



**Working
for the regions**
EU Regional Policy 2007-2013



Contents

Foreword	1
In a nutshell: a policy for Europe's regions	2
Why European regional policy matters	4
How it works	6
Who receives how much and for what?	8
Attracting investors	10
Getting there: enhancing accessibility	12
Innovating regions	14
Green light for sustainable growth	16
A better life in Europe's cities	18
Investing in people	20
Spending it wisely	22
Cooperation without borders	24
Does it make a difference?	26
Controlling taxpayers' money	28
Telling the story: your right to know	30
At your service	32
Glossary	33

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Member of the European Commission
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Dear Reader,

I would like to invite you to discover the new regional policy of the European Union which builds on the diversity, challenges and opportunities of Europe's regions. Today, 43% of the economic output and 75% of investments in research and innovation are concentrated on just 14% of the European territory, the so-called pentagon between London, Hamburg, Munich, Milan and Paris. Disparities between Europe's regions have significantly deepened with recent enlargements. The wealthiest member state, Luxembourg, is now seven times richer than the poorest one, Romania. At the regional level, the difference is even more important. Such a pattern can only be observed in emerging economies like China and India while disparities in the US and Japan are much less significant.

European regional policy puts into practice solidarity between the peoples of Europe. Strengthening economic, social and territorial cohesion by reducing developmental disparities between its regions is a fundamental objective of the EU and laid down in its Treaty. The financial means set aside to achieve this objective represent more than one third of the EU budget between 2007 and 2013. While concentrated on the poorer regions and helping them to catch up faster, cohesion policy investments have a significant impact on the competitiveness of all regions and on the living conditions of their inhabitants.

Globalisation, climate change, population ageing, external immigration and the need for sustainable energy supply are challenges for the European territory which transcend national, institutional or policy borders. Europe has to find common solutions to these challenges in partnership with national, regional and local levels. They impact directly on regional and local communities and they require that public and private partners work together and find practical and integrated solutions.

The policy's added value extends beyond growth and jobs. Cohesion policy "levers in" and safeguards compliance with other Community policies – be it in the field of state aids, environment, transport, support for innovation or the information society. Last but not least, it improves and modernises public administrations, to enhance transparency and foster good governance.

Mapping Europe's needs and challenges is not enough. European regional policy has the potential to turn common challenges into opportunities. It becomes visible in tens of thousands of projects realised by the EU and the Member States and regions together. Such projects may be just around the corner. I hope this brochure will help to persuade you that Europe works.



In a nutshell: a policy for Europe's regions

More growth and jobs for all regions and cities of the European Union – this message is at the heart of cohesion policy and its instruments between 2007 and 2013.

The greatest investment ever made by the EU through cohesion policy will be worth €347.4 billion over the seven-year period, supporting regional growth and stimulating job creation. It is estimated that cohesion instruments could boost growth in the new Member States by 6% on average and create as many as two million new jobs.

Eighty-two percent of total funds will focus on '**Convergence**' regions – home to 35% of the Union's population. In the remaining regions, some €55 billion are being allocated under the **Regional Competitiveness and Employment** objective. Another €8.7 billion are available for cross-border, transnational and interregional cooperation under the **European Territorial Cooperation** objective.

The three objectives are supported by three funds, namely the **European Regional Development Fund (ERDF)**, the **Cohesion Fund** and the **European Social Fund (ESF)**.

The **ERDF** will support programmes on regional development, economic change, enhanced competitiveness and territorial cooperation throughout the EU, while the **Cohesion Fund** will focus on transport and environment infrastructure, as well as on energy efficiency and renewable energy in Member States with a Gross National Income (GNI) lower than 90% of the EU average.

Under the Convergence objective, ERDF actions will concentrate on strengthening infrastructure, economic competitiveness, research, innovation and sustainable regional development. Under the Competitiveness objective, the ERDF will focus on three priorities: innovation and the knowledge economy, the environment and risk prevention, and access – away from urban centres – to transport and telecommunication.

Throughout the EU, under both the Convergence and the Regional Competitiveness and Employment objectives, the **ESF** will provide support to anticipate and manage economic and social change. There are four key areas for action: increasing adaptability of workers and enterprises; enhancing access to employment and participation in the labour mar-



ket; reinforcing social inclusion by combating discrimination and facilitating access to the labour market for disadvantaged people; promoting reform in employment and inclusion.

Under the Convergence objective, the ESF will also support efforts to improve education and training, and help develop institutional capacity and the efficiency of public administrations.

Across all cohesion policy programmes, the main **fields of investment**¹ and their relative shares of funding are:

- n Knowledge and innovation:** almost €83 billion (24%) will be spent on, for example, research centres and infrastructure, technology transfer and innovation in firms, and the development and diffusion of information and communication technologies.
- n Transport:** about €76 billion (22%) have been allocated to improving the accessibility of regions, supporting Trans-European Networks, and investing in environmentally sustainable transport facilities in urban areas in particular.
- n Environmental protection and risk prevention:** investments of around €51 billion (19%) will finance water and

waste-treatment infrastructures, decontamination of land in order to prepare it for new economic use, and protection against environmental risks.

- n Human resources:** €76 billion (22%) will be spent on education, training, employment and social inclusion schemes financed by the ESF.

Other interventions concern the promotion of entrepreneurship, energy networks and efficiency, urban and rural regeneration, tourism, culture and strengthening the institutional capacity of public administrations.

The financial instruments have their legal basis in **EU regulations**. The instruments co-finance national, regional and cross-border programmes which are managed by national and regional authorities. The Commission and national and regional authorities share responsibility for programme control, publicity and evaluation.

Brief descriptions of the 423 programmes financed between 2007 and 2013 can be found on the European Commission website at http://ec.europa.eu/regional_policy.

¹ Please note that the figures on investment through cohesion policy are based on information provided by the Member States in autumn 2007. They represent planned expenditure and may be subject to change over the period until 2013.



The new airport in Sofia, Bulgaria

Bulgaria

Allocated funds 2007-13

Total: €6.9 billion

Convergence: €6.7 billion

European Territorial

Cooperation: €179 million

Focus of programmes

Improving infrastructure, human capital and employment; fostering entrepreneurship in a favourable business environment and under good governance; supporting balanced territorial development

Targets

Increase real GDP growth rate by 0.27%

Create around 36 700 jobs

Why European regional policy matters

The European Union generates 43% of its economic output in just 14% of its territory – the geographical pentagon formed by London, Hamburg, Munich, Milan and Paris, home to about one-third of its population.

Economic and social **disparities in Europe** are substantial and they have significantly deepened with recent enlargements. Luxembourg, the wealthiest Member State in terms of per-capita income, is now seven times richer than the poorest one, Romania.

At the **regional level**, the difference is even bigger: the richest region is Inner London with 290% of EU-27's average gross domestic product (GDP) per capita, while the poorest region is Nord-Est in Romania with 23% of the EU average. Although GDP is not a completely accurate reflection of living standards as it does not factor in the relative cost of living, it gives an indication of the differences that exist.

This is reminiscent of patterns observed in China and India: in both countries the region with the highest GDP per capita has a level seven times higher than the least-developed region. In the US, this difference is only two and a half times and in Japan just two times.

Being more than a common market, the European Union is based on common values and policies agreed by its Member States for the benefit of their people. EU regional policy puts into practice **solidarity** between the peoples of Europe, while strengthening the **competitiveness** of the EU economy as a whole.

It helps attain one of the fundamental objectives laid down in the EC Treaty: achieving economic and social cohesion by reducing disparities between regions and by spreading the advantages of the common market more equally across the EU territory.

More than **one-third of the EU budget** is currently allocated to the financial instruments of EU cohesion policy: the European Regional Development Fund, the Cohesion Fund and the European Social Fund. These instruments will amount to a total of €347.4 billion between 2007 and 2013, with about 82% to be invested in the EU's poorest regions. The **added value** of EU cohesion policy is considerable:

- n Cohesion policy supports much needed investment in infrastructure, human resources and the modernisation and diversification of regional economies, and it contributes to **more growth and jobs** in the poorer Member States and regions.



New roads in Estonia: the Via Baltica motorway

Estonia

Allocated funds 2007-13

Total: €3.45 billion

Convergence: €3.4 billion

European Territorial

Cooperation: €52 million

Focus of programmes

Investment in education,
research and innovation;

better connection

opportunities; sustainable

use of the environment;

balanced development

of regions and their

administrative capacity

Targets

Increase employment to 72%
(from 64.4% in 2005)

More research

investment by companies

(from 0.42% to 1.6% of GDP)

Raise internet-connected

households to 70%

(from 36% in 2005)

Improved recycling rate

of 60% of solid waste

(from 36.6% in 2005)

Keep primary energy

consumption at the 2003

level until 2010

n Member States and regions benefiting from such investments achieve above-average growth and employment performance and are better equipped to **catch up faster** with the EU level than they would be without cohesion policy investments.

n Cohesion policy 'levers in' and **safe-guards compliance** with other EU policies – state aid, environment, transport, support for innovation, the information society. It also improves and modernises public administrations, enhances transparency and fosters good governance.

In the past, Member States and regions benefiting most from European regional policy have been able to catch up faster and even grow beyond the average EU level. In the years to come, this **success story** will continue in Member States which have joined the EU since 2004.

However, the European territory as a whole faces **new challenges**. Globalisation, climate change and population ageing do not stop at national, institutional or policy borders. Instead, they impact on regional and local communities directly and to varying degrees.

Europe's competitiveness cannot be achieved through EU policies, individual Member States or regions alone. Economic success is a social process that requires close cooperation. European regional policy has the potential to turn common **challenges into opportunities**. It is designed in such a way that EU responses involve people in designing and implementing regional development strategies and local projects for the benefit of Europe as a whole.



Urban renewal in Nicosia, Cyprus



Cyprus

Allocated funds 2007-13

Total: €640 million
 Convergence: €213 million
 Regional Competitiveness and
 Employment: €399 million
 European Territorial
 Cooperation: €28 million

Focus of programmes

Strengthening the economy; business support; the knowledge society and promotion of research and innovation; human resources, employment and social cohesion; modernising environment, transport and energy infrastructure; developing sustainable communities

Targets

Increase annual GDP growth from 3.8% to 4.2%
 Raise the employment rate from 68.5% to 71%
 Increase spending on R&D to 1% of national GDP by 2010
 Increase public transport journeys from 2% to 10% of total

How it works

Partnerships throughout all regions of the European Union, planning and good governance are the key elements for ensuring that regional development remains as dynamic and as effective as possible.

European regional policy, its instruments and programmes, are largely **managed in a decentralised way** by the national and regional governments concerned. Within a common framework set by the EU, the Member States and regions choose the priority objectives in their territories that will benefit from EU funds.

However, each programme is developed in a collective process involving authorities at European, regional and local level, social partners and organisations from civil society. The process ensures that each partner has **ownership** of the development programmes and that they are best adapted to each particular region. Committees involving these partners in the design, management and monitoring of each programme accompany EU interventions.

For the 2007-13 period, Member States and regions must prepare **'National Strategic Reference Frameworks'** and national and regional **'Operational Programmes'**. EU regulations and 'Community Strategic Guidelines on Cohesion' lay down common rules for the funds' management, while taking into account the overarching priorities

of the EU's Growth and Jobs Agenda – to become a zone of high growth, creating new and better jobs.

Overall, there will be 423 Operational Programmes and some 900 major projects. Project selection on the ground is decided ultimately by national and regional authorities, working together with the European Commission on issues such as decision-making on major projects, and on ensuring control, publicity and evaluation standards.

Making such programmes work in practice is not always easy, which means effective planning is essential. **Strategic guidelines on cohesion policy** have been developed to aid this process. These set common targets to be achieved by all programmes. Expenditure needs to be 'earmarked' for interventions supporting research and innovation, the information society, sustainable development, energy efficiency and development of human resources. In 'Convergence' regions, these priorities must receive 60% of the total available funding, and 75% in all other regions.

The guidelines also outline a number of important issues. Programmes should concentrate investment in high-growth areas; invest in drivers of growth and employment such as innovation and education; establish comprehensive, medium-term development strategies; contribute to trans-European infrastructure



New pipes for the water/sewage infrastructure, Lithuania



Lithuania

Allocated funds 2007-13

Total: €6.9 billion

Convergence: €6.78 billion

European Territorial

Cooperation: €109 million

Focus of programmes

Creating higher productivity through an economy based on knowledge and innovation; enhancing competitiveness; creating a better quality of life

Targets

Increase the employment rate from 61.2 to 70%

Increase research expenditure from 0.76 to 2.2% of GDP

and environmental sustainability; mobilise additional resources; and develop partnerships between different levels of government and others.

Each **Operational Programme** has several priorities, with related targets, depending on the development objectives of the individual Member State or region. These priorities group together operations and define criteria for the selection of projects. Potential beneficiaries, as well as the general public, have a right to know the criteria and which projects are selected.

EU Structural and Cohesion Funds 'co-finance' Operational Programmes. The funds can provide between 50% and 85% of the total financing, depending on which cohesion policy objective applies to a particular region or Member State. The remaining financing can come from public (national and regional) or private sources. Detailed rules on eligibility and co-financing rates are laid down in each Operational Programme.

After a first advance payment, the EU carries out interim payments based on accounts certified by the national or regional authorities. If accounts cannot be verified, or proper **financial management** procedures are not followed, the EU can stop its funding or recover amounts already paid out.

For the current programming period, regular payments can be made until the end of 2015.

Strategic and coherent planning at all levels is a vital first step, but even the best plans are worth little without **good governance**. In order to achieve this, it is necessary to strengthen the institutional capacities, performance and transparency of public administrations in Member States and regions. Cohesion policy instruments can support capacity building – particularly in 'Convergence' regions. The European Commission facilitates the exchange of best practice in the management of funds through information, seminars and networking.



The new Riga airport access in Latvia

Latvia

Allocated funds 2007-13

Total: €4.6 billion

Convergence: €4.5 billion

European Territorial

Cooperation: €90 million

Focus of programmes

Development and efficient use of human resources; strengthening competitiveness and progress towards a knowledge-based economy; improvements in public services and infrastructure as a precondition for balanced national and territorial development

Targets

Maintain an annual GDP growth rate of 6-8% (11.9% in 2006)

Increase the employment rate to 70% (66.3% for 2006) and lower the unemployment rate to below 6% (6.5% in 2006)

Raise research and development spending to 1.5% of GDP from 0.57% in 2005

Increase the percentage of 20- to 24-year-olds completing upper secondary education to 85% (2005: 79.9%)

Increase the proportion of citizens with wastewater management services to 62% (2004: 9%)

Who receives how much and for what?

EU cohesion policy funding is very much linked to the idea of solidarity between the more and less prosperous Member States.

Helping poorer European regions to catch up means, of course, that the richer ones have to pay more towards the EU budget than they receive back. On the other hand, **solidarity** is not a one-way street. Modern infrastructure and production, sustainable use of resources and better education and training of people living in poorer regions is also for the benefit of the people and economies in richer countries.

During the 2007-13 period, the ERDF, the Cohesion Fund and the ESF will contribute to three objectives: Convergence (ERDF, ESF, Cohesion Fund), Regional Competitiveness and Employment (ERDF, ESF) and European Territorial Cooperation (ERDF).

Based on a regional GDP below 75% of the EU average, regions are eligible for the 'Convergence' objective while all other regions have access to the 'Regional Competitiveness and Employment' objective. Geographic eligibility of regions under the 'European Territorial Cooperation' objective concerns either cross-border regions or those belonging to transnational cooperation areas.

The objectives, eligible regions and allocations are as follows:

n Convergence: within EU-27, this objective concerns 84 regions – in 17 Member States – with a population of 154 million, whose per capita GDP is less than 75% of the Community average. In addition there are – on a phasing-out basis – another 16 regions with 16.4 million inhabitants and a GDP only slightly above the threshold due to the statistical effect of EU enlargement. The amount available under the 'Convergence' objective is €282.8 billion, representing 81.5% of the total, and it is split between allocations for the 'Convergence' regions worth €199.3 billion, while €13.9 billion are reserved for the phasing-out regions and €69.6 billion for the Cohesion Fund, the latter applying to 15 Member States.

n Regional competitiveness and employment: a total of 168 regions in 19 Member States are eligible, representing 314 million inhabitants. Within these, 13 regions, home to 19 million inhabitants, represent so-called phasing-in areas and are subject to special financial allocations due to their former status as Objective 1 regions.



Road construction and improvement, Poland



Poland

Allocated funds 2007-13

Total: €67.3 billion
 Convergence: €66.55 billion
 European Territorial
 Cooperation: €731 million

Focus of programmes

Improving public
 administration; increasing
 quality of human capital;
 modernising infrastructure;
 supporting competitive
 and innovative enterprises;
 increasing regional
 competitiveness; developing
 rural areas

Targets

Create 3.5 million jobs to
 bring the employment
 rate up to 60% by 2013
 (52.8% in 2005)
 Increase expenditure on
 research and innovation
 to 1.5% of GDP (compared
 to 0.57% currently)
 Triple the length of motorway
 and railway infrastructure
 Increase the share of
 renewable energy use to
 8.5% (2.9% in 2005)
 Increase GDP per head from
 51% in 2006 to 65% of the
 EU average

The amount of €54.9 billion – of which €11.4 billion are for the phasing-in regions – represents just below 16% of the total allocation.

n European Territorial Cooperation: the population living in cross-border areas is 181.7 million (37.5% of the total EU population), while all EU regions and citizens are covered by at least one of the existing 13 transnational cooperation areas. The €8.7 billion (2.5% of the total) available for this objective are split as follows: €6.44 billion for cross-

border, €1.83 billion for transnational, and €445 million for interregional cooperation and networks.

The **calculation method** of allocations is laid down in EU regulations governing cohesion policy instruments. It distinguishes between the three objectives and final shares depend mainly on relative regional and national prosperity, population figures and unemployment rates. Funding does not exceed 4% or so of the gross domestic product of an individual Member State.

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		



Telecommunications park in Valencia, Spain



Spain

Allocated funds 2007-13

Total: €35.2 billion
 Convergence: €26.2 billion
 Regional Competitiveness and Employment: €8.5 billion
 European Territorial Cooperation: €559 million

Focus of programmes

Creating a more attractive place in which to invest and work; improving knowledge and innovation to strengthen growth; contributing to more and better jobs

Targets

Raise the employment rate from 63.3% in 2005 to 70% by 2013
 Increase expenditure for research and innovation from 1.06 to 2% of GDP
 Help reduce CO₂ emissions by 15%

Attracting investors

Supporting small and medium-sized enterprises (SMEs) and attracting outside investment are key ways in which cohesion policy helps to boost regional economies.

Attracting investors and enhancing the productive capacity of regions is vital for improving their economic performances and helping those that are lagging behind to catch up. Around 1.2 million enterprises are created in the EU every year – some 10% of the total number of businesses. Yet only half of them survive the first five years. And there are big differences across the EU – for example, in Italy, Spain and the United Kingdom, new enterprises are created twice as often compared to the EU average.

EU cohesion policy is **a major contributor to total investment**, particularly in ‘Convergence’ Member States where it can account for up to 20% of the total gross fixed capital. Structural and cohesion funds place particular emphasis on supporting the creation or modernisation of SMEs – those with fewer than 250 employees and with an annual turnover not exceeding €50 million.

SMEs are the real **giants of the European economy**, accounting for 99% of businesses in the European Union. They

provide two-thirds of all private-sector jobs. Businesses with fewer than ten employees dominate the labour market in countries such as Italy (47%) and Poland (41%), whilst the share of large enterprises in total employment in the United Kingdom is just 46%.

However, SMEs often have difficulty in accessing capital and knowledge and frequently lack experience. EU regional and cohesion policy is aimed at tackling these difficulties through a combination of ‘hard’ measures, such as direct investment, and ‘soft’ ones, notably the provision of business support services, training, an innovative environment, financial engineering and technology transfer, as well as the creation of networks and clusters.

EU Member States, particularly those countries that joined in 2004, are relatively successful in **attracting investments from foreign countries**. However, there are considerable differences in national performances. For example, in Estonia, foreign direct investment (FDI) was around 11% of gross domestic product between 1998 and 2005, whereas the figure was 9% in Bulgaria and the Czech Republic, 6 to 7% in Hungary and Slovakia, 4 to 5% in Latvia, Lithuania, Poland and Romania, and 2% in Slovenia. Another concern is that FDI



Innovation in the graphics industry in Brobygrafiska, Sweden



Sweden

Allocated funds 2007-13

Total: €1.9 billion
 Regional Competitiveness and Employment: €1.6 billion
 European Territorial Cooperation: €265 million

Focus of programmes

Encouraging innovation and entrepreneurship; increasing skills and labour supply; facilitating accessibility; cross-border cooperation

Targets

Create at least 33 800 new jobs
 Create 12 800 new enterprises
 Establish training for more than 300 000 people

is often heavily concentrated in capital cities and their surrounding regions, which can reinforce regional disparities rather than reduce them.

The potential reasons why investors should choose to **invest in a certain region** include access to new markets, proximity to the country from which the investment originates, a common language, low corporate taxation and the availability of skilled workers. Regional policy cannot influence all of these factors, but it can make a difference in other areas that improve the region's attractiveness – accessibility, education of the workforce, information and communication technologies, infrastructure, and spending on research and innovation.

Between 2007 and 2013, cohesion policy programmes will support:

- n **Direct investments in firms**, in particular those linked to research and innovation, technology transfer and eco-friendly production. About €42.8 billion (12% of the total allocation) are geared towards such activities.
- n **Entrepreneurship** through the provision of services, adaptation of workers, enterprises and entrepreneurs, information and communication technologies. Some €44.7 billion (13% of the total allocation) are planned for this.
- n **Human capital** and access to employment. €48.8 billion (14% of the total) will contribute to increasing the qualification level of the regional and local workforces.



Bridge linking Spain and Portugal over the Guadiana River in the Algarve

Portugal

Allocated funds 2007-13

Total: €21.5 billion

Convergence: €20.47 billion

Regional Competitiveness
and Employment: €938 million
European Territorial
Cooperation: €99 million

Focus of programmes

Developing workers' skills;
promoting sustainable
growth; guaranteeing social
cohesion; ensuring territorial
and urban development;
improving the efficiency of
governance

Targets

Increase the share of
vocational courses available
at secondary level to 50% to
reduce very high school drop-
out rates (38% in 2005)
Increase the share of
medium- and high-
technology companies in
the industry sector from
3.4% today to 6.2% in 2010
Raise private and public
investment in research and
technology as a proportion of
GDP (to 0.8% and 1% in 2010,
respectively)

Getting there: enhancing accessibility

Transport infrastructure is one of the most visible examples of what can be achieved with aid from the EU Structural and Cohesion Funds.

Enhancing accessibility is of key importance to strengthening regional economies and achieving cohesion and competitiveness. The European Union's transport policy promotes **sustainable mobility** for people and goods, ensuring efficiency, safety and minimising the negative effects on the environment. There are a number of actions covering trans-European transport networks (TEN-T), air, road, rail, maritime and urban transport as well as inland waterways, multimodal transport, safety and state aid rules.

The Cohesion Fund and the European Regional Development Fund (ERDF), in particular, have contributed significantly to modern transport infrastructure in the less-developed Member States and regions and will continue to do so in the 2007-13 period.

About €76 billion (22.2% of the total allocation) will be spent on transport, with a priority for TEN-T projects, up from €38 billion (15% of the total) in 2000-2006. Investments will cover transport strategies at EU, national and regional levels that strike a balance between road, rail and sustain-

able transport modes. The links between cohesion and transport policy are translated into guidelines, which ensure the quality of the projects, and a number of priorities:

- n **30 TEN-T projects of European interest**, located in Member States and regions eligible under the 'Convergence' objective. Special attention will go to cross-border projects.
- n Investment in **secondary connections** in the context of an integrated regional transport and communications strategy.
- n **Rail infrastructure.**
- n **Environmentally sustainable transport networks.**
- n Improved **connectivity** of landlocked territories to the trans-European networks.
- n **'Motorways of the sea.'**

Cohesion policy investment in transport between 2007 and 2013 will be concentrated on the 'Convergence' regions. It is split as follows:

- n **TEN-T projects** across all transport modes receive €38 billion (11% of the total of cohesion policy investments). About half will be for road infrastructure and half for rail.



The Belfast railway, Dublin, Ireland



Ireland

Allocated funds 2007-13

Total: €901 million
 Regional Competitiveness and Employment: €751 million
 European Territorial Cooperation: €151 million

Focus of programmes

Improving economic infrastructure; enterprise, science and innovation; human capital; social infrastructure and social inclusion

Targets

Contribute to expanding the economy by 4 to 4.5% per annum in a favourable international economic climate

n Almost €41 billion (12% of the total) will be available for **road infrastructure**, including TEN-T and national, regional and local roads.

n For **rail infrastructure**, a total of €23.6 billion (6.8%) will be spent, including TEN-T projects.

n Other allocations include: **ports and inland waterways**: €4.1 billion (1.2%), **multimodal transport and intelligent transport systems**: €3.3 billion (1%); **airports**: €1.9 billion (0.5%); **urban transport**: €1.9 billion (0.5%).

TEN-T aims to ensure that national networks for all modes of transport are accessible, interconnected and interoperable. The EU

established guidelines in 1996 defining objectives, priorities and projects of common interest as well as financial instruments.

The number of priority projects was raised from 14 to 30 following recent EU enlargements, and rules for granting aid were modified to allow for a higher maximum co-funding rate for priority projects that cross borders and natural barriers. Completing the networks will considerably reduce journey times for passengers and goods, through an estimated 14% reduction in road congestion and improved rail performance. Reductions in CO₂ emissions are expected to be of the order of 6.3 million tonnes per year.



INTECHMER: research into biological contamination of marine environments, Cherbourg, Normandy, France



France

Allocated funds 2007-13

Total: €14.3 billion
 Convergence: €3.2 billion
 Regional Competitiveness and Employment: €10.2 billion
 European Territorial Cooperation: €872 million

Focus of programmes

Improving competitiveness; promoting and sustaining employment; human capital; regional attractiveness and investment in employment; ensuring social inclusion; territorial development and sustainable development; innovation and the knowledge economy; training; developing information and communications technologies; the environment; risk avoidance; energy policy

Targets

Increase the share of private research (1.25% of GNP in 2006) and approach Community standards in innovation
 Reduce energy intensity by 2% a year until 2015 and reduce greenhouse gas emissions by an average of 3% until 2050

Innovating regions

Sustainable economic growth is increasingly related to the capacity of regional economies to change and to innovate. This means that far greater efforts need to be channelled into creating an environment that encourages research, development and innovation. Cohesion policy reflects this with a major increase in the funding available for this priority.

The latest statistics confirm **large disparities** between EU Member States and regions in the field of research and development (R&D) and innovation. Expenditure on R&D amounted to an average of 1.84% of EU-27 gross domestic product (GDP) in 2005, comparing unfavourably to the USA (2.67%) and Japan (3.2%). Finland and Sweden are the only Member States that spend more than 3% of their GDP on R&D and only 27 of the 268 regions in the EU currently reach this level. More than 100 regions spend less than 1%, the majority of which are in southern Europe and new Member States.

Three Member States – Germany, France and the United Kingdom – account for two-thirds of the EU's total R&D expenditure. The top ten R&D expenditure regions spent €52.5 billion in 2003 – more than 25% of total EU expenditure. However, on the positive side the most significant increases in R&D expenditure over the

period 2001-2004 were in Estonia (+19%), Cyprus (+18%), Lithuania (+14%) and Spain (+13%).

Examples of the type of actions at a regional level that can facilitate innovation are: investments in infrastructure, equipment and facilities; strengthening the links between industrial development zones and research institutions; support for clusters, centres of excellence, science and technology parks; encouraging the mobility of researchers; and partnerships between training institutes and local technology enterprises.

Cohesion policy instruments **emphasise research and innovation in 2007-13**, with total funding of almost €60 billion (17.3% of the total) which represents respectively a doubling and tripling of financial resources earmarked for R&D and innovation under the Convergence and the Regional Competitiveness and Employment objectives compared to the previous period.

Of this total, €15.6 billion will go on research centres and infrastructure, €26.5 billion on technology transfer and R&D and innovation support to firms, and €15 billion on information and communication technologies.

Actions will focus on four areas. Strengthening cooperation, both among businesses and between businesses and public research institutions, will be achieved



Phileas: innovating in the transport sector, the Netherlands



The Netherlands

Allocated funds 2007-13

Total: €1.9 billion

Regional Competitiveness
and Employment: €1.6 billion

European Territorial
Cooperation: €247 million

Focus of programmes

Strengthening
competitiveness by
focusing on innovation;
entrepreneurship;
attractiveness of regions,
cities; labour market
supply; investing in human
capital; cooperation with
neighbouring countries

Targets

Contribute to output in
research and technological
development, innovation,
entrepreneurship and
the information society,
in particular in small and
medium-sized enterprises
and for citizens services
Contribute to improving
access to employment and
to increasing the adaptability
of workers and labour
productivity

through transregional clusters. The second priority is to support research and innovation in small and medium-sized enterprises. The third is to boost regional cross-border and transnational collaboration, and the final priority is to strengthen capacity-building infrastructure and human capital in areas with significant growth potential.

Substantial funding for innovation programmes will be provided in countries such as Spain, Poland, Greece, the Czech Republic, Hungary, Portugal and Slovakia. In Poland, for example, support for the 'innovative economy' national programme from the Structural Funds amounts to €8.3 billion – more than 12% of the total national allocation.

Meanwhile, in France and the Netherlands, innovation is the main priority of all regional programmes, accounting for around half of

their total spend. In Finland, the emphasis on innovation in all regional programmes reflects the explicit aim of decentralising the EU's Lisbon Strategy to boost growth and jobs.

In many of the smaller Member States, programmes include innovation alongside other priorities, such as infrastructure development. This is typically the case for the 'Convergence' countries, such as the Baltic States, Malta and Slovenia, but is also true of Denmark. However, it does not imply less emphasis on innovation. Lithuania, for example, plans to allocate 8% of total resources to its research infrastructure and a further 8% to the information society.



Technology resource centre for the environment: Esch-sur-Alzette, Luxembourg



Luxembourg

Allocated funds 2007-13

Total: €65 million

Regional Competitiveness and Employment: €50 million

European Territorial

Cooperation: €15 million

Focus of programmes

Promoting the establishment of small and medium-sized enterprises

Development of urban centres that have undergone economic change

Improve knowledge and innovation, in particular at public and private research centres

Increase the employment rate, in particular among female and older workers

Targets

Contribute to achieving the expenditure target of 3% of GDP for research and development, in particular in the private sector, and to reducing CO₂ emissions in view of the Kyoto targets

Green light for sustainable growth

Regional policies need to be sustainable, and more funding than ever is being allocated to environmentally friendly initiatives in the 2007-13 period. The environment can be a source of economic growth, either by encouraging innovative and clean technologies, fostering efficient energy use, building up eco-tourism, or simply through natural habitats enhancing the attractiveness of areas.

Ensuring sustainable development and a high level of environmental protection are required in all European Union policies. Likewise, the legal bases and guidelines of regional policy state that economic, social and environmental objectives must be integrated. Regional development can only be sustainable if it respects the environment.

EU regional policy can **contribute to sustainability** by promoting environmentally friendly technologies; transport, energy and infrastructure initiatives ensuring high water, air and soil quality. In addition, Member States have to carry out environmental impact assessments and consult environmental authorities and the public when they implement cohesion policy programmes.

The total amount of Structural and Cohesion Funds allocated to environmental programmes has doubled since the previous period to around €100 billion – 30% of the total. Half of this investment will be devoted to **infrastructure investments** related to water and waste treatment, renewal of contaminated sites, pollution reduction, and support for nature protection and risk prevention. The other half will go on investments with an environmental impact in areas such as transport and energy systems, eco-innovation, environmental management for businesses, urban and rural regeneration, and eco-tourism. For example, over €7 billion are earmarked to support energy efficiency and renewable energies.

The **Cohesion Fund** (operating in Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain) is the major source of finance for environment-related infrastructure projects (especially in energy efficiency, renewable energy, rail transport and intermodal or public transport systems). It provides funding for investment-intensive projects and helps these countries to meet the European Union's environmental standards.



Promoting energy-efficient sources: solar panels in Marstal, Fyns amt, Denmark



Denmark

Allocated funds 2007-13

Total: €613 million
Regional Competitiveness
and Employment: €510 million
European Territorial
Cooperation: €103 million

Focus of programmes

Human resources;
innovation; enhanced use
of information technology;
entrepreneurship; attractive
regions; improving labour
force adaptability and
qualifications

Targets

Higher percentage of
trained people
Increase the number of
innovative enterprises
Raise the penetration
rate of information and
communication technologies
in companies from 56%
(2005) to 75%

Regions throughout Europe will be increasingly confronted with the impacts of **climate change**, as well as with new challenges in terms of energy provision and efficiency. These will vary depending on the region. While 7% of the Union's population live in flood-prone areas, around 9% live in areas where there are over 120 days a year without rain. The combined impacts of climate change will pose serious problems for quality of life, tourism and agriculture in some EU regions.

Cohesion policy can play an important role in supporting efforts to adapt to future climate change and minimise the negative impacts at regional level. It can support eco-innovation, environmental risk protection measures and clean enterprises, and create market opportunities for businesses in these areas.

The new regional policy programmes give more support than ever to the development of **renewable and alternative**

energies, meaning that there are opportunities for European businesses to benefit. Developing technologies, such as wind, solar and biomass, can give the EU a leading edge and strengthen its competitive position.

Europe's increasing dependency on energy imports and the continuous growth of congestion affecting road and air transport reduce the competitiveness of European industry. Therefore, **renewable energy** applications and networks, cleaner modes of transport and environmentally friendly technologies are key priorities in terms of modernising production and reducing emissions. In the area of transport, rebalancing allocations between air and roads, on the one hand, and railways, inland waterways and short-sea shipping, on the other, should respect the different situations that exist in Member States.



Restoring Malta's cultural heritage

Malta

Allocated funds 2007-13

Total: €855 million
Convergence: €840 million
European Territorial
Cooperation: €15 million

Focus of programmes

Sustaining a growing,
knowledge-based,
competitive economy;
improving attractiveness
and quality of life;
investing in human capital;
addressing Gozo's regional
distinctiveness

Targets

Increase GDP per capita in
relation to the EU average
from 69.2% in 2005 to
74% by 2013
Increase nominal exports of
goods and services between
2007 and 2013 by 4% to
measure achievements in
competitiveness
Increase the employment
rate from 54.3% in 2005 to
57% by 2013

A better life in Europe's cities

Cities symbolise the two-pronged challenge currently facing the European Union: how to improve competitiveness while meeting social and environmental demands.

Europe's cities are its centres of economic activity, innovation and employment, yet they face a number of challenges. The trend towards suburbanisation, the concentration of deprivation and unemployment in urban neighbourhoods, increasing congestion – complex problems such as these require integrated answers in transport, housing, and training and employment schemes, which must be tailored to local needs. European regional and cohesion policies address these challenges.

Policies are designed to support **cities as drivers of regional development.**

Promoting entrepreneurship, innovation and the development of services boosts their attractiveness. Improving neighbourhoods in crisis, notably by rehabilitating the physical environment, redeveloping brownfield sites and preserving and developing the historical and cultural heritage, contributes to a balanced urban development. Support for clean urban transport enhances the sustainability of cities.

Some €21.1 billion have been earmarked for **urban development** between 2007 and 2013, representing 6.1% of the total EU cohesion policy budget. Of this, €3.4 billion

are for the rehabilitation of industrial sites and contaminated land, €9.8 billion for urban and rural regeneration projects, €7 billion for clean urban transport, and €917 million for housing.

Other investments for infrastructure in research and innovation, transport, the environment, education, health and culture also have a significant impact in cities.

With an **integrated approach**, cohesion policy can exploit the synergies between different policy domains, and also encourage dialogue between administrations, social and economic partners and civil society organisations.

The new cohesion policy regulations for 2007-13 provide instruments for the strengthening of the urban dimension in the new generation of programmes. They emphasise the need to involve local and regional authorities in the planning and implementation of programmes.

National and regional authorities can sub-delegate programme management, or parts of it, to local authorities, whilst other private organisations should be involved as partners.

During the 2007-13 period, European cities will benefit in many ways from cohesion policy instruments, initiatives and tools:



The old city centre in Telc, Czech Republic is a tourist attraction



Czech Republic

Allocated funds 2007-13

Total: €26.7 billion

Convergence: €25.9 billion

Regional Competitiveness

and Employment: €419 million

European Territorial

Cooperation: €389 million

Focus of programmes

Increasing competitiveness; support for research and development; innovation; developing sustainable tourism; education; employment; social cohesion; developing the information society; reducing the administrative burden; improving accessibility to transport; sustainable rural and urban development

Targets

Attain the economic level for EU-25

Raise the employment rate from 64.8% in 2005 to 66.8%

Increase the GDP share of research and development from 1.42% to 2.2% by 2015

- n Urban development issues have been integrated to a large extent in **all regional and national programmes** supported by the Structural and Cohesion Funds.
- n Exchanges of best practices and networking between urban planners and other local experts come under the **URBACT II programme**.
- n **JESSICA** (Joint European Support for Sustainable Investment in City Areas) is a new initiative of the European Commission, in cooperation with the European Investment Bank and the Council of Europe Development Bank. It promotes financial engineering for sustainable investment, economic growth and employment in Europe's urban areas.
- n The **Urban Audit** provides statistical data and information on living conditions in 357 European cities in the 27 EU Member States and Norway, Switzerland and Turkey. Over 330 indicators of urban life in Europe present findings on demography, housing, health, crime, the labour market, economic activity, income disparity, local administration, civic involvement, educational qualifications, cultural infrastructure and tourism.



On-the-job training in Italy

Italy

Allocated funds 2007-13

Total: €28.8 billion

Convergence: €21.6 billion

Regional Competitiveness
and Employment: €6.3 billion

European Territorial

Cooperation: €846 million

Focus of programmes

Developing knowledge
networks; increasing
living standards; security
and social inclusion;
fostering business clusters,
services and competition;
internationalising and
modernising the economy

Targets

Contribute to average annual
GDP growth of between 2.4
and 3.1% in the 'Convergence'
regions

Increase employment
from roughly 45% to 50% in
these regions

Investing in people

The EU needs 24 million more jobs to achieve its target employment rate of 70%. With ageing populations across Europe, employment and training of the workforce have become even more crucial.

Employment rates, the level of skills and the impact of demographic change vary considerably between EU regions and require tailored answers. How to achieve more and better jobs and an educated workforce able to meet future challenges is therefore a crucial question for the success of cohesion policy.

Between 2007 and 2013, the cohesion policy will invest €95 billion in people – €76 billion through the European Social Fund (ESF) and €19 billion through the European Regional Development Fund (ERDF).

In recent years, **employment has increased** and unemployment rates have fallen. Employment growth across the EU has averaged around 1%, bringing the employment rate up to 63.8% in 2005. In the same year, the unemployment rate fell to 8.7%, down from 9.1% the year before.

In less-developed EU regions, regional employment rates converged between 2000 and 2005 and unemployment fell

from 13.4% to 12.4%. However, in 2005 employment rates in these regions were still some 11% lower than those in the rest of the EU.

Regions have to cope with the skills needed to remain competitive in a global, knowledge-based economy. Variations in education levels are more pronounced between regions than between countries: in the **less-developed regions** of EU-27 only 14% of the working age population had tertiary qualifications in 2005, compared to 25% in the more developed regions.

Europe's population is predicted to start declining by around 2020. Between 2000 and 2005, the total population growth rate was 0.4%, and 86% of that growth was due to migration. Already today, 85 EU regions – mainly in the new Member States – are experiencing absolute population decline, and another 76 maintain population growth only thanks to migration. These trends will limit the scope for future employment growth.

Although total employment is expected to continue to grow until 2017, due to rising labour force participation, it is likely that it will start declining after this date. According to United Nations estimates, the population of Europe will decrease by 70 million by 2050; at the same time, the population of Asia will increase by 1.3 billion and the



Investing in people: new childcare centre in a Roma kindergarten, Slovakia



Slovakia

Allocated funds 2007-13

Total: €11.6 billion

Convergence: €10.9 billion

Regional Competitiveness and Employment: €449 million

European Territorial

Cooperation: €227 million

Focus of programmes

Infrastructure and regional accessibility; innovation; information society and knowledge economy; human resources and education

Targets

Attain the economic level of 60% of EU-15

Raise the employment rate from 57.7% in 2005 to 63.4% by 2013

population of Africa by 1 billion. Demographic change of this magnitude will have an impact on the distribution of economic activities.

For the 2007-13 period, cohesion policy investment priorities allocate important resources to improve the **adaptability of the labour force**. More than €70 billion of the ESF allocation should be invested in training, employment and actions to improve social inclusion. Furthermore, the ERDF in particular invests in infrastructure related to employment, education and training, such as schools, hospitals and childcare facilities.

Acknowledging the considerable return on investment from **education** in the early stages of life, all Member States have allocated a significant amount of resources to the modernisation and reform of education and training systems. For example, Denmark aims to have 45% of unskilled workers participating in training activities within a year. Several Member States, including Germany, Spain, Latvia, Lithuania, Cyprus, Denmark and Estonia, have set an ambitious target for employment rates of 70%, while the United Kingdom has set 80% as its benchmark.



Renew North: Northern Energy Initiative, Northumberland, United Kingdom

United Kingdom

Allocated funds 2007-13

Total: €10.6 billion
Convergence: €2.9 billion
Regional Competitiveness and Employment: €6.9 billion
European Territorial Cooperation: €722 million

Focus of programmes

Enterprise and innovation; skills and employment; environmental and community sustainability; focusing on market failures; equality; partnerships with local authorities; higher education; the voluntary and private sectors; support for the Lisbon Agenda

Targets

Improve skills
Improve investment in research and development, particularly in the private sector
Foster innovation and entrepreneurship

Spending it wisely

There are several new tools and initiatives to enable the most efficient and sustainable use of Structural and Cohesion Funds in the 2007-13 period. They pool expertise in the management of projects or financial engineering, ensuring that the investments maintain their impact and contribute to the long-term development of regions.

Sound financial management of cohesion policy instruments can enhance public investments. In order to achieve this, the European Commission has developed three instruments with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Bank (CEB). They help with the technical aspects of large infrastructure projects, public-private partnerships, or financial engineering between financial institutions and Member States and regions.

Closer cooperation between the European Commission and financial institutions will strengthen capacity-building in national and regional administrations.

The three new instruments are:

n JASPERS (Joint Assistance in Supporting Projects in European Regions), which develops cooperation between the European Commission, the EIB and

the EBRD, pooling expertise and assisting Member States and regions with major projects. Key areas for assistance are: transport and energy infrastructure projects (including trans-European networks), and energy efficiency and renewable energy initiatives, particularly in the assessment of public-private partnerships. There is a JASPERS team of experts managed from the EIB's headquarters in Luxembourg.

n JEREMIE (Joint European Resources for Micro to Medium Enterprises), an initiative of the European Commission, the EIB and the European Investment Fund (EIF), enhances access for small and medium-sized enterprises (SMEs) to finance. JEREMIE allows Member States and regions to outsource to the EIF the management of financial engineering and SME finance programmes. Products include equity, venture capital, guarantees, loans and technical assistance which will allow a multiplier effect of the EU funds by using revolving financial products instead of grants. The EIF, and national and regional authorities, will design tailored schemes for SMEs in all sectors. JEREMIE is expected to contribute substantially towards improving access to finance for SMEs in about 20 Member States involving ERDF resources of the order of €2.5 billion.



Investing in research: Minerve Centre for biotechnology research in Charleroi, Wallonia, Belgium

n JESSICA (Joint European Support for Sustainable Investment in City Areas), an initiative of the Commission, the EIB and the CEB to promote sustainable investment in urban projects and programmes. It connects Member States, regions and cities with the European banking and financial sector for more and better investment in cities. The managing authorities of Structural Fund

programmes can take advantage of outside expertise in order to have greater access to loan capital for promoting urban development. Resources from operational programmes to be invested under JESSICA can be transferred to urban development funds, and co-financing can come from municipalities, banks, pension funds or investment funds.



Belgium

Allocated funds 2007-13

Total: €2.3 billion

Convergence: €638 million

Regional Competitiveness

and Employment: €1.4 billion

European Territorial

Cooperation: €194 million

Focus of programmes

Reinforcing sustainable territorial cohesion and competitiveness; promoting the economy of knowledge and innovation; urban development; human and business development; research; training; reducing unemployment; fighting discrimination and promoting equality

Targets

Contribute to achieving the level of 3% of GDP spent on research and development
Increase the employment rate to 70% (60% for female workers and 50% for older workers between 55 and 64 years old)



Railway tracks are being renewed in Slovenia

Slovenia

Allocated funds 2007-13

Total: €4.2 billion

Convergence: €4.1 billion

European Territorial

Cooperation: €104 million

Focus of programmes

Promoting entrepreneurship, innovation and technological development; strengthening human capital; job creation; balanced regional development

Targets

Contribute 0.75% to the

annual increase of GDP

Stimulate an increase of

1.7% in the employment rate

Cooperation without borders

Cohesion policy encourages regions and cities from different EU Member States and further afield to work together and learn from each other through sharing common programmes, projects and networks. There are a number of initiatives for the 2007-13 period.

The **European Territorial Cooperation** objective, financed by the European Regional Development Fund (ERDF), supports cross-border, transnational, and interregional cooperation programmes. The budget of €8.7 billion for this objective accounts for 2.5% of the total 2007-13 allocation for cohesion policy.

There is also a legal instrument to strengthen cooperation across borders, and a number of new instruments to support regional development along the EU's external borders with candidate and potential candidate countries and third countries.

The different strands of the European Territorial Cooperation objective are:

n 53 cross-border programmes along internal EU borders. They help develop entrepreneurship and small to medium-sized enterprises; cross-border trade; tourism and culture; environmental management; transport, information and communication networks; water, waste and energy management; joint use of health, culture and education

infrastructure; and judicial and administrative co-operation.

ERDF contribution: €5.6 billion.

n 13 transnational cooperation programmes cover larger areas of cooperation such as the Baltic Sea, Alpine and Mediterranean regions. They focus on projects between regions related to innovation, environment and risk prevention, accessibility and sustainable urban development.

ERDF contribution: €1.8 billion

n The interregional cooperation programme (INTERREG IVC) provides a framework for the exchange of experiences between regional and local institutions in different countries. There are two priorities: innovation and the knowledge economy, and environment and risk prevention. Together with the URBACT II programme, this programme is the main vehicle for the EU **'Regions for Economic Change'** initiative which is designed to support regional and urban networks developing and spreading best practices in economic modernisation.

ERDF contribution: €321 million

Countries: EU-27, Norway and Switzerland

n The URBACT II programme brings together actors at local and regional level in order to exchange experiences and facilitate learning on urban policy themes. The programme supports



Connecting countries: the new train link between Hungary and Slovenia



Hungary

Allocated funds 2007-13

Total: €25.3 billion

Convergence: €22.9 billion

Regional Competitiveness

and Employment: €2 billion

European Territorial

Cooperation: €386 million

Focus of programmes

Improving competitiveness

and the knowledge

economy; improving the

business environment and

contributing to active labour

market policies; human

resource development

Targets

Increase new jobs by 4%

Raise the production levels

of enterprises by 10% by 2015

thematic networks and working groups between cities, conferences, and the development of tools.

ERDF contribution: €53 million

Countries: EU-27, Norway and Switzerland

- n The **'European Spatial Planning Observation Network' (ESPON)** provides scientific information for the development of regions and larger territories through applied research, analysis and tools.

ERDF contribution: €34 million

Countries: EU-27, Norway, Switzerland, Iceland and Liechtenstein

- n The **INTERACT II programme** offers services and tools on the management of cooperation programmes

ERDF contribution: €34 million

Regional cooperation projects can face difficulties due to different national taxation, labour or planning laws. The **European Grouping for Territorial Cooperation (EGTC)** is a new instrument enabling regional and local authorities from different countries to set up cooperation groupings with a legal personality. Areas where it can be used include cross-border transport or health services and common studies and projects. Members of the EGTC can be national or regional public bodies.

There are two instruments for regional development in candidate, potential candidate and third countries in 2007-13:

- n The Instrument for Pre-Accession Assistance (IPA) is based on partnerships with the EU candidate countries – the former Yugoslav Republic of Macedonia, Croatia, and Turkey – and potential candidate countries – Albania, Bosnia and Herzegovina, Montenegro, and Serbia including Kosovo. It supports administrative, social and economic reforms, as well as regional and cross-border cooperation.

EU allocation: €11.47 billion

- n The **European Neighbourhood and Partnership Instrument (ENPI)** promotes cooperation and economic integration between the EU and partner countries – Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, the Russian Federation, Syria, Tunisia, and Ukraine. It supports partnerships which encourage good governance and social and economic development. Included are 15 genuine cross-border cooperation (CBC) programmes which operate along EU external borders.

EU allocation: €11.18 billion, of which ENPI-CBC programmes account for €1.18 billion

Since 2006, the European Commission has also engaged in a structured dialogue on regional policy with China, and since 2007 with Russia.



Turning industrial heritage into an asset for the region: Völklinger Hütte, Saarland, Germany



Germany

Allocated funds 2007-13

Total: €26.3 billion

Convergence: €16.1 billion

Regional Competitiveness
and Employment: €9.4 billion

European Territorial

Cooperation: €851 million

Focus of programmes

Fostering innovation;
strengthening
competitiveness; improving
regional attractiveness;
creating more and better jobs

Targets

Increase spending on
research and innovation
to 3% of GDP (from 2.5%)

Raise the employment rate
to 70% (from 65.4%)

Does it make a difference?

According to the latest evaluations, cohesion policy is having a big impact, helping to spur growth and create jobs in those Member States that most need them, and playing an important role in improving standards of living across Europe.

Each programme under the Structural Funds incorporates evaluation activities whereby Member States, regions and the European Commission undertake regular assessments of cohesion policy. Success is measured against indicators such as additional growth, jobs created and pollution reductions.

The European Commission's 2007 **cohesion report** shows that the programmes have helped to shift Member States' policies towards growth-enhancing investments, and support much-needed investment in infrastructure, human resources and the modernisation and diversification of regional economies. They have contributed to reducing social exclusion and poverty by providing skills for the knowledge economy and reinforcing labour market policies. At **national level**, Greece, Spain, Ireland and Portugal – the largest beneficiaries of cohesion policy in the years before the recent EU enlargement – have achieved impressive growth performances since 1995.

Greece reduced the gap with the rest of EU-27, moving from 74% of average GDP per head in 1995 to reach 88% in 2005. During the same time frame, Spain moved from 91% to 102%, and Ireland reached 145% from 102%.

The situation is different in the **new Member States**, where cohesion policy is just beginning to have an effect. Starting from very low levels, all of them are experiencing rapid growth, often concentrated in the capital regions and major cities. GDP in the three Baltic States almost doubled in the decade from 1995 to 2005. Poland, Hungary and Slovakia have also performed well, with growth rates more than double the EU average. However, assuming current growth rates continue, it will still take more than 15 years before Poland, Bulgaria and Romania reach a GDP per head of 75% of the EU-27 average.

At the **regional level**, relatively strong economic growth over the past decade in countries with low GDP per head has meant that EU regions have been converging. Between 1995 and 2004, the number of regions with GDP per head below 75% of the EU average fell from 78 to 70, while the number of those below 50% dropped from 39 to 32. The regions in EU-15 that are lagging behind, and which were major recipients of cohesion support in the 2000-2006 period, showed a significant increase in GDP



Danutoni's new water-treatment plant, near Petrosani, Romania



Romania

Allocated funds 2007-13

Total: €19.7 billion

Convergence: €19.2 billion

European Territorial

Cooperation: €455 million

Focus of programmes

Developing basic infrastructure according to European standards; increasing long-term competitiveness; developing and using human capital more efficiently; building administrative capacity; promoting balanced territorial development

Targets

Contribute to 15-20% growth in GDP by 2015

Increase the employment rate from 57.4 to 64%

Invest in 1,400 km of new or renovated roads

per head. Between 1995 and 2004, GDP per head in a quarter of them had risen above the 75% threshold.

The 2000-2006 period has seen an extra 850 km of railway constructed in Spain for high-speed trains. In addition, improvements to roads have led to savings of some 1.2 million hours – both are significant contributions to sustainable transport. Over a similar period, the Structural Funds have brought differentiated waste collection to around 6.4 million people in Italy. Spain saw around €4 billion invested in some 13 000 research projects, involving nearly 100 000 researchers, and 256 000 British SMEs received financial assistance, advice and coaching in managerial and organisational skills.

Similar developments can be observed in the **creation of jobs**. Between 2000 and 2005, regional employment rates converged within the EU and unemployment in the EU-15 regions that are lagging behind fell from 13.4% to 12.4%. Yet in

2005, employment rates in these regions were still some 11% lower than those in the rest of the Union.

Looking to **the 2007-13 period**, studies estimate that cohesion policy will add some 6% to GDP in most of the new Member States on top of baseline scenarios. For example, an additional 9% of GDP growth is predicted for Lithuania, the Czech Republic and Slovakia; 5.5 to 6% for Bulgaria, Poland and Romania; 3.5% for Greece and around 1 to 1.5% for Spain, the former East German Länder and the Mezzogiorno. By 2015, cohesion investment could have created up to two million additional jobs.

The effect of the cohesion policies extends **beyond growth and jobs**. They safeguard compliance with other Community policies – whether they deal with state aid, the environment, transport, support for innovation or the information society. Moreover, they help improve and modernise public administrations, enhancing transparency and good governance.



Supporting sustainable tourism: cycle paths in the Salzburg region, Austria



Austria

Allocated funds 2007-13

Total: €1.46 billion
 Convergence: €177 million
 Regional Competitiveness and Employment: €1.03 billion
 European Territorial Cooperation: €257 million

Focus of programmes

Regional competitiveness and innovation; attractive regions; improving the adaptability and qualifications of the labour force; territorial cooperation; governance

Targets

Enhance competitiveness by strengthening the knowledge base and the ability of enterprises to innovate
 Research and development support
 Balanced regional development improving accessibility of the regions and promoting employment

Controlling taxpayers' money

Spending Structural and Cohesion Funds annually involves about €50 billion from the EU budget, plus national, regional and private co-financing. In all, there are more than 400 national and regional programmes managed by Member States, including tens of thousands of projects selected every year. How does the European Commission ensure that taxpayers' money is managed correctly and efficiently?

The answer lies in the **system of controls and audits** at EU, national and regional levels. Member States and regions must fulfil a number of minimal requirements before a single euro from the Structural and Cohesion Funds is spent on a project.

Three authorities and their functions have to be defined for each programme:

n The **managing authority** ensures compliance of projects with selection criteria and the beneficiary's understanding of terms and conditions. It verifies compliance with grant conditions and regularly conducts on-the-spot inspections to determine progress and the accuracy of projected expenditure. The managing authority corrects or recovers EU funds should irregularities occur. Finally, it draws up annual reports on implementation and a final report summarising implementation of the entire programme. These are checked by the European Commission.

n The **certifying authority** submits periodic statements of expenditure and applications for payments to the Commission. It verifies that claims for reimbursement are accurate, result from reliable accounting systems, and are compliant with applicable EU and national rules. It carries out checks and, if necessary, on-the-spot inspections. The certifying authority also monitors and reports on irregularities and on the recovery or withdrawal of funds from beneficiaries as a result.

n The **audit authority** performs system audits and carries out project tests. It reports its findings of system weaknesses and irregular expenditure to the managing authority and certifying authority. For the 2007-13 period, the responsibilities of national audit bodies have been increased. First, they must give an opinion on the compliance of the management and control system. Secondly, for each programme an audit authority must be designated to take formal responsibility for audit work. It must submit an audit strategy within nine months of the programme's approval and give an annual audit opinion on the functioning of systems. It must also review all auditing work at the end of the programme period. The European Commission scrutinises these declarations.



Community services: afternoon centre for primary school children, Lastenkaari, Finland



Finland

Allocated funds 2007-13

Total: €1.7 billion
 Regional Competitiveness and Employment: €1.6 billion
 European Territorial Cooperation: €120 million

Focus of programmes

Promoting business; support for innovation; networking and strengthening of knowledge structures; competence; employment; employment and entrepreneurship; improvement of regional accessibility; the environment

Targets

Create new enterprises and jobs to increase employment
 Develop the regional economy
 Increase the productivity, competitiveness and exports of enterprises
 Raise the education level
 Increase research and innovation to 4% of GDP by 2010

The **European Commission's** audit services exercise supervisory controls, mainly through auditing of the Member States' and regions' management and control systems, including transaction tests at beneficiary level, and control the flow of funds to Member States. Thematic audits are also carried out and, where major weaknesses are found in the systems, the Commission and Member States agree action plans to remedy these.

If corrective measures are not taken promptly by a Member State, the European Commission may **interrupt or suspend payments** and may apply financial corrections to recover previous payments affected by system weaknesses. Financial corrections are then applied at a flat rate to all the payments at risk.

For the 2007-13 period, the European Commission has adopted an action plan to further integrate the control and audit activities at EU, national and regional levels. This includes improvements in the coordination of audit work and the exchange of audit results between the Member States' audit authorities and the Commission, as well as dissemination of guidance and good practice.

The Commission also applies corrections for individual errors found in its own or the **European Court of Auditors' audits**. Member States are given an opportunity to rebut proposed financial corrections and they can replace corrected expenditure by other eligible expenditure to avoid a net reduction in the funding of the programme concerned.



Saving cultural heritage in Athens, Greece

Greece

Allocated funds 2007-13

Total: €20.4 billion

Convergence: €19.6 billion

Regional Competitiveness
and Employment: €635 million
European Territorial
Cooperation: €210 million

Focus of programmes

Enhancing competitiveness;
improving accessibility;
achieving digital
convergence; supporting
human resource
development; education and
lifelong learning

Targets

Increase GDP by around 3.5%
and create up to 95 000 new
jobs by 2015

Raise R&D spending to 1.5%
of GDP (from 0.6% currently)

Telling the story: your right to know

Publicity and information about the activities co-financed by the EU Structural and Cohesion Funds are essential to increase the public awareness and the transparency of these programmes.

'Telling the story' of Structural and Cohesion Funds means in practical terms that publications, websites, databases on best practices and other sources are coordinated between EU authorities and Member States and regions in order to guarantee the best possible **access to relevant information**. National authorities are primarily responsible for informing their citizens about those activities which are co-financed by the EU.

The emphasis on proper information and communication at all levels of the funds will be strengthened during 2007-13. Member States and regions have an **obligation** to provide information on the programmes co-financed by the funds and to publish all final beneficiaries, projects and the amounts granted.

EU rules state that:

- n There must be a **communication plan** for every Operational Programme, comprising a strategy, the definition of target groups, planned information

and communication measures and an indicative budget. Authorities must name the departments responsible for the plan and how it will be assessed.

- n **Minimum requirements** are defined for the managing authorities and end beneficiaries in order to brief the general public. Examples of such requirements are: one major information campaign when the programme starts and one in each year of its subsequent implementation; the publication of a list of final beneficiaries by the managing authority; the erection of billboards and displays on project sites.

- n There should be **networking** between Member States and regions on information and communication actions in order to achieve better integration and to learn from best practices.

Information and communication are **an integral part of cohesion policy** that add value to the quality of programmes and projects on the ground. This is put into practice by national and regional administrations, final beneficiaries and by the European Commission services. It is also important to evaluate and follow up the information and communication strategies and how they relate to the overall objectives of Operational Programmes.



The **European Commission** services inform the general public about how the funds operate in each Member State through publications, the internet, audiovisual media and conferences. Made available in all official EU languages, these activities are aimed at increasing awareness of the impact of the funds and ensuring that coherent and relevant information is widely available.

The Commission also coordinates a **network** of communication officers from all 27 Member States to bring together those responsible for promoting the EU Structural and Cohesion Funds. The objective is to share experiences and best practices, identify ways of improving the quality of communication activities and link up with existing national networks.



At your service

Should you wish to find out more about how the European Union supports the regions and also how much funding is available for which projects in your region, or if you are looking for news, publications, Power-Point presentations, photos, or videos, please visit the **website** of the European Commission's Regional Policy Directorate-General:

http://ec.europa.eu/regional_policy

If you have a question or would like to receive our **publications**, please send us an email:

regio-info@ec.europa.eu

Finally, the Regional Policy Directorate-General has an **information and visitors' centre** which is open for individual or group visits between Monday and Friday (09:30 - 12:30 and 14:00 - 17:00 hrs).

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Glossary

Cohesion Fund: applying to Member States with a gross national income of less than 90% of the EU average, the Cohesion Fund co-finances projects in the field of transport and environment, including trans-European networks (TENs), energy efficiency and renewable energy. For the 2007-13 period, €69.6 billion will be available for the fund within the framework of programmes managed by Member States.

CSG (Community Strategic Guidelines for Cohesion): these provide a framework for Structural Fund interventions.

ERDF (European Regional Development Fund): together with the Cohesion Fund and the European Social Fund, this is one of three financial instruments of EU cohesion policy and the major source of financing to develop the internal potential of regions. Set up in 1975, the ERDF can contribute to the financing of productive investment, entrepreneurship, transport and environment infrastructure, research and technology, innovation, information society, sustainable development and other activities.

ESF (European Social Fund): created in 1957, this is one of the EU's three cohesion instruments and the main EU source of financial support to develop employability and human resources.

GDP (gross domestic product): the economic value of all goods and services produced within a given area over a given period of time. It is equal to the sum of the gross value added of economic activities in an area, plus any taxes, and minus any subsidies. When comparing EU regions, GDP is usually expressed as a percentage of the EU average (the average = 100%). Expressing GDP per capita in purchasing power parities (PPPs) makes different prices comparable across Member States.

NUTS (nomenclature of territorial units for statistics): the classification system used by the EU to collect statistics at regional level. All regions in the EU are classified into three NUTS levels. Currently, there are 268 NUTS 2 regions across EU-27. Level 2 is used to define areas eligible for support from the Structural Funds.

NSRF (national strategic reference framework): when programming the Structural and Cohesion Funds' interventions for 2007-13, Member States have to present an NSRF which ensures that the interventions are in line with the EU guidelines on cohesion.

Operational Programme: this is a document setting out a Member State's or region's development strategy, with a coherent set of priorities to be carried out with the aid of one of the Structural or Cohesion Fund instruments. It is submitted to the European Commission.



Working for the Regions

EU Cohesion Policy puts the principle of solidarity in the EU into practice. Strengthening economic, social and territorial cohesion by reducing developmental disparities between the regions is a fundamental objective of the EU and is laid down in its Treaty. Although cohesion policy investments focus on the poorer regions of the EU, helping them to catch up with the richer areas, they have a positive impact on all regions and inhabitants – boosting competitiveness and living conditions across the EU. This brochure explains how the EU's Cohesion Policy works, what it can achieve and where to get more information.

Inforegio

Consult the Inforegio website for an overview of EU Regional Policy:

http://ec.europa.eu/regional_policy

regio-info@ec.europa.eu

