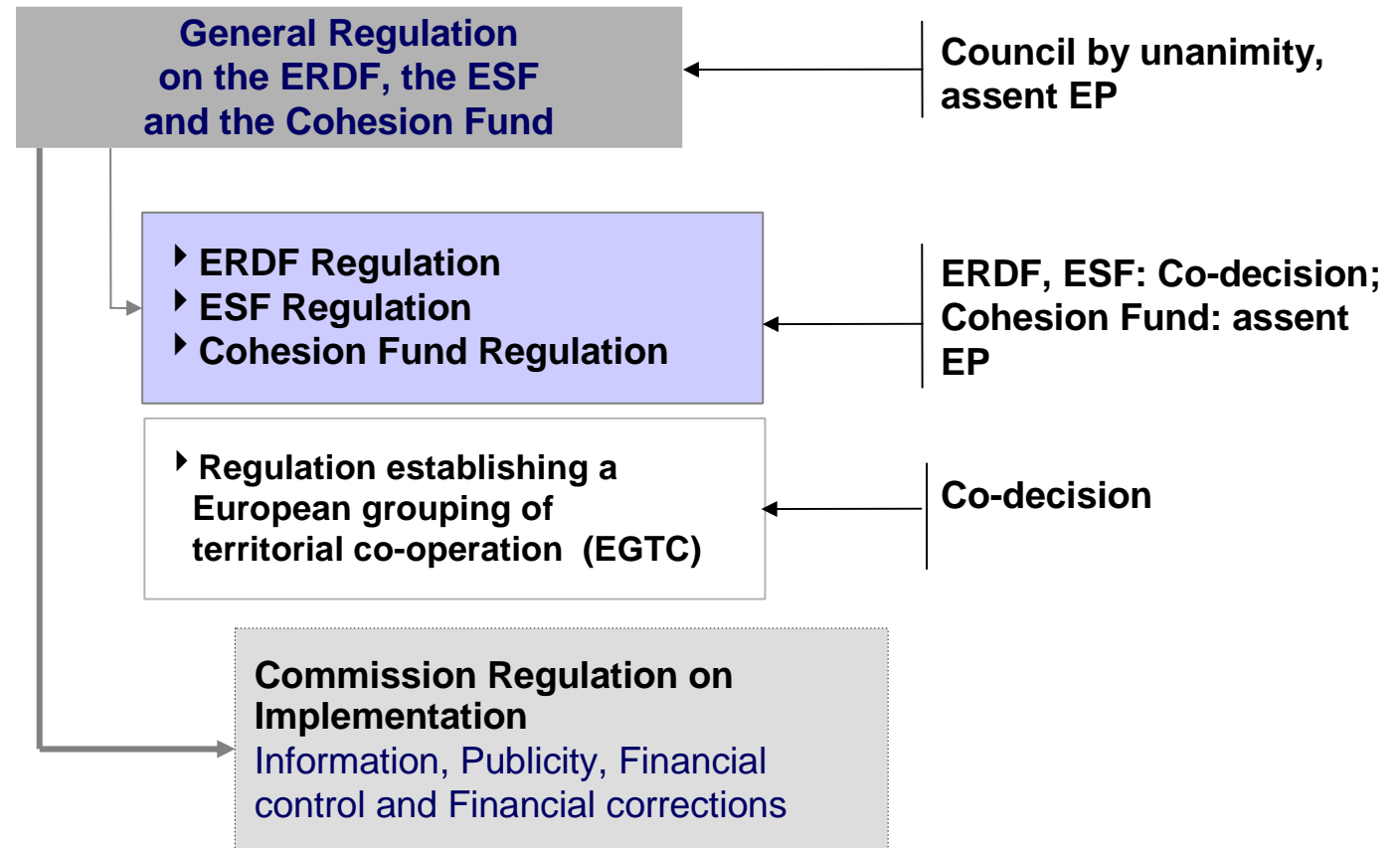
## Possible employment growth

*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	<b>85%</b>	<b>85%</b>
(2) Member States other than those under (1) eligible to the Cohesion Fund	ES	<b>80%/50%*</b>	<b>85%</b>
(3) Member States other than those under (1) and (2)	AT, BE, DK, DE, FR, IR, IT, LU, NL, SE, SF, UK	<b>75%/50%*</b>	-
(4) Outermost regions referred to in Article 299 (2) of the Treaty	regions in ES, FR, PT	<b>85%</b>	<b>85%**</b>

\* 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).