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Soós Edit

European Public Policy

2020

Lesson 2

Regional policy in the European Union

READING TIME:

30 min



SZÉCHENYI 2020



HUNGARIAN
GOVERNMENT

European Union
European Social
Fund



INVESTING IN YOUR FUTURE

The major Treaties and the Regional policy



- 1958: European Social Fund
- 1975: European Regional Development Fund
- 1993: Cohesion Fund

The regional policy of the EU, which is also referred to as its Cohesion Policy, aims to promote the economic and social well-being of regions and to thereby reduce disparities in the levels of regional development. The EU's regional policy covers all European regions. Although only indirectly referred to, the need to develop a regional policy is also set out in the Treaty of Rome.

The Preamble of the treaty sets forth the following. 'Anxious 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.'

Treaty of Rome, 1957

However, Community level regional policy did not exist at this point in time, only indirect regulations were introduced. The regional policy was reformed during the second half of the 1970s, and on several instances during the 1980s. Financial instruments were increased for the first time in 1978, then in 1984 when the automatic quota system was abolished and resources within the scope of competency of the European Commission were given. Moreover, the requirement of coordinating member state and Community funding was also defined at this point in time, as well as a fact that Community funding does not substitute member states' funding. After the enlargement of 1986 the Single European Act (1986), specified the basis of the reforms, which in turn defined the policy at a Community level.

'In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions.'

Single European Act, Article 130a

The reforms prepared by the Single European Act (1986) were approved as [Delors Plan I in 1988](#). In addition to regional policy, this also transformed the budget, since it was necessary

to ensure coverage for the increasing rate of expenditures. The operations of the various regional policy funds were reconciled, **standard sets of principles** were introduced and the **Structural Funds were also regulated** within the context of the new comprehensive reform. This is when the operational core principles and objectives of the funds were defined, which were finalised by the Treaty on European Union in 1992.



The Delors Commission (1985-1994)

Delors II Package suggested the idea of the financial perspectives. In the context of economic depression, it provided for financial perspectives over a period of seven years (1993–1999) instead of five. The previous guidelines were continued, and ambitious challenges associated with the signing of the Treaty on European Union were set: doubling of the Structural Funds with the establishment of a **Cohesion Fund** for the less

prosperous countries of the Community, and the achievement of Economic and Monetary Union (EMU) which is also the first step taken towards the establishment of the monetary union.

AGENDA 2000 defines the strategy of the European Union vis-à-vis enlargement, extending its scope and financing these operations. In 2004 ten new countries joined the EU, increasing the EU's population by 20 %, but its GDP by only 5 %. *(The reform is exceptionally relevant for Hungary as well since the Hungarian system will also need to comply with these regulations following the accession of the country.)*

Since 1986, the objective of cohesion policy has been to strengthen economic and social cohesion. The Treaty of Lisbon and the EU's new strategy, the **Europe 2020 strategy**, introduced a third dimension: **territorial cohesion**.

'Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.'

Treaty of Lisbon, Article 130c

The concept of territorial cohesion builds bridges between economic effectiveness, social cohesion, and ecological balance, putting sustainable development at the heart of policy



design. → The European Commission proposes a series of common principles applicable to Structural Funds. These include partnership and multi-level governance; compliance with applicable EU and national laws; promotion of equality between men and women; non-discrimination; and sustainable development.

Cohesion Policy has a strong impact in many fields

The investments help to deliver many other EU policy objectives. It complements EU policies such as those dealing with education, employment, energy, the environment, the single market, research and innovation. In particular Cohesion Policy provides the necessary investment framework and strategy to meet five concrete objectives – on employment, innovation, education, social inclusion, and climate/energy.

COHESION POLICY – TIMELINE

- 1957 – First mention of regional differences in the Treaty of Rome.
- 1958 – European Social Fund set up.
- 1975 – Creation of the European Regional Development Fund.
- 1986 – Legal basis for ‘Regional Policy’ established in the Single European Act.
- 1988 – To adapt to the accession of Greece (1981), Spain and Portugal (1986), the Structural Funds are integrated into an overarching ‘Cohesion Policy’. Budget: ECU 64 bn.
- 1993 – Maastricht Treaty introduces the Cohesion Fund, the Committee of the Regions and the principle of subsidiarity.
- 1994-1999 – Doubling of the resources for the Funds to equal a third of the EU budget.
- 1995 – Special objective added to support the sparsely-populated regions of Finland and Sweden.
- Agenda 2000 – The European Council in Berlin (1999) came up with the new EU budget which covered the period from 2000 and 2006.

In order to achieve territorial cohesion, the EU supports an integrated approach. We need to have better coordination between sectoral policies at each level, from local to European. We also need closer cooperation of local, regional and national authorities, and citizen’s engagement and participation. Many issues - climate change, migration – go beyond administrative boundaries and can be better addressed through a more tailored response from several local authorities, regions or countries.

10th anniversary of the Lisbon Treaty ratification, European Commission, 01/12/2019

- **2000** – ‘Lisbon Strategy’ shifts the EU’s priorities towards growth, jobs and innovation. The ambitious goal to elevate the European Union up to the point of ‘the most competitive and dynamic knowledge-based economy in the world by the year 2010’ within the scope of the Lisbon Strategy which was composed of three pillars as economic and social renewal and the environmental dimension was determined by the Lisbon European Council in 2000.
- **2000-2006** – programming period. The priorities for this period are targeted to reflect the Lisbon Strategy’s goals. Pre-accession instruments make funding and know-how available to countries waiting to join the EU.
- **2004** – The Eastern enlargement (2004; 2007) is incomparable to the previous examples in terms of its size and impact on the economic and social structures and objectives of the Union.
- **2007-2013** programming period – 30% of the budget earmarked for environmental infrastructure and measures to combat climate change and 25% for research and innovation.
- **2014-2020** programming period – introduces simplified common rules and a better focus on outcomes and results. EUR 351.8 bn budget has a particular focus on 11 thematic objectives to help deliver Europe 2020 goals.

The 1988 Reform and the creation of the fundamental principles of Cohesion policy

‘Jacques Delors was really keen to avoid that Regional policy and the use of the Structural Funds would turn into pure *redistribution*. The ‘deal’ was to counteract the effects of the single market and the single currency on the poorest...’

Member of the cabinet of President Jacques Delors, 1985

The role of the Regional policy should not be restricted to the redistribution of the available resources from the more prosperous to the less prosperous Member States or regions. It requires the creation of an ‘added value’ through the effective and efficient use of the funds so that the advancement of the regions in order to catch up with the well-developed regions can be observed gradually.

The ultimate aim of the policy is to ensure the development of poorer regions up to the point that they no longer need the support of the Community as they will be sufficiently competitive and dynamic by themselves. The underlying logic was that those receiving more should be committed to some achievements alongside the elimination of their dependency.

The economies of the poorer regions which are rather intensified in the southern countries would be the losers of the single market unless cohesion policy was not created.

Therefore, the aim of the cohesion policy is to compensate the costs of the single market so that the beneficiaries of the single market are supposed to support the losers of it while the beneficiaries of the cohesion policy are expected to come up with the precise projects.

The legitimacy of the solidarity principle of cohesion policy is based on the essential rationale behind the formation of the European Regional policy which benefited from the resources such as the Structural Funds and Cohesion Fund.

The **European Social Fund (1958)** and the **European Regional Development Fund (1975)** were shaped by the 1988 reform which is considered to be the peak of cohesion policy in a very general sense as solidarity has been developed further and approached to the status of principle while the partnership was already adopted as a principle. **Solidarity**, which basically requires supporting the poorer regions, is the idea of at the core of cohesion policy.

Community operations shall be such as to complement or contribute to corresponding national operations. They shall be established through close consultation between the *European Commission*, the *Member State* concerned and the competent authorities designated by the latter at *national, regional and local level*, with each party acting as a partner in pursuit of a common goal. These consultations are hereinafter referred to as the ‘partnership’. The partnership shall cover the preparation, financing, monitoring and assessment of operations.

CONCENTRATION: focusing on poorest regions

PARTNERSHIP: involvement of regional and local partners

PROGRAMMING: multi-annual programming

ADDITIONALITY: EU expenditure must not substitute national

Programming refers to the administrative mechanism used to pursue the objectives of the Structural Funds. Multi-annual programmes – known as operational programmes – ensure consistency and continuity over a seven-year period. Programmes relate to specific geographical areas at international, national or sub-national level, depending on the governance arrangements in place. Programme aims include identifying strategic priorities

and indicative actions, outlining financial allocations, and summarising management and control systems. The current programming period runs from 2014 until 2020.

COHESION POLICY ARCHITECTURE				
2007-2013		2014-2020		
Objectives		Goals	Category of regions	Funds
Convergence	ERDF ESF	Investment in Growth and Jobs	Less developed regions	ERDF ESF
Convergence phasing out			Transition regions	
Regional Competitiveness and Employment Phasing in				
	Cohesion Fund			Cohesion Fund
Regional Competitiveness and Employment	ERDF ESF			More developed regions
European Territorial Cooperation	ERDF	European Territorial Cooperation		ERDF

Source: Cohesion Policy 2014-2020. Investing in growth and jobs. p. 14.

REGIONAL DEVELOPMENT AND COHESION IN THE PROGRAMMING PERIOD (2021 - 2027)

For the next long-term EU budget (2021-2027), the Commission proposes to modernise Cohesion Policy, the EU's main investment policy and one of its most concrete expressions of solidarity.

FIVE INVESTMENT PRIORITIES, WHERE THE EU IS BEST PLACED TO DELIVER

- ❖ **Smarter Europe**, through innovation, digitisation, economic transformation and support to small and medium-sized businesses
- ❖ **Greener, carbon-free Europe**, and investing in the energy transition, renewables and the fight against climate change
- ❖ **a more Connected Europe**, with strategic transport and digital networks

- ❖ **a more Social Europe**, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare
- ❖ **Europe closer to citizens**, by supporting locally-led development strategies and sustainable urban development across the EU.

Investing in all regions: Modernised and further focused on results, the future Cohesion policy targets resources to regions that need to catch up with the rest of the EU the most, to ensure convergence and fair treatment for all. Cohesion Policy will keep on investing in all regions to help low-growth and low-income regions in the South and East of Europe, but also to address pockets of poverty in richer Member States. Territories facing industrial transition, spread out all across Europe, will continue to benefit from an EU's adjustment.

A tailored approach: Cohesion policy keeps 3 categories of regions: less-developed, transition and more developed regions. To reduce disparities and help low-income and low-growth regions catch up, GDP per capita remains the predominant criterion for allocating funds. *The EU's contribution will be set at a maximum of 40% to 70%.* New criteria are added (youth unemployment, low education level, climate change, and the reception and integration of migrants) to better reflect the reality on the ground.

Locally-led: Cohesion Policy further supports locally-led development strategies and empowers local authorities in the management of the funds. The urban dimension of Cohesion Policy is strengthened, with 6% of the ERDF dedicated to sustainable urban development, and a new networking and capacity-building programme for urban authorities, the European Urban Initiative.¹

More communication efforts to improve the visibility of cohesion policy: For a Europe ever closer to citizens, more emphasis is put on the need to better communicate the positive results of Cohesion policy. Member States and regions have reinforced requirements in terms of communication, such as the organisation of events for the opening of the EU-funded projects and the development of social media outreach plans. At the same time, communication on EU-funded projects is simplified, with a single branding covering all different EU funds, a single portal displaying all available funding for businesses and a single project database run by the Commission.

¹ Cohesion and values – legal texts and factsheets, 29 May 2018

EU Cohesion Policy on the web

Europe Direct

Europe Direct is a network of information and documentation centres about the EU in all Member States, and also provides a central information service.

→ Find your nearest local information centre by visiting: https://europa.eu/european-union/contact/europe-direct-answering-your-questions-about-eu_en

→ To contact the central information service: Call Europe Direct for free at 00 800 6 7 8 9 10 11 in any official language.

Useful links

<http://ec.europa.eu/esf/>

https://twitter.com/@EU_Regional

https://twitter.com/EU_social

www.facebook.com/socialeurope

www.flickr.com/euregional

http://ec.europa.eu/regional_policy

www.yammer.com/regionetwork

THE ROLE OF SUBNATIONAL LEVEL - REGIONAL AND LOCAL ACTORS

The success of cohesion policy is measured by the achievement of the regional and local actors to ensure the development and participation, which is very diverse, depending on the actors such as the existence of north/south, west/east and core/periphery cleavages.

The 1988 reform empowered the supranational and subnational actors at the expense of the national governments. Shared authority and policy-making influence across multiple levels of government as subnational, national and supranational has elaborated the new model of governance – the multilevel governance.



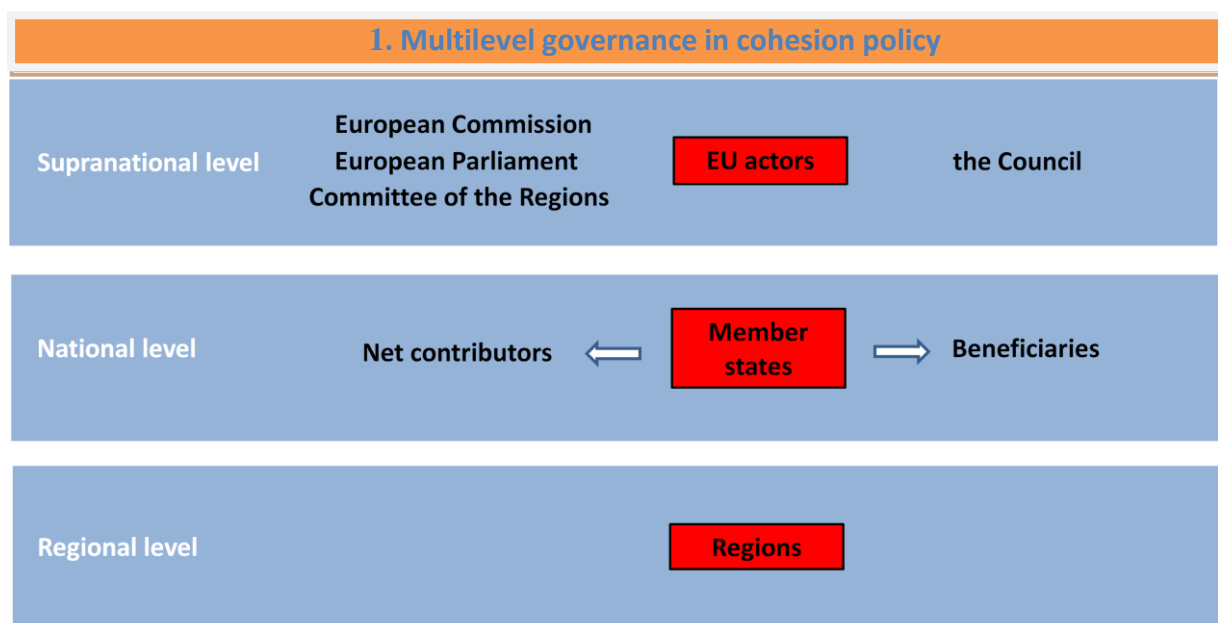
When one examines the operation of cohesion policy, the **European Commission** has come to be a central actor. Besides the Commission, the **European Committee of the Regions (CoR)** gives regions and cities a formal say in EU law-making ensuring that the position and needs of

regional and local authorities are respected. The European Committee of the Regions, established in 1994, is an **advisory body**, composed of locally and regionally elected representatives coming from all 27 Member States. Through the CoR they are able to share their opinion on EU legislation that directly impacts regions and cities. Once the CoR receives a legislative proposal, it prepares and adopts an opinion and circulates it to the relevant EU institutions. The CoR also issues **opinions on its own initiative**.

The European Commission, the Council and the European Parliament must consult the CoR when drawing up legislation on matters concerning **local and regional government** such as health, education, employment, social policy, economic and social cohesion, transport, energy and climate change. (If this is not done, the CoR can bring a case before the European Court of Justice.)



The experience in the field of cohesion policy proves that it appears to be a two-sided process, involving decentralisation of decision-making to subnational levels of government as well as centralisation of new powers at the supranational level. Instead of the centripetal process where decision-making is centralised in Community institutions, in cohesion policy we see a configurable process in which decision-making is spun away from member states in two directions: up to supranational institutions, and down to diverse units of subnational government. There is the institutionalisation of contested spheres of influence across several tiers of government.



Gary Marks (1993) invented the concept of '**multilevel governance**' in order to analyse the novel structure of the EU after the emergence and development of the Cohesion policy as such.² The multilevel policy-making experience gained during the operation of cohesion policy was applied to the other policy areas in the EU as paralleled to the development of cohesion policy.

FURTHER READINGS

Cohesion Policy 2014-2020. *Investing in growth and jobs*. European Commission, Directorate-General for Regional Policy. Luxembourg: Publications Office of the European Union, 2011 Available at:

https://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation_2014_leaflet_en.pdf

Marks, Gary: *Structural Policy and Multilevel Governance in the EC*. In: The State of the European Community (eds.: Alan Cafruny and Glenda Rosenthal), Boulder, CO: Lynne Rienner, 1993, pp. 391–411. Available at: <http://garymarks.web.unc.edu/research/multilevel-governance/>

Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS), OJ L 154, 21.6.2003

Commission delegated regulation 2019/1755 of 8 August 2019 amending the Annexes to Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS), OJ L 270, 24.10.2019

More information: Eurostat

Available at: <https://ec.europa.eu/eurostat/web/nuts/background>

Regional development and cohesion – legal texts and factsheets

Available at: https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-tailored-approach-regional-needs_en.pdf

If you have any further questions, please contact the Directorate General for Regional Policy!

QUESTIONS

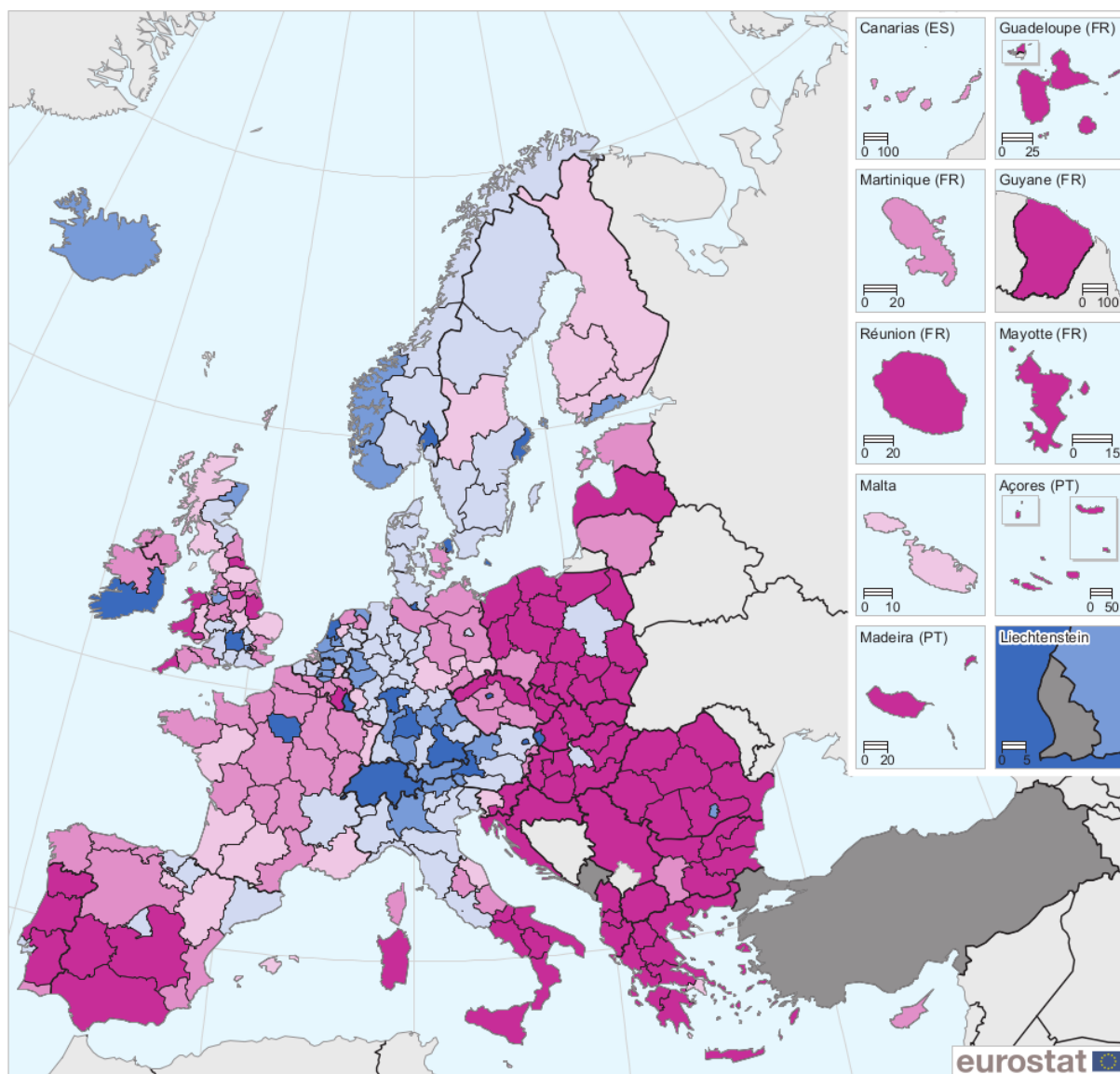
1. What is the most appropriate definition of territorial cohesion?
2. What is the EU regional policy all about?
3. Why were the Structural Funds set up?
4. What can Structural Funds money spend on?
5. What is the role of local and regional governments in strengthening territorial cohesion?

² Marks, Gary: *Structural Policy and Multilevel Governance in the EC*. 1993, p.402.

ANNEXES

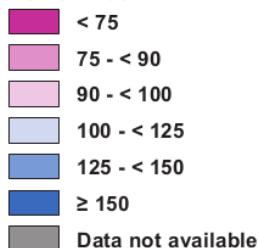
Gross domestic product (GDP) per inhabitant, by NUTS 2 regions, 2016

(based on data in purchasing power standards (PPS) in relation to the EU-28 average, EU-28 = 100)

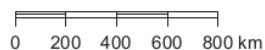


(based on data in purchasing power standards (PPS) in relation to the EU-28 average, EU-28 = 100)

EU-28 = 100



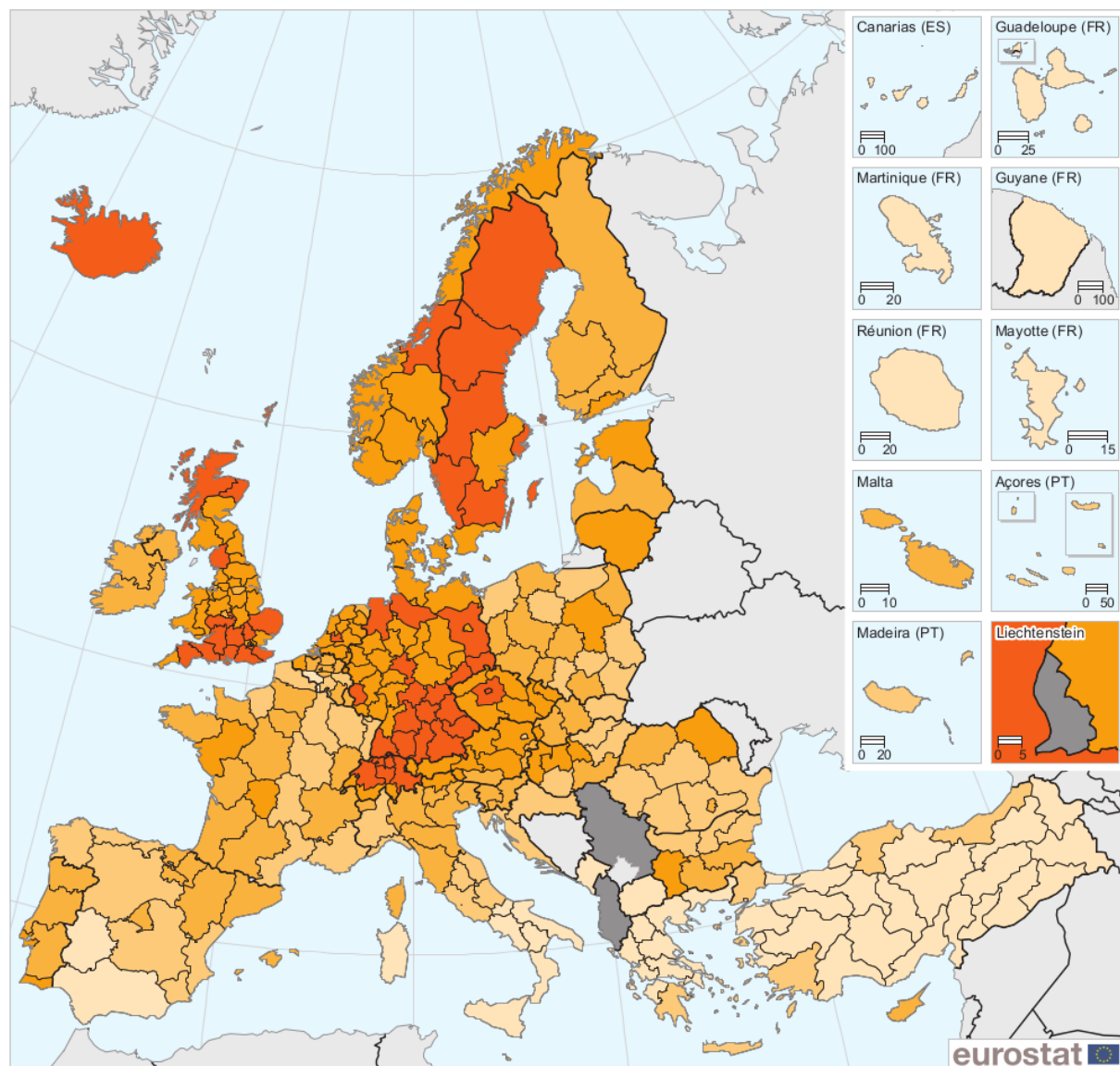
Administrative boundaries: © EuroGeographics © UN-FAO © INSTAT
© Turkstat
Cartography: Eurostat — GISCO, 04/2018



Note: Norway, 2015. Former Yugoslav Republic of Macedonia and Albania: 2014. Switzerland and Serbia: national data. Switzerland: provisional.

Source: Eurostat (online data codes: nama_10r_2gdp, nama_10_gdp, nama_10r_3popgdp and nama_10_pe)

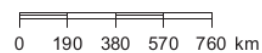
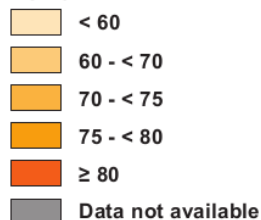
Employment rate, by NUTS 2 regions, 2017
 (% share of population aged 20-64)



(% share of population aged 20-64)

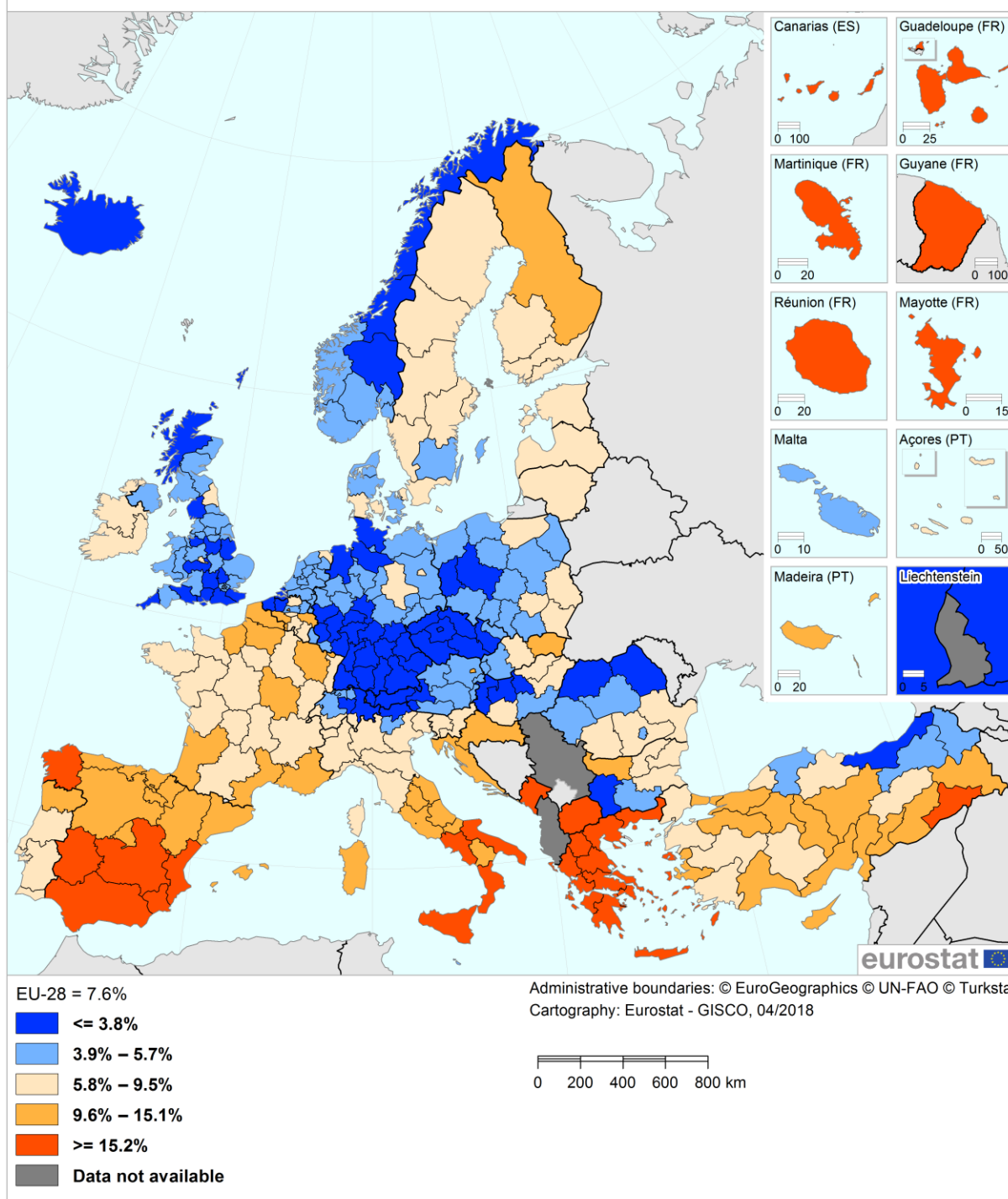
Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat
 Cartography: Eurostat — GISCO, 04/2018

EU-28 = 72.2



Source: Eurostat (online data codes: lfst_r_lfe2emprr and lfsi_emp_a)

Unemployment rate, 2017



SUCCESS STORIES

A success story. Centre for renewable energies in Burgenland



A success story. Tram system in Athens



Extension to Corfu airport. European Union, 2013



A success story. Innovation centre in Czech Republic

