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Annex II – Country briefings / Policy fiches / Case studies

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Study on National Policies and Cohesion

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GLOSSARY

CEE	Central and Eastern Europe Member States
CEF	Connecting Europe Facility
CF	Cohesion Fund
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
DG	Directorate-General
EARFD	European Agricultural Fund for Rural Development
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EMFF	European Maritime and Fisheries Fund
EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESI Funds	European Structural and Investment Funds
EU	European Union
EEC6	Belgium, France, Italy, Luxembourg, the Netherlands and the Federal Republic of Germany (1957)
EEC9	EEC6 + Denmark, Ireland, the United Kingdom (1973)
EEC10	EEC9 + Greece (1981)
EEC12	EEC10 + Portugal, Spain (1986)
EU15	EEC12 + Austria, Finland and Sweden (1993)
EU25	EU15 + Cyprus, Czechia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia (2004)
EU27	EU25 + Bulgaria and Romania (2007)

EU28	EU27 + Croatia (2013)
FEI	Financial Engineering Instrument
FDI	Foreign direct investment
FP	Framework Programme
GDP	Gross domestic product
GDP PPS	Gross domestic product, purchasing power standards
GDP per capita in PPS	Gross domestic product per capita, purchasing power standards
GFCF	Gross fixed capital formation (consists of resident producers' investments, deducting disposals, in fixed assets during a given period)
H2020	Horizon 2020
ICT	Information and communication technology
ITI	Integrated Territorial Investment
LDR	Less developed region
MA	Managing Authority
MDR	More developed regions
MS	Member States
NPS	National Programme for R&D&I (the Czech Republic)
NUTS	Nomenclature des unites territoriales statistiques (The NUTS 2021 classification, that will be valid for data transmissions to Eurostat from 1 January 2021, lists 104 regions at NUTS 1, 283 regions at NUTS 2 and 1345 regions at NUTS 3 level)
OP	Operational Programme
PA	Partnership Agreement
POC	Complementary Operational Programme (Italy)
R&D	Research & Development
R&I	Research & Innovation
SEA	Single European Act
SME	Small and medium-sized enterprises
TO	Thematic Objective

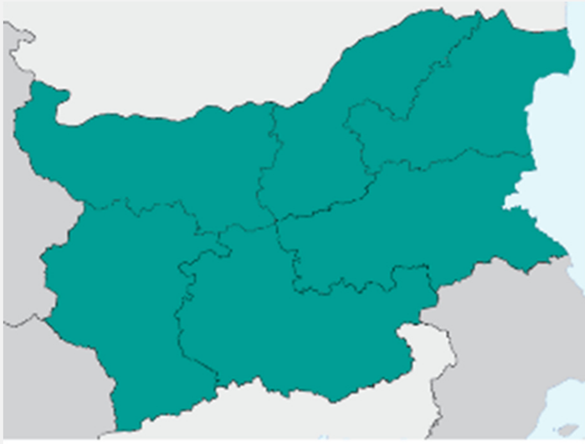
1 BULGARIA

Country briefings

National Policies addressing regional economic disparities – Bulgaria (BG)

1. Background

Bulgaria is divided into 6 NUTS 2 regions which all are regarded as Less Developed Regions. Administrative regions are only the 28 NUTS 3 counties.



Source: European Commission (2019).

Among the NUTS 2 regions, the South-West, where Sofia is located, is the most advanced in terms of the economy and the infrastructure with a GDP per capita double of that of the other regions at around 79% of the EU average in PPS in 2017. Its contribution to the national GDP (48% in 2016) is almost equal to the contribution of all the other five regions, put together.[1] On the contrary, the North-Western region occupies the last place in almost all major development indicators.

A major challenge for the country is the depopulation and migration of population from the less developed areas to economically more attractive regions and cities. Sofia and the six other major cities are unevenly distributed in the territory of the country creating interregional and intra-regional disparities.[2]

2. Architecture of national policies addressing regional economic disparities

Focus

Cohesion in Bulgaria is understood as the reduction of the economic and social disparities and the improvement of connectivity in terms of functionality and spatial coverage. Regarding economic cohesion, the aim is to reduce differences in economic development at three levels - European, national and intra-regional. In doing so, the focus is on improving the competitiveness, stimulating innovation and the development of a knowledge-based economy.

The National Regional Development Strategy (NRD) of Bulgaria recognises the problem of the domination of the capital in the national space, which elevates the dichotomy "centre-periphery" to the national level and seeks approaches for strengthening the role of other cities and medium towns as balancing forces. Besides, the disparities within the regions, such as the differences between districts and municipalities, are also regarded as serious issues.

The resources allocated for implementation of the NRD include only the ESI Funds, the central government co-financing, the co-financing from the municipalities and up to 5% additional funding from EIB, EBRD, and financial engineering instruments (FEI). More than 53% of the overall funding is expected to be channelled to the three least developed regions, the North-Western region, the North-Central region and the South-Central region. However, South-Western Bulgaria, the most developed region, still receives the second highest support, which corresponds to 19% of the total budget addressing disparities.

In addition to the measures supported by the ESI Funds, four other national instruments fall under more than one policy category and have been identified as contributing to reduce regional economic disparities. These measures are not part of the NRD but are part of sectoral policies. Three of them create a favourable business environment, two promote sector development and

[1] Based on Eurostat data (nama_10r_2gdp, last updated 26.02.2019, extracted 16.06.2019).
[2] National Regional Development Strategy 2012-2022.

targeted investments, while two support the development of skills and mobility.

Design and governance

The overall national strategy is set in the National Development Programme, Bulgaria 2020, which is operationalised in 3-year Action Plans to be implemented. Among the priorities, priority three sets the vision and the objectives of regional development. The main document that defines the regional and cohesion strategy is the National Regional Development Strategy 2012-2022. The Regional Development Plans 2014-2020 (RDPs) operationalise the implementation of the strategy for the current programming period, taking into consideration the sectoral policies. The RDPs constitute the basis for the formation of the ESI Funds' programming documents.

The Ministry of Regional Development and Public Works is in charge of the overall regional development policy (including EU Cohesion policy) in Bulgaria and its planning and programming. However, the authorities at the NUTS 3 level and the municipalities are responsible for their respective plans. Thematic ministries are also involved in the area of their competences.

Relationship of national funding and support through the ESI Funds

Policies with explicit cohesion objectives are financed only by the ESI Funds and national co-financing. Policies financed by the national budget serve other policy domains and contribute only indirectly to the objectives addressing regional disparities.

3. Overview of national policy measures addressing regional economic disparities

All measures financed by the national budget are horizontal policies without an explicit objective to address regional economic disparities. However, they provide some additional benefits or more favourable conditions if the supported activity is located in regions with unemployment equal or higher than the national average.

Two measures provide incentives for encouraging business investments. The law on corporate income tax levying (fiche BG1) applies 0% corporate tax to companies that locate their activities or invest in areas with an unemployment rate 25% higher than the countries average. Also, the Investment Promotion Act (fiche BG3) supports investments (including FDI) related to the setting-up of new enterprises, the extension of the capacity of existing enterprises, diversification of products and services or overall change of the production processes of an existing enterprise. Further, incentives are provided for the upskilling of personnel. Even though the measure provides incentives to invest in all regions, the required thresholds for being eligible for support are lower in regions with relatively higher unemployment rates.

The instrument related to the category Industrial Zones (fiche BG2) supports the creation of industry-friendly areas and offers tax incentives to companies that are relocated in one of the zones. Currently, six zones are operating, and one is established in Sofia. The other five zones are located outside of the capital region.

Finally, another measure encourages the upskilling of human resources. The measure Enhancing the employability of unemployed by providing training to acquire qualifications (fiche GB4) support the upskilling of unemployed people. Although companies from all regions are eligible, the measure is expected to have more impact on the regions with high unemployment.

4. Classification of policy measures

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
Law on corporate income tax levying (BG1)	Tax brakes	Business Environment and Trade	Tax incentives	Funding, design and implementation at the national level
Industrial Zones (BG2)	Public procurements	Business Environment and Trade	Special economic zones, tax incentives	Funding, design and implementation

		Sector Development and Targeted Investment	Industrial parks and other businesses infrastructures	at the national level
Investment Promotion Act (BG3)	Grants	Business Environment and Trade	Investments promotion	Funding, design and implementation at the national level
		Sector Development and Targeted Investments	Business development and innovation support to firms	
		Skills and Mobility	New skills development Labour market training	
Enhancing the employability of unemployed by providing training to acquire qualifications (BG4)	Grants	Skills and Mobility	Life-long learning Labour market training	Funding, design and implementation at the national level

5. Main Sources

Interviews

- Anton Gladnishki, Ministry of Finance, Head of Department, Economic and Financial Policy Directorate
- Maria Georgieva, Ministry of Regional Development and Public Works
- Dessislava Dakova, Ministry of Regional Development and Public Works

Main documents and sources

- Government of Bulgaria, (2019): National Reform Programme Bulgaria, https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-bulgaria_en.pdf
- Government of Bulgaria, (2007): Corporate Income Tax Act
- National Regional Development Strategy of the Republic of Bulgaria 2012-2022
- Partnership Agreement Bulgaria – 2014-20, https://ec.europa.eu/info/publications/partnership-agreement-bulgaria-2014-20_en

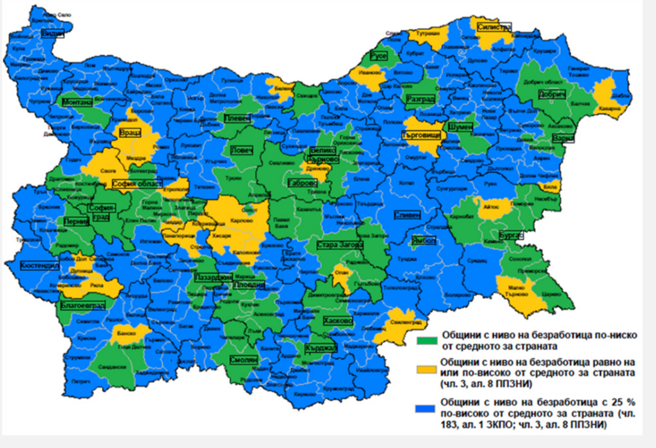
Country fiches

Law on corporate income tax levying: Tax relief in the cases of carrying out production activities in municipalities in which the unemployment rate is higher than the country's average unemployment rate	
ID	**BG1**
Country	Bulgaria
Region(s) affected	Municipalities in which the unemployment rate is higher than the country's average unemployment rate
Time horizon	N/A
Objectives and Scope	Stimulate investments in municipalities with high unemployment
Overview	0% corporate tax in areas with high unemployment – 25% higher than the country average, when the following conditions are fulfilled: • the assets are located entirely within the administrative boundaries of the municipality with high unemployment

- taxable entity has no liquid tax liabilities and liabilities for obligatory insurance payments
- tax has been invested in acquiring long-term tangible and intangible assets necessary for the production activity for a period of up to three years after the year for which the cession is used
- the value of the intangible assets from the initial investment is no more than 25 percent of the value of the long-term material assets from the initial investment

(art.184) (Source: http://www.investbg.government.bg/en and the Corporate Taxation Law)

Figure 1 Level of unemployment



Green: unemployment lower than country average

Yellow: unemployment equal or higher than average

Blue: unemployment 25% higher than country average

Rationale	Companies establishing business in municipalities with high unemployment are stimulated
Type of policy category	Business environment and trade
Type of policy instrument	Tax incentives
Type of funding	Tax brakes
Budget and expenditures	Not available
Governance	Ministry of Finance, National Revenue Agency
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and e valuation	N/A
Link	Corporate Income Taxation Act (2007)

Industrial Zones	
ID	**BG2**
Country	Bulgaria
Region(s) affected	Six of the projects of the National company have already been operating: in Sofia, Burgas, Vidin, Ruse, Svilengrad and Varna. Five projects are under development in Kardzhali, Stara Zagora, Karlovo, Telish and Suvorovo.
Time horizon	
Objectives and Scope	Attract investors in industrial zones. One of the goals of NCIZ is to support the development of different economic regions in Bulgaria.
Overview	The company assists investors in realizing projects in economic zones with built up infrastructure, first-class locations and transport connections. The company manages 11 industrial zones across the country with a total area of more than 7.4 million square meters. 
Rationale	When implementing projects in state-owned industrial zones, investors can rely on predictability and competitive conditions, partnership and assistance throughout the investment process.
Type of policy category	Business environment and trade Sector Development and Targeted Investment
Type of policy instrument	Special economic zones Industrial Parks and other businesses infrastructures
Type of funding	Public procurements, tax brakes
Budget and expenditures	N/A
Governance	"National Company Industrial Zones" is a company under the guidance of the Bulgarian Ministry of Economy, which designs, develops and manages industrial and free zones.
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	http://nciz.bg/

Investment Promotion Act	
ID	**BG3**
Country	Bulgaria
Region(s) affected	All regions are eligible however the thresholds for investments in regions with unemployment equal or higher than the national average are lower.
Time horizon	On going
Objectives and Scope	The main objective of the Act is to stimulate business investments in Bulgaria and to enhance the competitiveness of the Bulgarian economy
Overview	The Act supports investment related to the setting-up of a new enterprise, to the extension of an existing enterprise or activity, to diversification of the output of an enterprise or activity into new additional products or to a fundamental change in the overall production process of an existing enterprise or activity. Companies that invest a large amount of money obtain special status and favourable treatment. There are certain requirements listed in Investment Promotion Act – IPA that have to be fulfilled by companies to receive the status of certified investors. Investments exceeding certain thresholds and satisfying particular criteria are considered as Priority Investment Projects. Apart from the priority investment projects, investments may be Class A or Class B depending on the value of the investment. The thresholds are lower in cases of investments in areas with unemployment equal or higher than the country average. Foreign investors which invest more than BGN 250 000 (€128.000) in Bulgaria can benefit from permanent residence permit for them and their families. Such permit significantly facilitates the entry and the exit of the country.
Rationale	IPA aims at attracting prospective investors to Bulgaria by introducing a system of incentives for initial investments in tangible and intangible fixed assets and new job opportunities arising out of such investments.
Type of policy category	Business environment and trade Sector Development and Targeted Investments Skills and mobility
Type of policy instrument	Investment promotion Business development and innovation support to firms New skills development Labour market training
Type of funding	Grants
Budget and expenditures	The budget is defined at an annual base.
Governance	Ministry of the Economy through the Invest Bulgaria Agency
Policy implementation and policy mix	N/A

Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	
Link	https://www.investbg.government.bg/en/pages/4-investment-promotion-act-170.html

Enhancing the employability of unemployed by providing training to acquire qualifications	
ID	BG4
Country	Bulgaria
Region(s) affected	All but with strong regional implications
Time horizon	2013-2018
Objectives and Scope	Increase labour market adaptability of unemployed
Overview	Increase adaptability of unemployed to the labour market
Type of policy category	Skills and mobility
Type of policy instrument	Life-long learning
Labour market training	
Type of funding	Grants
Budget and expenditures	€38.4 million secured between 2013 and 2018
Governance	Ministry of Labour and Social Policy
Policy implementation and policy mix	Expected outreach to more than 80,000 unemployed
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	
Link	2019-2020 Action Plan for the Implementation of the National Development Programme Bulgaria 2020

Case study

Investment Promotion Act – Bulgaria (BG)

1. Executive Summary

Since the moment of its adoption in 2004 the Investment Promotion Act (IPA) has played a role as a factor in attracting domestic and foreign direct investments to Bulgaria both in developed and underdeveloped regions of the country. The priority it gives to regions with high unemployment has been a factor for redirecting some investments to these regions hence reducing economic and social disparities. IPA has a relatively simple governance system headed by the Ministry of Economy, a specially established Bulgarian Investment Agency and the municipalities. They all have a defined role in IPA implementation. Actors like economic zones and clusters are also involved in the implementation of the act. All incentives within IPA have been of interest to investors including the faster administration; reimbursement of social security charges; land acquisition on preferential terms; and support for trainings and education. The budget for IPA implementation is insufficient especially when the budget for trainings is concerned. There is a lack of synergies between IPA and the European Structural and Investment Funds (ESIF) is another serious weakness. ESI Funds provide the majority of measures and investments for regional development in Bulgaria.

2. Background and Context

There is a high degree of regional economic disparities in Bulgaria. These come from the inherent structure of the economy and its historical development. This is also conditioned by the availability of labour which defined the level of investments in different regions. As it is visible from the figure below, these have a serious impact on the average unemployment rate. Sofia, Plovdiv, Stara Zagora, Burgas and Varna attract most of the foreign and domestic investments and therefore have an unemployment rate lower than the country average. Inversely, the North West and the North East (without Varna), the mountainous and border regions in the South, the municipalities along the Danube river (except Ruse) have witnesses lower investment activity and unemployment higher than the average. As demonstrated in the Bulgarian country study in the spring of 2019, since 2007 most of the regional policy in Bulgaria has been happening in the framework of the European Structural and Investment Funds (ESIF). There are only a few dedicated policies and strategic frameworks which are not related to the Structural and Cohesion funds and which have implementation budgets of their own coming from the national budget. In addition to the Investment Promotion Act, these are the Regional Development Act (2008), the Employment Promotion Act (2001) and the Law on Corporate Income Tax from 2007. An Industrial Zone Act is currently under preparation.

3. Description of the Policy Measure

The Investment Promotion Act (IPA) has been in force since 2004. It has been assessed as one of the very few successful measures combatting regional disparities. In the framework of IPA the Ministry of Economy grants certain investment projects of national and regional importance a status of Priority projects Class A or Class B projects. Class C is granted by municipalities. The status depends on the type of activity, project value, jobs created and the region where the investment is taking place. Investments have to be associated with the creation of a new enterprise or expansion of a current one. Investments need to be maintained for a minimum of five years (3 years for SMEs). This threshold is reduced for investments in municipalities with unemployment equal or higher than the average and for investments in high-tech activities of the industrial sectors. In both cases the requirements for new job creation are 25 new jobs for Class A and 10 new jobs for Class B. When the investment is in high-tech activities of the service sector the requirements for new job creation are 50 new jobs for Class A and 25 new jobs for Class B.

The precise level of the incentives have evolved during the years and are reflected in a regulation for the implementation of IPA. An additional 'Priority' class of investments was added in 2013. These are very large projects (for the Bulgarian context) with a minimum of 50 MEUR of investments creating a minimum of 50 jobs. Additional criteria include creation of jobs in underdeveloped regions and high-technology sectors as well as the establishment of industrial zones and technological parks. In addition to the benefits under Class A these have priority in setting up public-private partnerships; and receive research and innovation subsidies. In practice, there have been only a few projects of this type. The investments which have received a certificate for class are encouraged through the following measures:

- shorter times (by 1/3) for administrative services (Class "A" and "B");
- individual administrative services (provided by Invest Bulgaria Agency) (Class "A");
- options for acquisition of title or limited rights over real estates on properties at preferential terms (for Class "A" and "B");
- financial aid for construction of technical infrastructure elements (for Class "A" investments and in case of a joint application of two or more investment projects from class "B");
- financial aid for staff training for acquiring professional qualifications of persons occupying the new jobs created by the investments (Class "A" and "B").
- Class C investment certificates are granted by local authorities and comprise individualised administrative services and shorter delays; and acquisition of property rights or establishment of limited rights to real estate municipal property without tender or competition after market price determination by two independent assessors.

4. Policy Implementation

The Ministry of Economy was the initiator of the measure in 2004. It was designed to be the main investment promotion measure in Bulgaria. Invest Bulgaria Agency has been the implementation agency of the measure. While the practical document collection is done by the Invest Bulgaria Agency it is the Ministry of Economy that issues the certificate and signs the contracts with the investors. The available budget varies through the years and is spent on:

- reimbursement of social security of new employees as specified by the act;
- construction of infrastructure to the company;
- training and education.

It has to be noted that in practice the public procurement for the construction of adjoining infrastructure is done by the local municipalities. Infrastructure is accessible to all due to requirements of the State Aid Directive.

5. Performance

A formal evaluation of the Investment Promotion Act has not been conducted. Therefore, in judging the IPA implementation performance we have relied on desk research and two interviews: the Ministry of Economy who is the main institution in charge of the measure

and Trakia Economic Zone (TEZ) which is closely involved in attracting new investors to Plovdiv using IPA as a tool. A proper study on the benefits of IPA for investors would have to involve a survey among all those companies who have been granted a priority class. In the cases where certificates are given for the purpose of quicker administration there is no formal obligation to prove investments and job creation. However, if companies receive subsidies for the reimbursement of social security for new employees they sign a contract for investment size and job creation. In this case, investors are obliged to report once a year and this is the main instrument of the Ministry of Economy to monitor what is happening. Based on that, the Ministry of Economy observations are that some 90% of investments have happened in the scope planned beforehand.

Additionally, the Ministry of Economy has observed that almost all companies which invested under this law extend their investments and reapply with other requests for certification when extending their activities. This is a proof in itself that from the point of view of the certified companies the certification has played a positive role.

Municipalities also play a role in investment promotion through long-term partnerships with the Ministry. On one hand, municipalities issue the Class C certificates. On the other hand, they also offer land within Class A and B certificates and carry out the construction of the adjoining infrastructure through municipal procurement.

6. Strengths and Weaknesses

- It gives very concrete and tangible benefits to companies easily calculated as financial gains, the individualised administrative support reduces the upfront administrative burden on companies and saves time and money.

- Insufficient budget for implementation of the act, much is spent on reimbursement of social charges and on infrastructure construction, the education component is not actively implemented due to lack of budget.
- Attempts have been made by the Ministry to create synergies between IPA and other instruments (such as Operational Programme (OP) Human Resources in the 2014-2020 Programming period) to compensate for the low budget for the implementation of the Act, however, as only several municipalities have been approved within the OP, implementation has been limited.

7. Transferable Lessons

- An act like IPA is an instrument which is relatively simple to implement and has immediate effects on employment and regional development. Even single investments have the potential to change regions and impact macro indicators.
- Countries like Bulgaria are in severe competition with other EU and non-EU countries for attracting foreign direct investments. Therefore, the introduction of an instrument like the Investment Promotion Act is needed and well-justified.
- The regional component of IPA allows smaller projects the possibility to comply with the criteria and receive a high status. The reason for that is the fact that unemployment is one of the main criteria for receiving the priority status.
- There are very little synergies between IPA and the European Structural and Investment Funds (ESIF). Improving this will leverage enormously IPA's impact.
- The governance of the incentive measure whereby a dedicated agency is set up for its implementation is positive. The inclusion of municipalities in IPA's implementation is noteworthy. There are signs of cooperation between the Ministry of Economy and other actors such as the industrial zones, clusters, etc.
- IPA implementation will benefit significantly if the budget for its implementation is increased. This is especially the case with the educational budget which is considered insufficient.

2 CROATIA

Country briefings

National Policies for addressing regional economic disparities – Croatia

1. Background

Croatia joined the European Union in 2013 in the middle of a six-year recession. Since 2015, the economy has grown at an annual average rate of 2.9% although the momentum is lost compared to the 3.5% growth achieved in 2016. The real per capita disposable income has increased and reached the pre-crisis 2009 level. The economic recovery has resulted in an employment rate in 2018 that exceeds the pre-crisis level. Inequality has decreased and is now at its lowest level since 2009.[3]

Croatia has two NUTS 2 regions, both falling into the category of the less developed regions with a GDP per capita at current market prices of 40% (Kontinentalna Hrvatska) and of 38% (Jadranska Hrvatska) of the EU average (in 2017).[4]

Source: European Commission (2019).

2. Architecture of national policies for addressing regional economic disparities

Focus

Due to the relatively homogenous growth of regions, national policy addressing disparities focuses mainly on the convergence of the whole economy, rather than on specific regions, to the EU average. Priority is given to the competitiveness of the entire economy and the increase of exports within the EU internal market by improving the conditions for investments and encouraging innovations.

In addition to the overall development objectives, the territorial differences across the regions are also taken into consideration aiming at a balanced development. Attention is given to territories facing specific development challenges due to geography and its effects on living costs and the quality of life of citizens.

The cities are seen as growth engines, and therefore the development of urban agglomerations and larger urban areas is also fostered through Integrated Territorial Investments (ITIs).

Design and governance

The Strategy for Regional Development has been designed by the Ministry of Regional Development and EU Funds (MRDEUF) in consultation with stakeholders. It was adopted in 2017 and mainly includes priorities supported by the ESI Funds. The Ministry of Regional Development and the EU Funds is responsible for various regional development programmes, including support to assisted mountainous areas and islands. Sectoral ministries also take part in the design and implementation of programmes which are within their areas of responsibility, for example, the Ministry of Maritime Affairs, Transport and Infrastructure (transport infrastructure) and the Ministry of Tourism (competitiveness of SMEs involved in tourism activities).

In addition to the above, the Ministry of Economy, Entrepreneurship and Crafts (MEEC) has its own Strategic Plan 2019–2021 which focuses on the improvement of the competitiveness of the whole economy and thus, the measures implemented are horizontal covering the entire country. Most of the activities are financed by the ESI Funds and therefore there is a coordination with the Strategy for Regional Development through the Partnership Agreement. The national funding is

[3] Eurostat and World Bank http://www.worldbank.org/en/country/croatia/overview#3.
[4] Based on Eurostat data (nama_10r_2gdp, last updated 26.02.2019, extracted 16.06.2019).

directed to the Croatian Agency for SMEs and Investments (HAMAG-BICRO) to support companies and technology transfer.

Relationship of national funding and support through ESI Funds

The primary source of funding for the support of economic development, such as support for business investments and infrastructures, research, development and innovation in enterprises, development of human resources, internationalisation of SMEs, transport and digital networks are the ESI Funds.

The resources available from national sources during the period 2014-2018 are relatively limited to around €280 million allocated to 19 programmes. Several of the programmes have been started long before Croatia joined the EU, and some of them ended within the current programming period. Among them, eleven programmes focus on sector development and targeted investments, two of them on the improvement of the business environment and trade, three on urbanisation and connectivity, one on skills and mobility and three on a portfolio of subprogrammes and projects covering several policy categories. The latter is related to territorial interventions. Due to the emphasis on the development of the entire country, most of the measures are countrywide in scope.

3. Overview of national policy measures addressing regional economic disparities

When Croatia joined the EU, a policy mix supporting economic development and growth was already in place. Several of its measures continue operating for some more years after 2014. The majority of the programmes financed by the national budget that remain in place or created during the period 2014-2020 are focusing on business development and targeted investments. Among them, several measures support research and innovation. The Proof of concept – PoC (fiche HR1) provides support (€5.1 million) to early stages of innovation development by providing grants to SMEs to test the commercialisation feasibility of their research results. The Development of knowledge-based enterprises – RAZUM (fiche HR2) with a budget of €3.3 million, provides early-stage support and R&D funding to knowledge-intensive start-ups. The Research and development programme – IRCRO (fiche HR4) supports collaborative research between SMEs and PROs with €1.8 million. Two programmes are meant to support basic research of international quality. The Research projects (fiche HR8) finance basic research with international partners with a budget of €53.4 million, while the programme Installation research projects (fiche HR9) provides €21 million to young scientists for encouraging them to establish their own laboratory or research group at Croatian universities and public research institutes. Infrastructures and institutions for the support of business-oriented research and technology transfer are supported by the Programme for the development of technological infrastructures – TEHCRO (fiche HR3). With a budget of €9.5 million, the TEHCRO programme supports technology incubators, technology-business centres, centres of competence, and R&D centres. The programme Support to technology transfer offices – TTO (fiche HR5) provides funding of €1.5 million to Technology Transfer Offices in universities and public research institutions for implementing technology transfer projects.

Support to specific groups of companies for encouraging investments is provided by the Preservation and development of traditional and artistic trades (fiche HR11) with a budget of €1.1 million and by the Development of SMEs and crafts in areas inhabited by members of national minorities (fiche HR12) with a budget of €1.8 million. Tourism is the only sector with its own programme. The Tourism competitiveness programme (fiche HR13) provides €20.8 million for SMEs and family farms providing accommodation and tourist services, including special forms of tourism.

The development of a favourable business environment and trade is supported by two measures that make access to finance easier for companies. The State Guarantees programme (fiche HR6) provides guarantees of €35 million for business loans to SMEs. Under the Private sector investments- HBOR programme (fiche HR7), the Croatian Bank for Reconstruction and Development (HBOR) provides favourable loans to companies to promote various types of investment.

Skills are supported by one programme with a budget of €1.6 million for the period 2014-2019 under the category of Lifelong learning for crafts (fiche HR10). Urbanisation and connectivity are supported by the Support to county administrations for maintenance, reconstruction and building of county and local roads (fiche HR14) with a budget of €24.3 million and the Support to local and regional administration unit for the development of river traffic, county harbours and docks (fiche HR15) with a small budget of only €0.4 million.

Several programmes support territorial investments. The islands are supported by the measure Development of Adriatic Islands (fiche HR18) with a budget of €14.9 million. The measure supports the improvement of the quality and availability of public services such as entrepreneurial, tourist cultural, educational, health, social, sport, and other public services, along with systemic support in environmental protection and applications of energy efficiency and renewable energy. Investments to islands are also supported by the Fund for financing capital projects of interest for islands (fiche HR19). Other programmes supporting territorial investments with an impact on the local economy are the Development assisted areas (fiche HR16) with €47.9 million and the Development of hill and mountain areas (fiche HR17) supporting integrated territorial investments and hill and mountain areas with €8.1 million.

4. Classification of policies

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
Proof of concept – PoC (HR1)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level
Development of knowledge-based enterprises – RAZUM (HR2)	Loans	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level
Programme for the development of technological infrastructures – TEHCRO (HR3)	Grants	Sector Development and Targeted Investment	Clusters, centres of excellence and technology centres, research infrastructures	Funding, design and implementation at the national level
Research and development programme – IRCRO (HR4)	Grants	Sector Development and Targeted Investment	R&D Programmes	Funding, design and implementation at the national level
Support to technology transfer offices – TTO (HR5)	Grants	Sector Development and Targeted Investment	Commercialisation of research and technology transfer	Funding, design and implementation at the national level
State Guarantees (HR6)	Guarantees for loans	Business Environment and Trade	Venture capital funds and other financial instruments	Funding, design and implementation at the national level
Private sector investments- HBOR (HR7)	Loans	Business Environment and Trade	Venture capital funds and other financial instruments	Funding, design and implementation at the national level
Research projects (HR8)	Grants	Sector Development and Targeted Investment	R&D programmes	Funding, design and implementation at the national level
Installation research projects (HR9)	Grants	Sector Development and Targeted Investment	R&D programmes	Funding, design and implementation at the national level
Lifelong learning for crafts (HR10)	Grants	Skills and Mobility	Labour market training	Funding, design and implementation at the national level
Preservation and development of traditional and artistic trades programme (HR11)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level
Development of SMEs and crafts in areas inhabited by members of national minorities (HR12)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level

Tourism competitiveness programme (HR13)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level
Support to county administrations for maintenance, reconstruction and building of county and local roads (HR14)	Grants	Urbanisation and Connectivity	Transport infrastructure	Funding, design and implementation at the national level
Support to local and regional administration unit for the development of river traffic, county harbours and docks (HR15)	Grants	Urbanisation and Connectivity	Transport infrastructure	Funding, design and implementation at the national level
Development assisted areas (HR16)	Various	Various	Various	Funding, design and implementation at the national level
Development of hill and mountain areas (HR17)	Various	Various	Various	Funding, design and implementation at the national level
Development of Adriatic Islands (HR18)	Grants, public procurements	Sector Development and Targeted Investment	Sector development and targeted investment	Funding, design and implementation at the national level
		Urbanisation and Connectivity	Transport infrastructure	
			Energy infrastructure	
Fund for financing capital projects of interest for islands (HR19)	Grants and public procurements	Various	Various	Funding, design and implementation at the national level

5. Main Sources:

Interviews

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- Sanja Rendić Miočević, Ministry of Regional Development and EU Funds, Sector for Sustainable Island Development Policy and Preparation of Development Programmes
- Bruno Grubešić, Ministry of Economy, Entrepreneurship and Crafts, Head of Unit for preparation of research, development and innovation programmes
- Mislav Jurišić, HAMAG-BICRO (Croatian Agency for SMEs, Innovations and Investments)

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Country fiches

Proof of concept – PoC (Program provjere inovativnog koncepta – PoC)	
ID	**HR1**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	Duration of the programme: 2010–2020
Objectives and Scope	To provide support to innovation in earliest phase of research in order to ensure pre-commercial capital for technical and commercial evaluation of proof of concept.
Overview	Implementation of a PoC project provides confirmation that an idea or a proposed solution is actually feasible and can be commercially utilised. Promotes innovation commercialisation. Target groups are SMEs participating in innovative activities. Activities which are eligible for funding: • Intellectual property review and protection • Development of a functional prototype • Demonstration of technical feasibility Additional activities (market analysis/ feasibility study, development of a concept and strategies for development or commercialisation of a product)
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	Business development and innovation support to firms
Type of funding	Grants
Budget and expenditures	Total budget: 2019: €3 million 2018: €2.1 million Total funding 2014-2020: €5.1 million
Governance	**Institution responsible:** The measure was implemented by the Croatian Agency for SMEs and Investments (HAMAG-BICRO) as an IBRD Loan Beneficiary which carries out five programmes to support public and private users in each phase of the innovation process. Funding: National Design: National Implementation: National / Regional
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Performance indicators for the period 2010–2016: Number of Calls published: 6;

	Number of funded projects: 222 Total value of projects funded: HRK 83m Total value of financing: HRK 55m Indicators for the period 2010–2015 (first five calls): 60% of projects continued further development activities; 34% of projects started commercialisation activities; 20% of projects placed an innovation on a market; 96 newly employed in R&D activities during and after the implementation of the projects; Average annual growth rate in revenue coming from innovative products in three years after the end of the project: 26%; Increase of a share of R&D costs in total revenues: from 9.3% to 12.5%.
Link	HAMAG-BICRO website. Last accessed: 06/06/19. Available at: https://hamagbicro.hr/bespovratne-potpore/programi-podrske-inovacijskom-procesu/poc/ HAMAG BICRO (2019) Public Call for PoC8. Last accessed: 06/06/19. Available at: https://hamagbicro.hr/otvoren-javni-poziv-poc8/ HAMAG BICRO (2018) Public Call for PoC7. Last accessed: 06/06/19. Available at: https://hamagbicro.hr/javni-poziv-poc7/

Development of knowledge-based enterprises – RAZUM (Razvoj na znanju utemeljenih poduzeća - RAZUM)	
ID	**HR2**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	Duration of the programme: 2005 – ongoing
Objectives and Scope	• The objective of the Programme is to provide the initial funding of the newly established companies, or to provide initial funding for the development of new products and/or services in existing SMEs. • Goals of the Programme are the following: • Enabling the establishment and development of knowledge-based, technology-oriented SMEs, • Development of academic entrepreneurship, • Technological modernisation of SMEs and improvement of capacities related to production, market and management, • Development of competitive advantages in the international environment, • Encouraging collaborative efforts between experts from industry and R&D sector,

	• Fostering the general technological level of economy and encouraging the creation of new industrial branches, • Gradual development of export-oriented sectors on knowledge-based SMEs, • Encouraging growth of knowledge-based economy.
Overview	Target groups are SMEs participating in innovative activities. The funding is provided to technologically innovative projects in order to foster the competitiveness of domestic SMEs and products, as well as creating conditions for a successful knowledge transfer.
Rationale	The Programme is focused on the development of knowledge-based SMEs and facilitating the process of innovation commercialisation.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	Business development and innovation support to firms
Type of funding	Conditional loans
Budget and expenditures	Total budget: 2015: €3.3 million
Governance	Institution responsible: HAMAG-BICRO Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	**Period 2005–2013** Total number of contracted projects: 24 Total contracted funding: HRK 117.4million **RAZUM 2015:** Total number of contracted projects: 7 Total contracted funding: HRK 24.7 million Average contracted amount: HRK 3.5 million Allocation by County: Zagreb (HR04) – 1 project: HRK 1.1 million City of Zagreb (HR04) – 5 projects: HRK 22.9 million Istria (HR03) – 1 project: HRK0.7 million Technological areas: • ICT – 3 projects (HRK 14.3 million), • Energy, environment and materials – 2 projects (8.5 million),

	• Engineering, naval architecture and aircraft - 2 projects (HRK 1.8 million).
Link	HAMAG-BICRO website. Last accessed: 06/06/19. Available at: https://hamagbicro.hr/bespovratne-potpore/programi-podrske-inovacijskom-procesu/razum/

Programme for the development of technological infrastructures – TEHCRO (Program za razvoj tehnološke infrastrukture – TEHCRO)	
ID	**HR3**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	2008–ongoing
Objectives and Scope	The Programme objectives are as follows: • Efficient commercialisation of research results, • Better utilisation of intellectual capital on universities and within scientific institutions, • Development and growth of knowledge-based companies, • Knowledge and technology transfer from universities and other scientific organisations towards the business entities, • improvement of quality and increasing the competitiveness of companies and probabilities for their success in the market.
Overview	Target groups are business supporting institutions. The Programme supports four types of institutions: • Technology incubators, • Technology-business centres, • Centres of competence, and • R&D centres.
Rationale	Main goal of the TEHCRO programme is to increase the competitiveness of Croatian economy through the development of efficient business-supporting institutions. These institutions are envisaged to create a favourable environment for technological transfer and increase the opportunities for growth and sustainability of innovative technology companies, especially knowledge-based companies established on the basis of scientific research results and new technologies (start-up, spin-off).
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	Clusters, centres of excellence and technology centres
Type of funding	Grants

Budget and expenditures	Total funding 2008 - 2016: €9.5 million *Allocation by region EURO:*

County	Nuts 2	Total grant
Varaždin	HR04	1,512,431.71
Dubrovnik-Neretva	HR03	2,453,531.29
Istria	HR03	1,834,635.74
Brod-Posavina	HR04	710,641.42
Međimurje	HR04	1,624,928.90
Osijek-Baranja	HR04	474,054.01
City of Zagreb	HR04	957,203.97
Total		9,567,427.05

Governance	Institution responsible: HAMAG-BICRO Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	HAMAG-BICRO website. Last accessed: 06/06/19. Available at: https://hamagbicro.hr/bespovratne-potpore/programi-podrske-inovacijskom-procesu/tehcro/

Research and development programme – IRCRO (Program za istraživanje i razvoj – IRCRO)	
ID	**HR4**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	2008–ongoing
Objectives and Scope	Objectives of the Programme: • Encouraging SMEs to increase their own R&D activities, • Fostering and strengthening linkages between the industry and science, • Improved utilisation of the existent scientific and research infrastructure, • Providing assistance to SMEs in shortening the time period necessary for R&D project implementation,

	• Encouraging science-industry collaboration.
Overview	The programme provides grants for collaborative research between SMEs and PROs
Rationale	The purpose of the Programme is to encourage SMEs to collaborate with scientific research institution in order to initiate their own RDI activities. It promotes business sector R&D activities and science-industry collaboration.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	R&D Programmes
Type of funding	Grants
Budget and expenditures	Total funding: 2015: *€1.8 million* *Allocation by region EURO:* (see table below) 2008-2012: €2.3 million
Governance	Institution responsible: HAMAG-BICRO Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	**IRCRO 2015:** Total number of projects: 19; Total amount of co-financing: HRK 13.2 million Average funding per project: HRK 696,138 Technology areas of projects: • Medicine, biomedicine, pharmaceuticals – 2 projects (HRK 1.4 million), • Electronics and electrotechnics – 5 projects (HRK 3.4 million),

County	Nuts 2	Number of projects	Total value of funding
Istria	HR03	2	162,041
City of Zagreb	HR04	11	1,116,344
Zagreb	HR04	3	254,788.20
Split-Dalmatia	HR03	3	252,878
		19	1,786,053

	• ICT – 9 projects (HRK 6.6 million), • Food technology – 1 project (HRK 0.35 million), • Engineering, naval architecture and aircraft – 1 project (HRK 0.9 million), • Energy, environment and materials - 1 project (HRK 0.55 million).
Link	HAMAG-BICRO website. Last accessed: 06/06/19. Available at: https://hamagbicro.hr/bespovratne-potpore/programi-podrske-inovacijskom-procesu/ircro/

Support to technology transfer offices – TTO (Podrška uredima za transfer tehnologije – UTT)	
ID	**HR5**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	N/A
Objectives and Scope	The goal of the Programme is to strengthen the role of TTOs in universities and public research institutions in Croatia, as the central bodies for fostering and conducting technology transfer activities. The main purpose of the Programme is to encourage efficient commercialisation of the research results, and development of TTO's capacities.
Overview	The programme supports Technology Transfer Offices in universities and public research institutions for implementing technology transfer projects The programme finance technology transfer activities i.e. intellectual property protection, development of market analysis, development of a business plan, development of intellectual property strategy, costs of licensing, contracting, legal affairs, costs of establishing spin-off/spin-out/start-up companies, product certification, product design, brand development, etc.
Rationale	It promotes knowledge and technology transfer and improvement of capacities of TTOs.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	Clusters, centres of excellence and technology centres
Type of funding	Grants
Budget and expenditures	Total funding: €1.5 million Funding per project: €0.001 million – €0.08 million
Governance	Institution responsible: HAMAG-BICRO Funding: National Design: National Implementation: National

Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	HAMAG-BICRO website. Last accessed: 06/06/19. Available at: https://hamagbicro.hr/bespovratne-potpore/programi-podrske-inovacijskom-procesu/utt/

State Guarantees	
ID	**HR6**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	2010–ongoing
Objectives and Scope	Fostering business investment and increasing availability of funding for business investments
Overview	The guarantees of HAMAG-BICRO provide insurance for a portion of a loan which is raised by SMEs in order to implement an investment.
Type of policy category	Business environment and trade
Type of policy instrument	Venture capital funds and other financial instruments
Type of funding	Guarantees for loans
Budget and expenditures	Total allocation (expenditures): €34.9 million 2018: €13.1 million 2017: €21.8 million
Rationale	HAMAG-BICRO provides guarantees for insuring a portion of a loan for financing an investment project of an SME.
Governance	Institution responsible: HAMAG-BICRO Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A

Link	HAMAG-BICRO website. Last accessed: 06/06/19. Available at: https://hamagbicro.hr/financijski-instrumenti/kako-do-jamstva/msp/nacionalna-jamstva/

Private sector investment- HBOR (HBOR – Investicije privatnog sektora)	
ID	**HR7**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	Continuous
Objectives and Scope	Providing favourable loans to business entities from private sector for financing capital costs intended for modernising business activities, introducing new technologies, increasing capacities, investing into R&D, etc; as well as financing working assets.
Overview	The Croatian Bank for Reconstruction and Development (HBOR) Purpose of loans: • Investments in fixed assets (tangible and intangible assets) for the purpose of business modernisation, introduction of new technologies, increase in capacities, investments in R&D and introduction of new products or services, promotion of environmental protection, energy efficiency and renewable energy resources projects, tourist capacities and facilities as well as promotion of new employment • Working capital: up to 30% of the contracted loan amount Interest rates: • Market competitive business entities investing in activities of special interest: 1.50% p.a. fixed • Business entities investing in special areas of the Republic of Croatia and are market competitive: 2.00% p.a. fixed • Other business entities: 3.00% p.a. fixed Repayment: usually up to 14 years Minimum loan: €0.3 million. There is no upper limit for the amount of the loan. and depends on the specific features and creditworthiness of the borrower, purpose and structure of investment as well as available HBOR's sources of finance. Financing through loan can be up to 75% of the estimated investment value, VAT not included.
Rationale	Loans with favourable interest rates
Type of policy category	Business environment and trade
Type of policy instrument	Venture capital funds and other financial institutions
Type of funding	Favourable loans
Budget and expenditures	Minimum loan: €0.3 million. There is no upper limit for the amount of the loan.

Governance	Institution responsible: Croatian Bank for Reconstruction and Development (HBOR) Funding: National Design: National Implementation: National
Policy implementation and policy mix	Part of the loan services provided by HBOR, which envisages favourable loans for certain users. It provides favourable loans for investments in economic activities of special interest and special areas of Republic of Croatia, in line with the General eligibility criteria (available at: https://www.hbor.hr/wp-content/uploads/2019/05/Op%C4%87i-kriteriji-prihvatljivosti-ENG.pdf)
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	HBOR website. Last accessed: 06/06/19. Available at: https://www.hbor.hr/kreditni_program/investicije-privatnog-sektora/

Research projects (Istraživački projekti)	
ID	**HR8**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	2001 - ongoing
Objectives and Scope	The objective of the Research Projects Programme is to create new and enhance existing knowledge. It is the main support instrument to international cooperation. The ultimate goal is to create a critical mass of research groups that will be competitive on the international level.
Overview	The programme provides funding to research groups that are working on internationally competitive research project of national interest and whose principal investigators have been recognised for their scientific achievements and mentoring skills. The projects need to include international collaborations.
Rationale	Financing basic research which create new and improve existent knowledge in specific areas and are focused on better understanding of the research subject, as well as applied research which are conducted with clear technological, economic and social goals.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	R&D programmes
Type of funding	Grants
Budget and expenditures	Total funding: €53.4 million 2014: €14.4 million

	2016: €16.1 million 2018: €17.5 million 2019: €5.4 million
Governance	Institution responsible: Croatian Science Foundation Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Status of the research projects (by deadline in which the project was applied): **11-2013: HRK 129.1m** • Aborted – 8 projects; HRK 3.8m • Ongoing – 47 projects: HRK 35.6m • Ended – 129 projects: HRK 89.8m **09-2014: HRK 107.0m** • Aborted – 5 projects; HRK 2.7m • Ongoing – 119 projects; HRK 93.5m • Ended – 19 projects; HRK 10.7m **06-2016: HRK 119.1m** • Ongoing – 153 projects; HRK 119.1m **01-2018: HRK 129.3m** • Ongoing – 143 projects; HRK 129.3m In the period 2013–2018, 76% of total number of funded projects were conducted by the University of Zagreb and its constituents, and research organisations in situated in the City of Zagreb. Total value of these projects amounted to 78% of total value of funding awarded.
Link	CSF website. Last accessed: 06/06/19. Available at: http://www.hrzz.hr/default.aspx?id=2313 CSF Project database. Last accessed: 06/06/19. Available at: http://www.hrzz.hr/default.aspx?id=78

Installation research projects (Uspostavni istraživački projekti)	
ID	**RH9**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	2007-ongoing
Objectives and Scope	The goal of the programme is to ensure the acceleration of establishment of independent research careers, where young scientists got the opportunity to establish research groups that deal

	with internationally competitive issues at Croatian universities and public research institutes.
Overview	The programme encourages scientists to establish their own laboratory and/or research group. At the same time, the institution must support the work of the emerging research group, and demonstrate its support to the young researcher's group even after the completion of the project funded by the Croatian Science Foundation ensuring the transfer of specialised knowledge and the successful development of professionals in the internationally competitive issues.
Rationale	The programme is focused on allocating financial resources of the Croatian Science Foundation to foster the development of independent research careers of young scientists in order to foster the development of human capital in science and academia.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	R&D programmes
Type of funding	Grants
Budget and expenditures	Total funding €21.2 million
Governance	Institution responsible: Croatian Science Foundation Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Status of the research projects (by deadline in which the project was applied): **11-2013: HRK 36.1m** • Aborted – 3 projects; HRK 1.6m • Ongoing – 4 projects; HRK 2.9m • Ended – 49 projects; HRK 31.5m **09-2014: HRK 26.0m** • Aborted – 3 projects; HRK 1.6m • Ongoing – 24 projects; HRK 15.2m • Ended – 20 projects; HRK 9.2m **05-2017: HRK 111.1m** • Aborted – 1 project; HRK 0.8m • Ongoing – 78 projects; HRK 110.3m Share of projects and funding allocated to University of Zagreb and its constituents, and research organisations in the City of Zagreb amounted to 72.5%
Link	CSF website. Last accessed: 06/06/19. Available at: http://www.hrzz.hr/default.aspx?id=2313

	CSF Project database. Last accessed: 06/06/19. Available at: http://www.hrzz.hr/default.aspx?id=78

Lifelong learning for crafts (Program "Cjeloživotno obrazovanje za obrtništvo")	
ID	**HR10**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	Continuous
Objectives and Scope	The objectives of the Programme are: • Adoption of key skills and competences for craft professions; • Encouraging employment and self-employment in crafts
Overview	The programme provides grants to SMEs and physical persons for training for crafts Obtaining permits for conducting practical classes and apprenticeship exercises.
Rationale	Providing grants intends to encourage specific educational programmes for crafts which will ensure quality and motivated workforce for the purpose of strengthening competitiveness, encouraging productivity, as well as growth and development of crafts.
Type of policy category	Skills and mobility
Type of policy instrument	Labour market training
Type of funding	Grants
Budget and expenditures	Funding:1.6 €million *Allocation by region (number of grants)*

County	NUTS 2	2014	2015	2016	2017	2018	Total
Bjelovar-Bilogora	HR04	31	29	21	32	12	125
Brod-Posavina	HR04	47	40	46	45	39	217
Dubrovnik-Neretva	HR03	7	15	14	19	14	69
City of Zagreb	HR04	222	109	79	136	121	667
Istria	HR03	52	26	39	32	37	186
Karlovac	HR04	23	23	12	18	18	94
Koprivnica-Križevci	HR04	31	22	31	25	23	132
Krapina-Zagorje	HR04	52	53	50	54	53	262

Lika-Senj	HR03	10	5	4	8	6	33
Međimurje	HR04	10	22	16	28	35	111
Osijek-Baranja	HR04	88	56	79	87	95	405
Požega-Slavonia	HR04	30	30	17	18	25	120
Primorje-Gorski kotar	HR03	66	38	41	45	42	232
Sisak-Moslavina	HR04	46	44	41	31	40	202
Split-Dalmatia	HR03	85	51	36	83	61	316
Šibenik-Knin	HR03	3	3	3	7	4	20
Varaždin	HR04	38	23	19	21	41	142
Virovitica-Podravina	HR04	39	29	38	34	32	172
Zadar	HR03	52	60	17	43	48	220
Zagreb	HR04	101	62	48	59	61	331
Vukovar-Srijem	HR04	115	53	62	73	54	357
Total		1.148	793	713	898	861	4.413

2014: HRK 3.1m

2015: HRK 2.13 million

2016: HRK 2.0 million

2017: HRK 2.4 million

2018: HRK 2.0 million

Governance	Responsible institution: Ministry of Economy, Entrepreneurship and Crafts (MEEC) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	**2018** Number of supports: 861 Total funding: HRK 2.0 million

	2017 Number of supports: 898 Total funding: HRK 2.4 million **2016** Number of supports: 713 Total funding: HRK 2.0 million **2015** Number of supports: 793 Total funding: HRK 2.13 million **2014** Number of supports: 1,148 Total funding: HRK 3.1 million Average value of support: HRK 2,637.77
Link	MEEC (2018) Lifelong learning for crafts programme (Program "Cjeloživotno obrazovanje za obrtništvo"). Available at: https://www.mingo.hr/public/documents/Program%20Cjelo%C5%BEivotno%20obrazovanje%20za%20obrtni%C5%A1tvo%20za%202018.%20godinu.pdf MEEC database of awarded incentives. Last accessed: 06/06/19. Available at: http://poticaji.mingo.hr/

Preservation and development of traditional and artistic trades (Program "Očuvanje i razvoj tradicijskih i umjetničkih obrta")	
ID	**HR11**
Country	Republic of Croatia
Region(s) affected	National – all regions affected
Time horizon	Continuous
Objectives and Scope	Programme objectives: • Preservation and development of traditional artistic trades • Strengthening the competitiveness of traditional and artistic trades • Increase of recognition of traditional and artistic products
Overview	Target users: Grants are provided SMEs and physical persons. for investing into production improvement; development of new products/services; adapting and improving office and production spaces; introducing quality control system, norms and quality certificates; managing and protection of intellectual property; marketing activities and investments for entering new markets.
Rationale	Providing grants in order to ensure the preservation and development of traditional crafts, predominantly conducted by manual work, and heritage of special craftsmanship, by relying on patterns of traditional culture and artistic crafts which are distinguished by products of high aesthetic value.

Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	Business development and innovation support to firms
Type of funding	Grants
Budget and expenditures	Funding €1.1 million

Allocation by region (number of grants)

County	NUTS 2	2017	2018	Grand Total
Brod-Posavina	HR04	4	4	8
Dubrovnik-Neretva	HR03		1	1
City of Zagreb	HR04	41	30	71
Istria	HR03	3	2	5
Karlovac	HR04	5	3	8
Koprivnica-Križevci	HR04	9	3	12
Krapina-Zagorje	HR04	9	4	13
Međimurje	HR04	2	1	3
Osijek-Baranja	HR04	5	8	13
Požega-Slavonia	HR04	2	1	3
Primorje-Gorski kotar	HR03	4	1	5
Sisak-Moslavina	HR04	9	3	12
Split-Dalmatia	HR03	2	1	3
Šibenik-Knin	HR03	1	1	2
Varaždin	HR04	5	3	8
Virovitica-Podravina	HR04	4	2	6
Zadar	HR03	2	1	3
Zagreb	HR04	16	5	21
Vukovar-Srijem	HR04		2	2
Total		123	76	199

2017: HRK 4.9 million

2018: HRK 3.3 million

Governance	Responsible institution: Ministry of Economy, Entrepreneurship and Crafts (MEEC) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A

Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	**2018** Number of supports: 123 Total funding: HRK 4.98 million **2017** Number of supports: 76 Total funding: HRK 3.3 million Average value of support: HRK 41,620.20
Link	MEEC (2018) Preservation and development of traditional and artistic trades programme (Program "Očuvanje i razvoj tradicijskih i umjetničkih obrta"). Available at: https://www.mingo.hr/public/Program%20TU%202018.pdf MEEC database of awarded incentives. Last accessed: 06/06/19. Available at: http://poticaji.mingo.hr/

Development of SMEs and crafts in areas inhabited by members of national minorities (Program "Razvoj malog i srednjeg poduzetništva i obrta na područima naseljenim pripadnicima nacionalnih manjina")	
ID	**HR12**
Country	Republic of Croatia
Region(s) affected	Regional – focused on areas of local administration units, belonging to the first four groups according to the value of their development index (in line with the government decision: https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_132_3022.html), in which the share of minorities in total population exceeds 5%.
Time horizon	Continuous
Objectives and Scope	Objectives of the Programme are: • Growth and development of entrepreneurship, • Technological enhancement and increasing competitiveness, • Balancing the regional growth.
Overview	Beneficiaries are SMEs, for the purpose of improving production, investing into the development of new products/services, adaptation and improvement of office and production spaces, marketing activities and investments for entering new markets, as well as education and training of employees and owners.
Rationale	Providing grants for the development of SMEs in local administration units classified as assisted (in line with the article 36 of Regional Development Act – OG 147/14, 123/17), in which the share of minorities in total population exceeds 5%.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	Business development and innovation support to firms
Type of funding	Grants

Budget and expenditures	Initial Budget: €1.8 million *Allocation by region (number of grants)*

County	NUTS 2	2018
Bjelovar-Bilogora	HR04	8
Brod-Posavina	HR04	7
Karlovac	HR04	6
Koprivnica-Križevci	HR04	9
Međimurje	HR04	5
Osijek-Baranja	HR04	7
Požega-Slavonia	HR04	1
Sisak-Moslavina	HR04	22
Split-Dalmatia	HR03	1
Šibenik-Knin	HR03	3
Varaždin	HR04	1
Virovitica-Podravina	HR04	11
Zadar	HR03	1
Vukovar-Srijem	HR04	13
Total		95

	Funding (Expenditures): HRK 13.3 million
Governance	Responsible institution: Ministry of Economy, Entrepreneurship and Crafts (MEEC) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	**2018:** Number of supports: 95 Average value of support: HRK 139,662.61 Total support granted: HRK 13.3 million
Link	MEEC (2018) Development of SMEs and crafts in areas inhabited by members of national minorities programme (Program "Razvoj malog i srednjeg poduzetništva i obrta na područima naseljenim pripadnicima nacionalnih manjina" za 2018. godinu). Available at: https://www.mingo.hr/public/Javni%20poziv%20Nacionalne%20manjine/ProgramRazvoj%20malog%20i%20srednjeg%20poduzetni%C5%A1tva%20i%20obrta%20na%20podru%C4%8Djima%20

	naseljeni%20pripadnicima%20nacionalnih%20manjina%20za%202018%20godinu.pdf MEEC database of awarded incentives. Last accessed: 06/06/19. Available at: http://poticaji.mingo.hr/

Tourism competitiveness programme (Program "Konkurentnost turističkog gospodarstva")	
ID	**HR13**
Country	Republic of Croatia
Region(s) affected	National – All regions affected
Time horizon	Continuous
Objectives and Scope	Main objective of the Programme is to increase attractiveness and competitiveness of Croatian tourism, but also to contribute to the following strategic objectives: • Improvement of structure and quality of accommodation, • New employment. • Implementing new investments, • Increase of tourist consumption, • Development of tourism in areas with underdeveloped tourist supply, • Prolonging the tourist season to all year long.
Overview	Beneficiaries are SMEs and Family farms which provide accommodation and/or tourist services. The grant scheme is divided into seven different measures depending on the category of the user (Measure A: hotels, camps, other accommodation providers, family farms) and investment intentions (special forms of tourism (Measure B), availability and security (Measure C), recognisability (Measure D)). Measure A is awarded for increasing the standard and quality of existing accommodation providers, development and improvement of additional content, certification of hotels, investing in green entrepreneurship in tourism, reconstruction and expansion of camps, development of new camp, activating hunting and hiking lodges, reconstruction and expansion of family farms, etc. The intensity of support amounts to 60% of eligible project costs, with the exclusion of projects applied under the Measure C, which can be fully funded by the grant. The value of awarded grants ranges between HRK 0.02m and HRK 0.40m, depending on the measure in question.
Rationale	The programme provides support to entities operating in the tourist sector in order to increase international competitiveness of the Croatian tourist economy by increasing the standard, quality and additional supply of accommodation objects, development of new and innovative tourist products, fostering business internationalisation, sustainable development, supply chain diversification, etc.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	Business development and innovation support to firms

Type of funding	Grants
Budget and expenditures	Total budget 2014-2019: €20.8 million
Governance	Responsible institution: Ministry of Tourism (MINT) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	Ministry of Tourism (2019). Tourism competitiveness programme (Program "Konkurentnost turističkog gospodarstva") for Available at: https://mint.gov.hr/UserDocsImages/AA_2018_c-dokumenti/002_190128_KTG_P.pdf Ministry of Tourism (2018). Tourism competitiveness programme (Program "Konkurentnost turističkog gospodarstva") for Available at: https://mint.gov.hr/UserDocsImages/AA_2018_c-dokumenti/002_180904_jp_program.pdf Ministry of Tourism (2017). Tourism competitiveness programme (Program "Konkurentnost turističkog gospodarstva") for Available at: https://mint.gov.hr/UserDocsImages/arhiva/170306_KTG2017/2_170301_program.pdf Ministry of Tourism (2016). Tourism competitiveness programme (Program "Konkurentnost turističkog gospodarstva") for Available at: https://mint.gov.hr/UserDocsImages/arhiva/2_160427_KTG016_program.pdf Ministry of Tourism (2015). Tourism competitiveness programme (Program "Konkurentnost turističkog gospodarstva") for Available at: https://mint.gov.hr/UserDocsImages/arhiva/150223_JP_k_program2.pdf Ministry of Tourism (2014). Tourism competitiveness programme (Program "Konkurentnost turističkog gospodarstva") for Available at: https://mint.gov.hr/UserDocsImages/arhiva/140228-KTG14P1-bd.pdf Ministry of Finance. State budget archives: http://www.mfin.hr/hr/drzavni-proracun-arhiva

Support to county administrations for maintenance, reconstruction and building of county and local roads (Potpora županijskim upravama za ceste za održavanje, rekonstrukciju i građenje županijskih i lokalnih cesta)	
ID	**HR14**
Country	Republic of Croatia
Region(s) affected	National – All regions affected
Time horizon	Continuous
Objectives and Scope	The objective of the measure is to provide support to Regional administration units in maintaining, reconstruction and building of county and local roads.
Overview	The objective of the measure is to provide support to Regional administration units in maintaining, reconstruction and building of county and local roads. The funds are allocated in accordance to the Croatian Roads Act (OG 84/11, 22/13, 54/13, 148/13, 92/14) and it depends on the size of county and local road network, the amount of direct revenue of county's road company, the degree of construction of county and local roads network, state of pavements in a given county and local roads network, average annual daily business revenues.
Rationale	The measure provides support in financing the costs of maintenance, reconstruction and development of county and local roads.
Type of policy category	Urbanisation and Connectivity
Type of policy instrument	Transport infrastructure
Type of funding	Grants
Budget and expenditures	Total budget and expenditures: €24.3 million 2018: €13.5 million 2017: €10.8 million
Governance	**Responsible institution:** Ministry of Maritime Affairs, Transport and Infrastructure (MMATI) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Allocation by County: Bjelovar-Bilogora – HRK 6.2 million Brod-Posavina – HRK 1.5 million Dubrovnik-Neretva – HRK 1.5 million Istria – HRK 3.0 million Karlovac – HRK 7.0 million

	Koprivnica-Križevci – HRK 5.6 million Krapina-Zagorje – HRK 1.5 million Lika-Senj – HRK 7.6 million Međimurje – HRK 1.M million Osjek-Baranja – HRK 2.7 million Požega-Slavonija – HRK 3.2 million Primorje-Gorski Kotar - HRK 2.12 million Sisak-Moslavina – HRK 8.7 million Split-Dalmatia - HRK 6.2 million Šibenik-Knin – HRK 5.1 million Varaždin – HRK 2.2 million Virovitica-Podravina – HRK 4.6 million Vukovar-Srijem – HRK 1.5 million Zadar – HRK 8.0 million Zagreb – HRK 2.9 million
Link	MMATI (2018) Decision on the allocation of funds for maintenance, reconstruction and construction of county and local roads in 2018. Available at: https://narodne-novine.nn.hr/clanci/sluzbeni/2018_05_41_796.html Ministry of Finance. State budget archives: http://www.mfin.hr/hr/drzavni-proracun-arhiva

Support to local and regional administration unit for the development of river traffic, county harbours and docks (Pomoći JLS/JRS za razvoj riječnog prometa, županijskih luka i pristaništa)	
ID	**HR15**
Country	Republic of Croatia
Region(s) affected	National – All regions with water traffic
Time horizon	Continuous
Objectives and Scope	The objective of the measure is the establishment of traffic connections by inland waterways in populated areas without the traffic infrastructure, i.e. bridges, through training, enabling work, equipping, modernisation and increase in the number of vessels owned by the local/regional administration.
Overview	Financial assistance is provided to eligible local and regional administration units for co-financing investment costs for maintenance and other operative costs of conducting regular transportation of passengers and goods on inland waterways of international and national importance.
Rationale	The Ministry provides financial support to regional administration units with the requirement or need to conduct river transport, as

	well as maintenance and modernisation of the county-owned vessels; and have the need for maintaining river traffic.
Type of policy category	Urbanisation and Connectivity
Type of policy instrument	Transport infrastructure
Type of funding	Grants
Budget and expenditures	Total funding: €0.4 million
Governance	Responsible institution: Ministry of Maritime Affairs, Transport and Infrastructure (MMATI) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Annual number of vessels owned by a local/regional administration unit capable of transporting passengers and goods.
Link	MMATI (2018) Public tender to local and regional administration units for applying for co-financing of costs relating to vessels for transformation of passengers and goods. Available at: http://www.mppi.hr/UserDocsImages/Javni%20poziv%20-%20Tekuce%20POMOCI%20JLS%202018%2007-05_18.pdf Ministry of Finance. State budget archives: http://www.mfin.hr/hr/drzavni-proracun-arhiva

Development of Assisted areas	
ID	**HP16**
Country	Republic of Croatia
Region(s) affected	National – All regions with administrative units whose level of development is considered below average according to the development index.
Time horizon	Continuous
Objectives and Scope	The objective of a policy is to contribute to the economic and general development of regional and local administrative units whose level of development is considered below average according to the development index.
Overview	Financial assistance is provided for: • The development and implementation of programmes of integrated territorial investments in assisted areas, • Preparation of development projects in assisted areas, which are planned to be financed from the ESI Funds and other sources, • Expert support to assisted areas for recognition and optimal utilisation of its own development potential,

	• Implementation of projects contributing to sustainable development of local community in the context of improving availability of local infrastructure, • Development of human capacities of local and regional administration units in preparation and implementation of development projects. Main users of the policy are regional administration in the first two categories according to the development index, and local administration units categorized in the first four categories according to the development index.
Rationale	MRDEUF allocates funding from its budget towards programmes and projects which contributing to sustainable development of local and regional community in the context of increasing availability of local infrastructure, social and demographic revitalisation of assisted areas and subsequently facilitating balanced regional growth.
Type of policy category	Regional development
Type of policy instrument	Development of underdeveloped areas
Type of funding	Various
Budget and expenditures	Budget: €49.7 million
Governance	**Responsible institution:** Ministry of Regional Development and EU Funds (MRDEUF) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Links	Assisted areas act (OG 118/18). Available at: https://www.zakon.hr/z/1767/Zakon-o-potpomognutim-podru%C4%8Djima Ministry of Finance. State budget archives: http://www.mfin.hr/hr/drzavni-proracun-arhiva

Development of hill and mountain areas	
ID	**HR17**
Country	Republic of Croatia
Region(s) affected	National – All regions with hill and mountain areas
Time horizon	Continuous

Objectives and Scope	The goal of the policy is to contribute to economic and general development of hill and mountain areas in line with their specific characteristic.
Overview	In line with the available budget, Ministry provides expert and financial assistance for: • The development of utility and social infrastructure in hill and mountain areas, • Elimination of consequences made by adverse climatic conditions in hill and mountain areas, • Preparation of project documentation for local development projects, • Preparation of infrastructure as a precondition for investments and economic recovery, • Fostering competitiveness and entrepreneurship through support for activities of importance for economic growth of hill and mountain areas, Subsidies for accommodation of persons in deficient professions and persons which can contribute to improving the quality of life in hill and mountain areas.
Rationale	MRDEUF allocates funding from its budget towards programmes and projects which contributing to sustainable development of hill and mountain areas, their, social and demographic, strengthening of social cohesion and implementing the concept of sustainable development.
Type of policy category	Regional development
Type of policy instrument	Development of underdeveloped areas
Type of funding	Various
Budget and expenditures	Budget 2014-2019: €8.1 million
Governance	**Responsible institution:** Ministry of Regional Development and EU Funds (MRDEUF) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Links	Hill and mountain areas act (OG 118/18). Available at: https://www.zakon.hr/z/754/Zakon-o-brdsko-planinskim-podru%C4%8Djima Ministry of Finance. State budget archives: http://www.mfin.hr/hr/drzavni-proracun-arhiva 49683-s=1&d-49683-p=1&d-49683-o=2

	http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO2053

Development of Adriatic Islands	
ID	**HR18**
Country	Republic of Croatia
Region(s) affected	Islands
Time horizon	Continuous
Objectives and Scope	Improvement and development of local communities on islands by increasing the quality and availability of utilities, educational, health, social, cultural, sport, entrepreneurial, tourist and other public services, along with systemic support in environmental protection and applications of energy efficiency and renewable energy sources.
Overview	Target groups are local and regional administration units with a jurisdiction which includes inhabited, partially inhabited and uninhabited Croatian islands, as well as Pelješac peninsula. The measure is funded from the Ministries' budget under an item "Sustainable development of Adriatic islands". The purpose is to provide support to infrastructural projects in the island area, i.e. small capital projects and encompass construction, reconstruction, renovation and adaptation of utility, social, public, entrepreneurial and/or tourist infrastructure in the island area, as well as projects for environmental protection, energy efficiency and renewable energy sources.
Type of policy category	Sector Development and Targeted Investment Urbanisation and Connectivity
Type of policy instrument	Sector Development and Targeted Investment Transport infrastructure Energy infrastructure
Type of funding	Grants, public procurements
Budget and expenditures	Budget 2014-2019: €14.9 million
Governance	**Responsible institution:** Ministry of Regional Development and EU Funds (MRDEUF) Funding: National Design: National Implementation: National
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A

Links	MRDEUF (2018) Island development Programme 2019. Available at: Link Ministry of Finance. State budget archives: http://www.mfin.hr/hr/drzavni-proracun-arhiva

Fund for financing capital projects of interest for islands	
ID	**HR19**
Country	Republic of Croatia
Region(s) affected	Islands
Time horizon	2003–2017
Objectives and Scope	Providing assistance for financing capital projects of interest for the development of islands.
Overview	A share of income tax (16% since 2015) collected by a city/town/municipality which has signed a treaty of mutual financing of capital projects of interest for the development of islands, is allocated to a deposit accounts at HBOR, to be utilised for provision of assistance in financing capital projects on the respective islands. Target users: cities/towns/municipalities on islands. Accumulation of funds have stopped on 1/1/2018, however, funds accumulated by 31/12/2017 are to be realised by the end of 2019.
Rationale	A share of income tax of local administration units located on islands is accumulated in order to be used for financing capital projects of interest for the development of islands.
Type of policy category	Regional development
Type of policy instrument	Development of underdeveloped areas
Type of funding	Grants
Budget and expenditures	Budget for the period 2014-2017: €28.7 million 2017: HRK 147.5m 2016: HRK 145.0m 2015: HRK 140.8m 2014: HRK 91.8m Expenditures for the period 2014-2017: €23,11 million 2017: HRK 58.6m 2016: HRK 37.1m 2015: HRK 38.5m 2014: HRK 37.0m *Annual accumulation and realisation of funds:*

	Accumulated (HRK)	Realised (HRK)	Number of projects
2003	87.827.885	24.208.587	20
2004	45.631.200	46.124.003	30
2005	46.950.254	61.819.673	28
2006	56.067.253	41.015.681	29
2007	51.470.910	50.960.306	23
2008	50.023.299	52.250.869	25
2009	45.195.792	48.911.064	22
2010	42.480.734	47.998.508	32
2011	40.098.265	37.782.127	24
2012	38.311.673	42.823.456	20
2013	40.986.192	44.830.650	20
2014	45.520.133	36.961.348	18
2015	85.968.770	38.498.842	25
2016	42.686.954	37.121.549	20
2017	39.626.560	58.590.125	30
Total	758.845.875	669.896.789	366

Governance	Responsible institution: **Ministry of Regional Development and EU Funds (MRDEUF)** Funding: National Design: National Implementation: National
Policy implementation and policy mix	The measure was implemented on the basis of Act on financing local and regional administration units (OG 117/93, 69/97, 33/00, 73/00, 127/00, 59/01, 107/01, 117/01, 150/02, 147/03, 132/06, 26/07, 73/08, 25/12, 147/14, 100/15, 115/16), which was active until 1/1/2018.
Relevant ESIF measures (if any)	n/a
Impact: monitoring and evaluation	Total accumulated funds: HRK 758.8m Total realised funds: HRK 670.0m Total number of projects: 366
Links	MRDEUF (2008) Island act implementation report 2017. Available at: https://www.sabor.hr/sites/default/files/uploads/sabor/2019-01-18/081539/IZVJESCE_UCINCI_OTOCI_2017.pdf

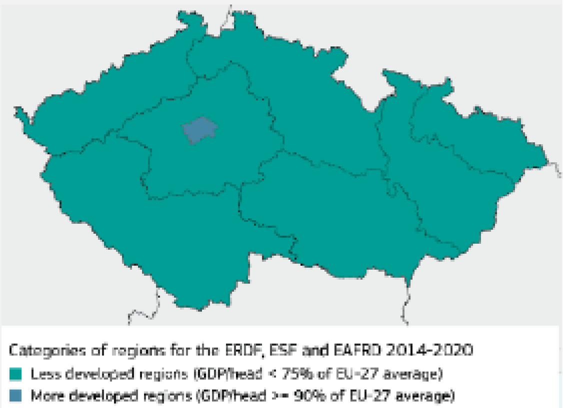
3 THE CZECH REPUBLIC

Country briefings

National Policies addressing regional economic disparities – Czech Republic

1. Background

For the 2014-2020 programming period, all regions in the Czech Republic, except for Prague, fell in the category of the Less Developed Regions. However, in terms of GDP per capita, all regions grow and converge towards the EU average. For the upcoming programming period, three regions will be classified as "phasing" (75%-100% of the EU28 average), while Prague maintains its prime position. Prague's economic performance is pulling other regions upwards with it, and other regions benefit from this strong position of the capital. Prague's growth is therefore welcome and seen by the government as a significant factor for regional development, rather than a factor contributing to widening regional disparities.



Source: European Commission (2019).

2. Architecture of national policies for addressing regional economic disparities

Focus

Regional disparity is recognised by the government in the Czech Republic as a policy issue, especially regarding the improvement of the position of the two border regions Usti and Karlovy Vary which grow slower than the other regions. However, cohesion within the country has traditionally not been considered of the highest priority.

Five measures financed by the national budget, in addition to the measures financed by the ESI Funds, have been identified addressing regional disparities during the period 2014-2020. Three of them support sector development and targeted investments, two the enhancement of the business environment and one urbanisation and connectivity.

Design and governance

The national strategy addressing regional disparities is set in the Strategy of Regional Development (see fiche CZ1). It has been designed by the Ministry for Regional Development in cooperation with other ministries and is implemented by them as part of the ministries policy agendas under the coordination of the Ministry for Regional Development. The same ministry is responsible for the coordination of the Partnership Agreement with the EU regarding the ESI Funds. Regional cohesion is, thus, predominantly discussed in the context of eligibility issues and priority setting.

Relationship of national funding and support through the ESI Funds

Policy addressing regional disparities in the Czech Republic is heavily dependent on the ESI Funds. According to a study of the Ministry for Regional Development[5] the sectors and policy areas which were most dependent on the Structural Funds between 2007–2015 were the employment policy, subsidies for the private sector, R&D&I and protection of the environment. The reliance of those policy areas on the ESI Funds also remains in the current programming period. The priority is, to use ESI funding while the national budget contributes to the co-financing of the ESI Funds OPs and to interventions which are either not in line with the priorities of the Partnership Agreement or do not meet the eligibility criteria. Examples for this can be the operating cost of large research infrastructures, follow-up investments on R&D projects previously funded through the ESI Funds, loan guarantees or some investments in transport (see for more details below).

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[5] Ministry for Regional Development (2017), Analysis: Public investment and EU funds 2007-2015.

The influence of the ESI Funds on the shaping of cohesion priorities and the allocation of funding will increase in the next programming period as the national co-financing will, most likely, significantly increase. Henceforth, this might result in a shift of national funds that are now used for national programmes for co-financing.

3. Overview of national policy measures addressing regional economic disparities

Support for R&D and innovation in Less Developed Regions is among the main areas of national funding. During the period 2014-2020 it is expected that around €546 million are directed by the Ministry of Education, Youth and Sports, to grants for R&D programmes. One of the objectives of these programmes is to ensure the sustainability of several large research projects, funded in the 2007-2013 period, predominantly from the ERDF. All these projects were linked to the regions, excluding Prague, which was not eligible to use the ERDF during the previous programming period (see fiche CZ2.1).

Another area where the national funding complements the ESI funding is research infrastructure that is part of the Roadmap of Large Infrastructures for Research, Experimental Development and Innovation. The ESI Funds provide funding for the initial investment while the national budget covers the operating cost. During the period 2016-2022, the Ministry of Education will provide around €380 million for the operating cost of the infrastructures covering all regions. Half of them are located in Prague. The capital hosts a vast majority of the infrastructure regarding humanities and social sciences, while the largest research infrastructures in physical sciences (often built between 2007 and 2015 using ERDF) are generally located outside of the capital (see fiche CZ2.2)

In the area of SME support, the Ministry of Industry and Trade provides loan guarantees for international trade, guarantees for social businesses and guarantees for small businesses. Although Prague is not explicitly excluded, it is deliberately disadvantaged by the eligibility criteria of the programme in favour of the other regions (see fiche CZ3.1).

The Ministry of Industry and Trade supports commercial properties and infrastructures in economic zones. Although Prague is not excluded, it is expected that the majority of the funding is directed to the other regions due to the conditions of the programme (see fiche CZ4).

The development of the railway infrastructure by the Investment Plan for Railway Transport Infrastructure (fiche CZ5.1) is another area were national and the ESI Funds are combined in order to achieve the necessary level of funding. Prague is not excluded, however, it received only a small share of the total funding. Out of the €200 million, planned to be invested in 2019, only €13.7 million will be invested in Prague. In total for the whole country the national funding, including co-financing amounts to €361.2 million, while the funding from the Cohesion fund will reach €225.3 million and the contribution of the Connecting Europe Facility (CEF), €112.6 million.

4. Classification of policies

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
National programmes supporting research, development and innovation (CZ2.1)	Grants	Sector Development and Targeted Investment	R&D programmes	National funding, Designed and implemented at the *regional* level
Roadmap of large Infrastructures for Research, Experimental Development and Innovation of the Czech Republic for the years 2016–2022 (CZ2.2)	Grants	Sector Development and Targeted Investment	Research infrastructures	Funding, design and implementation at the *national* level
Loan Guarantees (CZ3.1)	Loan guarantees	Business Environment and Trade	Venture capital funds and other financial instruments	Funding, design and implementation at the *national* level

The Programme supporting commercial properties and infrastructure, including the sub-programme called "Planning and development of economic zones" (CZ4)	Grants	Business Environment and Trade Sector Development and Targeted Investments	Special economic zones Business development and innovation support to firms	National funding, Designed and implemented at the *regional* level
The Investment Plan for Railway Transport Infrastructure (CZ5.1)	Investment on infrastructure	Urbanisation and Connectivity	Transport infrastructure	Funding, design and implementation at the *national* level

5. Main Sources

Interviews

- Frantisek Kubes, Ministry for Regional Development, Department for Regional Policy
- Jana Badova, Ministry of Finance, EU Affairs Department
- David Skorna, Ministry for Regional Development, Department for Partnership Agreement, Evaluation and Strategies
- Jan Miča, Office of the Government of the Czech Republic, Head of Digital Coordination Unit

Main documents and sources

- Government of the Czech Republic, (2019): National Reform Programme Czech Republic, https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-czech-republic_cs.pdf
- Ministry for Regional Development (2017) Analysis: Public investment and EU funds 2007-2015
- Ministry of Education, Youth and Sports web Page: http://www.msmt.cz/
- Ministry of Industry and Trade web Page: https://www.mpo.cz
- Partnership agreement Czech Republic – 2014-2020, https://ec.europa.eu/info/publications/partnership-agreement-czech-republic-2014-20_en

Country fiches

The Regional Development Strategy	
ID	CZ1
Country	The Czech Republic
Region(s) affected	All country
Time horizon	2014 - 2020
Objectives and Scope	The Strategy is the foundation strategic material in the area of regional development in the Czech Republic. It represents a tool for the regional development policy implementation and coordination of other public policies affecting regional development. The Strategy links together sectorial perspectives with territorial perspectives.

Overview	The Strategy provides a complex analytical picture of the trends and challenges related to regional development. Building on that, the Strategy proposes a vision, set of priorities and specific measures (using biannual Action Plans).
Rationale	This is a cornerstone national document for regional development and cohesion.
Type of policy category	All
Type of policy instrument	All
Type of funding	A variety of types
Budget and expenditures	**Variety of sources**: national budget, EU funding. Various measures to be implemented (and funded) by various government department and agencies
Governance	Scenario 1 **Institution responsible:** The Ministry for Regional Development
Policy implementation and policy mix	**Upstream:** The Partnership Agreement 2014–2020, Europe 2020 Strategy **Downstream:** Too complex to map all the specific measures at this stage. **Examples include:** • The Roadmap of Large Infrastructures for Research, Experimental Development and Innovation of the Czech Republic for the years 2016–2022 • The national programmes supporting research, development and innovation (multiple individual schemes) • The Programme supporting commercial properties and infrastructure, including the sub-programme called "Planning and development of economic zones" • "Loan Guarantees" • The Small and Medium Enterprises Support Strategy
Relevant ESIF measures (if any)	ESF (European Social Fund), ERDF (Integrated Regional Operational Programme), Cohesion Fund (Operation Programme Transport) and CEF, EMFF etc.
Impact : monitoring and evaluation	The Strategy is monitored and evaluation in the following ways: • Continuous monitoring of implementation through outputs and outcome indicators • Annual reporting • Multiannual evaluation
Link	https://mmr.cz/getmedia/a9fc8be4-58a0-4137-9c6d-f9a05466a115/SRR-2014-2020.pdf.aspx?ext=.pdf

The National Policy for Research, Development and Innovation	
ID	**CZ2**
Country	The Czech Republic

Region(s) affected	All country
Time horizon	2016–2020
Objectives and Scope	• To improve the governance of the research, development and innovation system • To implement the new system of research outputs assessment • To create a robust base for applied research • To strengthen research and innovation activities of businesses
Overview	The document is the top strategic document at the national level which sets directions for R&D&I and is an umbrella strategy for any other relevant strategic documents of the Czech Republic.
Rationale	Regional development is one of the areas tackled by the National Policy for Research, Development and Innovation. The document sets several measures that aim at utilising potential of the regions of the Czech Republic in applied research.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	Business development and innovation support to firms R&D programmes
Type of funding	No specific funding allocated. Funding applies to individual measures proposed by the strategy. Each measure is funded differently. A combination of national budget and the ESI Funds could be expected.
Budget and expenditures	N/A
Governance	Scenario 1 **Institution responsible**: The Office of the Government
Policy implementation and policy mix	Downstream: difficult to describe exhaustively because of the large number of specific measures. The Roadmap of Large Research Infrastructures is one of the examples.
Relevant ESIF measures (if any)	ERDF and linkages to RIS3
Impact: monitoring and evaluation	The document considers the evaluation of the previous strategy (until 2015) and addresses some of the findings. Out of the total of 21 measures proposed in the 2009–2015 strategy, eight were fully implemented, or their implementation was in progress, 11 were implemented partially and two have not (yet) been implemented.
Link	http://www.czech-research.com/wp-content/uploads/2016/09/NRDIP_2016-2020_eng.pdf

National programmes supporting research, development and innovation (multiple individual schemes)	
ID	**CZ.2.1**
Country	The Czech Republic

Region(s) affected	All country (with the exception of Prague for some of the schemes)
Time horizon	2014–not specified
Objectives and Scope	• To ensure sustainability of projects funded by the ERDF in 2007–2013 • To support excellent projects that were not funded from international funding schemes yet received high evaluation marks • To provide access to information resources for researchers
Overview	These programmes provide programmatic funding for research, innovation and development exclusively from the national budget.
Rationale	One of the objectives of these programmes is to ensure sustainability of some large research projects funded in the 2007–2013 period, predominantly from the ERDF. This means that most of these projects were linked to the regions, excluding the capital (Prague was not eligible to use the ERDF funding through the OPs, except for its own OP, which was, however, limited in budget). These national programmes therefore direct national budget funding predominantly to the regions.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	R&D programmes
Type of funding	Grants
Budget and expenditures	National budget: Approximately CZK 2 billion per annum (€78 million per annum)
Governance	Scenario 3 **Institution responsible**: The Ministry of Education, Youth and Sports
Policy implementation and policy mix	**Upstream:** The National Policy for Research, Development and Innovation 2016 - 2020
Relevant ESIF measures (if any)	ERDF and linkages to RIS3
Impact: monitoring and evaluation	This has not yet been evaluated.
Link	http://www.msmt.cz/vyzkum-a-vyvoj-2/dotace-granty

Roadmap of Large Infrastructures for Research, Experimental Development and Innovation of the Czech Republic for the years 2016-2022	
ID	**CZ2.2**
Country	The Czech Republic
Region(s) affected	All country

Time horizon	2016 - 2022
Objectives and Scope	In recent years, the Ministry of Education, Youth and Sports has responded to the increasing importance of research infrastructures within the European Research Area and worldwide. A number of steps have been taken to help create a suitable environment for the construction, operation, further development, financing and integration of the large research infrastructures of the Czech Republic into the international research infrastructures networks and legal entities – in order to reflect the research infrastructures as one of the key elements of the national research and innovation ecosystem of the Czech Republic.
Overview	Research infrastructures create favourable environments, where individual segments of the knowledge triangle (education, research and industry) are efficiently interconnected, resulting in intensive interactions. The results achieved by using the research infrastructures thus stimulate private investments in R&D and, consequently, foster the leverage effect. In this way, research infrastructures contribute to the bloom of science & technology parks. The Roadmap of Large Infrastructures for Research, Experimental Development and Innovation of the Czech Republic for the years 2016–2022 demonstrates how the Czech Republic is responding to the challenges and opportunities of engaging in the international research infrastructure sector.
Rationale	Large research infrastructures are unique facilities of high knowledge and technology expertise, which are operated based on open access policy principles. Host institutions operate the large research infrastructures for all their potential users, coming both from research organisations and/or innovative enterprises. Large research infrastructures enable user communities to achieve cutting-edge results in fundamental and applied research and to develop state-of-the-art technologies with a high potential for application in innovative products and services of a high added value. The research infrastructures are located across the whole territory of the Czech Republic, and they therefore contribute to the progressive development of entire economic spheres and (speaking in geographical terms) of urban areas at the level of regions and macro-regions. In terms, of the geographical distribution of the large research infrastructures over the territory of the Czech Republic, roughly a half of them are located in Prague and the other half outside of Prague. Prague hosts a large majority of the infrastructures in humanities and social sciences, whilst the largest research infrastructures in physical sciences (often built between 2007 and 2015 using ERDF, now financed from the national budget) are generally located outside of the capital.
Type of policy category	Sector Development and Targeted Investment
Type of policy instrument	R&D programmes
Type of funding	Grants
Budget and expenditures	The national budget (via the budgetary line of the Ministry of Education, Youth and Sports) funds all the operational costs. The ESI Funds (via specific calls from the Operational Programme Research, Development and Education) funds the investment

	costs Approximately CZK 1.4 billion per annum, 54.4 million per annum (all national budget)
Governance	Scenario 1 **Institution responsible:** The Ministry of Education, Youth and Sports
Policy implementation and policy mix	**Upstream:** • The National Policy for Research, Development and Innovation 2016–2020 • The Innovation Strategy of the Czech Republic 2019 - 2030
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Since 2014, the Ministry of Education, Youth and Sports has carried out a periodic and comprehensive international evaluation of large research infrastructures of the Czech Republic. The outputs of these evaluation procedures are provided by the Ministry of Education, Youth and Sports to the Government of the Czech Republic as an independent expert basis for the adoption of informed political decisions on financing large research infrastructures from public funds of the Czech Republic. Furthermore, the assessment outputs have served as an independent expert basis for periodic updates of the Roadmap of Large Research Infrastructures of the Czech Republic and for decision-making on the support of the proposals of pan-European research infrastructures applying for the ESFRI Roadmap updates with the participation of the Czech Republic.
Link	http://www.msmt.cz/vyzkum-a-vyvoj-2/dotace-granty

Small and Medium Enterprises Support Strategy	
ID	**CZ3**
Country	The Czech Republic
Region(s) affected	All country
Title	Small and Medium Enterprises Support Strategy
Time horizon	2014 - 2020
Objectives and Scope	The global objective of the Small and Medium Enterprises Support Strategy 2014–2020 includes the continuous boosting of competitiveness and of the economic performance of small and medium enterprises, based on quality business environment, on using and developing their innovation potential, knowledge and education (the upgrading of SMEs to the entrepreneurial activity based on the competitive advantage of innovation and the advancement to a higher level in value chains), the internationalisation arising from the EU internal market and from markets with good prospects in third countries, and on the overall reduction of the energy requirements of business.
Overview	Four strategic priorities have been defined under the SME Strategy 2014+: Cultivation of business environment, development of consultancy services and education for business; Development of enterprise based on support for research,

	development and innovation, including the innovation and business infrastructure; Support for the internationalisation of SMEs; and Sustainable energy management and energy innovation development.
Rationale	• The programme directly tackles economic cohesion because some of the proposed measures explicitly focus on economically weaker regions.
Type of policy category	• Business environment and trade • Sector Development and Targeted Investment • Skills and mobility
Type of funding	Various types
Budget and expenditures	Variety of sources: National budget, EU funding Not specified. Various measures will be funded by various government departments
Governance	Scenario 1 Institution responsible: The Ministry of Industry and Trade
Policy implementation and policy mix	Downstream: A number of individual measures have been proposed. One example is the Loan Guarantee programme for SMEs (see "CZ6 policy fiche") Other examples of measures (2018-2019) related to regional cohesion include: • Supporting participation of SMEs in international exhibitions and fairs (funded from the national budget) • Supporting SMEs in applying for EU funding (funded from the national budget), to be undertaken at the regional level • Promoting apprenticeships (funded from the national budget) • Educational courses for SMEs focusing on Industry 4.0 (funded from the national budget)
Relevant ESIF measures (if any)	ERDF, ESF But also communitarian programmes (e.g. COSME, H2020 – SME Instrument etc.)
Impact: monitoring and evaluation	This strategy has not yet been evaluated.
Link	https://www.mpo.cz/assets/dokumenty/47605/54370/599917/priloha001.pdf

Planning and development of economic zones	
ID	**CZ4**
Country	The Czech Republic
Region(s) affected	All country (Prague is not excluded, but given the conditions of the programme, it is expected that it will be the regions where most of the funding will be aimed at)
Time horizon	2005 - 2020

Objectives and Scope	• To ensure sufficient supply of commercial properties and infrastructure • To improve quality of current commercial properties and infrastructure
Overview	The programme aims at supporting sustainable development of the Czech Republic and improve conditions for implementing pro jects in the area of manufacturing, strategic services and techno logy centres, and therefore contribute to economic and regional development through improving competitiveness of the investment environment, especially in weaker and/or structural ly affected regions.
Rationale	The programme directly tackles economic cohesion through dev eloping economic zones aiming at sustaining and/or improving l ocal/regional development in order to ensure economic develop ment, jobs, cohesion and regional competitiveness
Type of policy category	Business environment and trade Sector Development and Targeted Investments
Type of policy instrument	Special economic zones Business development and innovation support to firms
Type of funding	Grants
Budget and expenditures	A National budget: approximately CZK 0.7 billion per annum (27.2 million per annum)
Governance	Scenario 3 **Institution responsible:** The Ministry of Industry and Trade
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	This programme has not yet been evaluated.
Link	https://www.czechinvest.org/cz/Sluzby-pro-municipality/Nemovitosti-pro-podnikatelske-ucely/Podpora-prumyslovych-zon

The Transport Policy of the Czech Republic	
ID	CZ5
Country	The Czech Republic
Region(s) affected	All country
Title	The Transport Policy of the Czech Republic
Time horizon	2014 - 2020
Objectives and Scope	The main objective of the Transport Policy is: to create conditions for the development of high-quality transport system based on the utilization of technical, economic and technological properties of individual transport modes, on the principles of competition, having regard to its economic and social impact and the impact on the environment and public health.

Overview	The Transport Policy of the Czech Republic for 2014–2020 with prospect of 2050 is, just like the Transport Policy for 2005–2013, based on a so-called transport-political cycle. The Transport Policy is a top-level strategic document of the Government of the Czech Republic for the transport sector and the Ministry of Transport is the institution responsible for its implementation. The document identifies the main challenges of the sector and proposes measures to tackle them.
Rationale	It is an important task of the Transport Policy to ensure comparable level of quality of the transport infrastructure in different regions. Particular attention is given to areas where insufficient density and capacity of roads or quality of the railway network directly limits the development of economic activity in the regions.
Type of policy category	Urbanisation and Connectivity
Type of policy instrument	Transport infrastructure
Type of funding	Varius types
Budget and expenditures	Variety of sources: national budget, EU funding
Not specified. Various specific measures presented in the strategy will be funded by various funding sources	
Governance	Institution responsible: The Ministry of Transport
Scenario 3	
Policy implementation and policy mix	Downstream: A number of specific measures, for example the Investment Plan for Railway Transport Infrastructure

The Investment Plan for Railway Transport Infrastructure	
ID	**CZ5.1**
Country	The Czech Republic
Region(s) affected	All country
Title	The Investment Plan for Railway Transport Infrastructure
Time horizon	2019
Objectives and Scope	The main objective is to provide a detailed planning of the investment activities into the railway transport infrastructure that are to be run across all regions of the Czech Republic in 2019.
Overview	The annual investment plans describes all projects that are to be launched, continued and finished in 2019 to modernise railway infrastructure in the Czech Republic, regardless of sources of funding.
Rationale	A number of projects for 2019 aim at providing quicker, more reliable and safer railway connection across various regions, and

	between regions and the capital, thus positively contributing to the regional development.
Type of policy category	Urbanisation and Connectivity
Type of policy instrument	Transport infrastructure
Type of funding	Investment on infrastructure
Budget and expenditures	**Variety of sources**: national budget, EU funding National budget – State Fund of Transport Infrastructure: CZK 9.6 billion (361.2 m), including co-financing of European Union funding Cohesion Fund (CF): CZK 5.8 billion (€225.3 million) Connecting Europe Facility (CEF): CZK 2.9 billion (€112.6 million) Other sources, including from other national budget sections: CZK 7.8 billion (€303 million) Approximately CZK 4.8 billion (€186.1 million) of the state budget funding in 2019 is targeted at regions outside of Prague. Approximately CZK 354m (€13.7 million) of the state budget funding in 2019 is targeted at Prague The rest of the state budget funding is targeted at the whole territory of the Czech Republic
Governance	Scenario 1 **Institution responsible**: The Railway Infrastructure Administration (SŽDC)
Policy implementation and policy mix	Upstream: The Transport Policy of the Czech Republic
Relevant ESIF measures (if any)	ERDF (Integrated Regional Operational Programme), Cohesion Fund (Operation Programme Transport) and CEF (Connecting Europe Facility Programme)
Impact: monitoring and evaluation	This plan is monitored quarterly and updated accordingly.
Link	https://www.szdc.cz/documents/50004227/50157876/plan-investicni-vystavby-2019.pdf/a735a231-c86c-4061-8de9-18873d58e3bc

Case study

National Programme supporting R&D&I – The Czech Republic (CZ)

1. Executive Summary

This case study presents closer some of the National Programmes supporting research, development and innovation (R&D&I) in the Czech Republic, namely the National Programmes of Sustainability I and II (NPS I and II, implemented by the Ministry of Education, Youth and Sports) and the programme Gamma/Sub-programme 2 (implemented by the Technology Agency of the Czech Republic). The main purpose of the case study is to showcase the linkages and complementarities with the ESI Funds and EU communitarian programme financing and how the programmes contribute to regional cohesion in the Czech Republic. Although regional cohesion is recognised by the government departments in the Czech Republic as a policy issue, it does not feature high on the policy agenda of the current government, and has not been, traditionally, considered to be a high-priority issue. The Czech Republic is a relatively small a centralised country with a powerful national government, regional authorities with limited powers and local authorities (town and parish councils) with some degree of autonomy. Therefore, national-level policies, despite not often having explicit regional focus, remain to have the strongest influence at the regional level.

The main aim of the NPS I and NPS II programmes is a sustainable development of the centres of R&D&I funded from the ERDF between 2007-2013 by means of Czech OP, which provides considerable contribution to regional development (of those regions where the centres are located), and therefore contributes to the competitiveness of the whole country. They were designed to reflect the need to bridge a transition period for these centres after the ESI funding finished. The Sub-Programme 2 aims at generating synergies with Horizon 2020 and its successor Horizon Europe. Whilst the programme Gamma/Sub-programme 2 is yet to be fully rolled out, the NPS I and NPS II have already started to show signs of results and impact. For example, all supported organisations have managed to find the necessary co-financing from a variety of sources, which was one of the conditions of providing the support from the state budget. This is a very good sign for the future sustainability, but also of the improving regional collaboration. The regional research centres have been encouraged to intensify their linkages with local businesses and form partnerships with them.

2. Background and Context

For the 2014-2020 programming period, all regions in the Czech Republic, except for Prague, fell in the category of the least developed regions, because their GDP per capita was below 75% of the EU28 average. However, this has gradually changed in the recent years. For the 2021+ programming period, three regions will be classified as "phasing" (75%-100% of the EU28 average),[6] whilst Prague maintaining its prime position. What is more important, nevertheless, is the fact that all regions in the Czech Republic are converging towards the EU28 average, partly because of the general economic growth that the Czech Republic has been enjoying in the last several years, partly because of the centralised government and partly because of the general decline of the EU28 average. This convergence towards the EU28 average is regarded as a very positive trend, although some regions are growing faster than others. As the interviewees highlight, some regions have their own specific issues, carry legacies from the past etc., and the government tries to address them individually. Prague's long-term position has been well above 100% of the EU28 average, making it one of the Top10 most developed regions in the EU. However, the prime position of Prague is not a major issue for regional cohesion in the Czech Republic.

On the contrary, Prague's economic performance is pulling other regions upwards with it and other regions benefit from this strong position of the capital. This is further enabled by the geographical proximity of the capital described above, so both businesses and citizens benefit from Prague's public services, business and job opportunities and/or innovation ideas, whilst still keeping strong ties to their home regions. Prague's growth is therefore welcome and seen by the government as an important positive factor for regional development, rather than a factor contributing to widening regional disparities. Although each region adopts its own Regional Development Programme,

because of the relatively limited competencies of regional authorities, they can autonomously implement these programmes only to some extent. Therefore, national-level policies, despite not often having explicit regional focus, remain to have the strongest influence at the regional level.

3. Description of the policy measure

The main aim of the NPS I and NPS II programmes is a sustainable development of the centres of R&D&I funded from the ERDF between 2007-2013 by means of Czech OP, which provides considerable contribution to regional development (of those regions where the centres are located), and therefore contributes to the competitiveness of the whole country.[7] They were designed to reflect the need to bridge a transition period for these centres after the ESI funding

[6] Interviews with the Ministry of Regional Development and the Ministry of Finance.
[7] The Ministry of Education, Youth and Sports (2012) The guidance for applicants to the National Programmes of Sustainability.

finished.[8] Both programmes are open for applicants from any region of the Czech Republic. However, there are limitations in terms of the profile of applicants. Only a research organisation, as defined by the law Nr. 130/2002 Coll. and by Regulation of the European Commission Nr. 800/2008, which was built between 2007-2015, could be supported from this programme. Given that a vast majority of these centres were built outside of Prague (because the main ERDF OP did not allow applicants from Prague to apply, Prague had its own, but much smaller ERDF OP), most of the applicants were expected (and this also happened in reality) to come from the regions, other than Prague, i.e. much poorer regions. The programme supports exclusively multiannual projects, up to five-year long (so that it can be effective in terms helping the research centres become sustainable).

4. Policy Implementation

The NPS I and NPS II programmes were designed and implemented by the Ministry of Education, Youth and Sports, Department for Higher Education Institutions and Research support and it acts as "the provider of support", as recognised by the law Nr. 130/2002 Coll.[9] The department publishes calls for proposals, provides secretariat to the peer reviewers, publishes guidance for applicants and for the grant holders, monitors progress and is responsible for on-site checks, as well as for financial management of the programmes. The overall budget allocation for NPS I and NPS II is provided in the table below. In matters related to both programmes, the Minister and the Ministry officers take advice from the Programme Committee. This is an advisory panel composed of nominees by HEIs, Academy of Sciences and businesses and industries. Therefore, there is a good level of involvement of stakeholders in the process of implementation.[10] The committee provides recommendations on which project proposals should be selected for funding (with assistance of individual external peer-reviewers) and it undertakes final reviews of all projects (again with assistance of individual peer-reviewers). This coordination and cooperation mechanisms are prescribed by law and are almost identical for all support providers.

5. Performance

Whilst the NPSs programmes have been ongoing for several years now, the Gamma/Sub-programme 2 initiative has only been through one call for proposals, therefore more time is necessary for results to come. For NPS I and NPS II, it was anticipated at the beginning of the programme that it would support, in total, approximately 50 research centres (40 out of which were expected to be regional R&D&I centres) across the whole of the country and help them become sustainable and therefore support their regional role by means of promoting cooperation with local businesses and industries and knowledge transfer.[11] In addition, it was expected that the programme positively contributes to internationalisation of the research centres by means of researchers' mobility and cooperation on joint research projects.

For the NPS I and NPS II, results produced by the projects are regularly monitored and evaluated. This is done in cooperation with the programme committee. Annually, the Ministry undertake a review of each project. There is also a continuous monitoring system required from project teams to design and adopt, to make sure that each project is on track vis-à-vis its schedule. There are a number of indicators that are used for monitoring of the performance of each project, such as scientific outputs, international collaboration, collaboration with other research organisations. Furthermore, for some indicators, applicants are not allowed to have zero values in their proposals. Therefore, although the projects are meant to significantly contribute to improvements of research organisations in many areas, the applicant has to prove that their organisation has already gained some prior experience in these areas. Furthermore, the Ministry undertakes ex-post evaluations of each project, which builds on the final report submitted by the project team, in cooperation with the programme committee and external experts.

[8] The Government of the Czech Republic made a pledge to the European Commission when the biggest research centres were asking for the support from ERDF that it would make sure they are sustainable after the end of the ERDF funding.
[9] Law Nr. 130/2002 Coll., on public support of research, experimental development and innovation, Art. 21.
[10] Stakeholders were also involved in the design stage of the programmes by means of reviewing initial proposals, participating in round tables and via the Council for R&D&I which has to give approval to all programmes which use public support for R&D&I and which is composed of representatives of stakeholder organisations.
[11] Ministry of Education, Youth and Sports (2012) Proposal for Establishing National Programmes of Sustainability.

As for the NPS I and NPS II, reduction of regional disparities is not an explicit goal of either of the two programmes. However, it is among the main aim of the programmes to "considerably contribute to regional development". This is achieved by encouraging the supported regional research centres to intensify their linkages with local businesses and form partnerships with them. Furthermore, both national programmes are directly targeted at ensuring sustainability of some large and regional research projects funded in the 2007–2013 period, predominantly from the ERDF (Operational Programme Research and Development for Innovation). Given that the largest research projects (including some of the large infrastructures) developed with the support of ERDF OPs 2007-2013 were mostly located outside of Prague (i.e. in relatively poorer regions), which are now being partially (the project have to find part of their funding elsewhere, which is a condition for receiving funding from the state budget) funded from the state budget, the national programmes help to reduce regional disparities. However, as explained partially in the context section above, Prague, as a very rich region, is not excluded from the NPS I and NPS II, unlike in most of the ERDF-funded OPs 2007-2013 (Prague had its own ERDF-funded programme in that period but with a relatively small budget and limited priorities). Given that in the Czech Republic, Prague is seen (and this was confirmed by interviews with the Ministry of Finance and the Ministry for Regional Development) as "pulling" factor for the other regions.

There are multiple providers of national support for R&D&I and alongside them, the ESI Funds OPs also operate in the Czech Republic in the area or R&D&I. On top of this, Czech research organisations have access to international R&D&I support initiatives, such as EU communitarian programmes. Therefore, a certain level of coordination between the various providers is necessary in order to make sure overlaps between various initiatives are non-existent or at least minimalised. The NPS I and NPS II programmes are complementary to the existing initiatives because they, to a large extent, help bridge the transitionary period into which the research centres entered after the end of the 2007-2013 funding period (i.e. post 2015). Therefore, there is a very good level of complementarity in the 2014-2020. For the period 2021+, this remains unclear because the OPs are yet to be finalised. Furthermore, neither NPS I nor NPS II would have existed if it had not been for ESI Funds because they were both created as reflection of the follow-up plans discussed after the end of the programming period 2007–2013. At the same time, national stakeholders in R&D&I heavily encourage research organisations (and individual researchers and research teams) to be as active as possible in the EU communitarian programmes, such as the future Horizon Europe programme.

6. Strengths and Weaknesses

- There is a requirement in the rules of the NPS I and NPS II that applicants have to find a half of the necessary funding from other sources. This requirement motivates them to engage in further collaboration and form partnerships across regions and even internationally.
- It supports excellent projects that were successful in international competition. It therefore rewards internationally recognised excellence, it is an initiative which supports innovation in SMEs, which is crucial for any knowledge-based economy.
- Priorities of Cabinet ministers tend to change relatively quickly, not fully taking into account that a large number of strategic steps require a longer period to achieve any impact.

7. Transferable Lessons

- Flexibility of national funding, as opposed to the ESI Funds and other non-national funding initiatives. This case study shows that national funding initiatives provide a larger degree of the necessary flexibility, as opposed to, the ESI Funds. This flexibility has two levels: a) national programmes usually need a shorter time from identification of a need in society to implementation of intervention and b) owners of national programmes usually have a higher degree of discretion in terms of topics and focus of intervention.
- Uncertainty around the national public spending on R&D&I after 2021, the new programming period is likely to bring a lower amount of EU funding in general, higher ratios of national co-financing and therefore significantly higher pressures on the national budget. This, ultimately, can mean a lower amount of available national funding to address flexibly priorities, such as those that subject to the case study.

4 HUNGARY

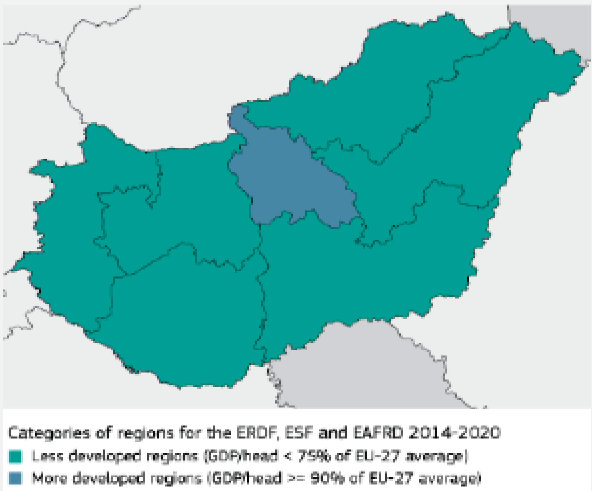
Country briefings

National Policies addressing regional economic disparities – Hungary (HU)

1. Background

Hungary is divided into 19 NUTS 3 counties plus Budapest and seven statistical NUTS 2 regions. It has to be pointed out that the 2012 public administration reform abolished the regional and micro-regional development councils, making the elected county level the main territorial actor.

Central Hungary and especially Budapest have more than twice the GDP per capita compared to the other six regions benefiting from growth-enhancing agglomeration effects. Another disparity is apparent in Western and Central Transdanubia. This part is more developed than the Eastern part thanks to strong inward investment. For the 2014-2020 programming period, all regions despite Central Hungary were classified as Less Developed Regions.



Source: European Commission (2019).

While there is strong economic development in Central Hungary, there are a large number of peripheral, lagging and poorly accessible sub-regions and settlements within the region. The performance indicators of these sub-regions are similar to those of Hungary's least developed regions.

2. Architecture of national policies for addressing regional economic disparities

Focus

The aim of national policy on regional disparities is to put the country on the path of growth, reducing territorial inequalities, and to achieve a more balanced territorial development. Narrowing the gap between the development level of Hungary and the EU's average is among the objectives of the Szechenyi 2020 national development plan. Hungary does not have an explicit policy to reduce disparities in terms of economic development between Central Hungary and other Hungarian regions. The disparities within the regions, at the NUTS 3 level are considered to be more important. The differences are rather structural and are a result of 25 years of lagging behind. For instance, large cities such as Debrecen or Gyor are developed but some micro-regions close to the border or even within the Central Hungarian region are disadvantaged and need targeted funding.

Design and governance

In Hungary, spatial development planning is stipulated in the so-called National Development and Territorial Development Concept (OFTK). The latest OFTK was issued in 2014 and is supposed to last till 2030. The OFTK aims to create coherence between sectoral and territorial plans and make the country's development policy, spatial planning, and the resulting regulation a coherent, unified system, with unified action.

Within Hungary, the NUTS 3 counties and the cities with county rights that have set up their own regional development concepts and programmes, to co-ordinate investments across sectors. Counties are also responsible for integrating territorial investment, in parallel with those developed by the largest cities.

Similar to other countries, Hungary has a National Rural Development Strategy (2012-20), which is managed by the Ministry of Agriculture. The strategy explores the development challenges of agriculture, rural development, the food sector and keeps an eye on environmental protection.[12]

3. Relationship of national funding and funding through the ESI Funds

National policies addressing regional disparities are mostly implemented through the ERDF programme which happens particularly through the Territorial and Municipality Development Programme (TOP) and the Hungarian Countryside Development Programme. Hungary has committed itself to implement a strong economic recovery programme for the 2014-2020 period, hence, it will spend 60% of the EU funds and co-financing available in this period on economic development.

Nationally funded regional development programmes aim at reducing regional or territorial disparities within the country. Nationally funded sectoral programmes usually do not have an explicit regional or territorial character, although some measures have indirect implications for regional development. There are some recent strategies with a regional character. For instance, the new SME government strategy (designed by the Ministry for Innovation and Technology) has a relevant spatial aspect, is however still to be finalised.

4. Overview of national policy measures addressing regional economic disparities

Policy measures that aim at enhancing regional development outside of Central Hungary are related to urban development, investment promotion, R&D, and employment support.

The Modern Cities Programme (fiche HU1) is Hungary's largest local development programme. In this context, towns with county rights (outside of Budapest) receive support for objectives such as transport, industrial parks, education, sport, innovation and tourism. Within this programme, cities can come up with a comprehensive development plan to modernise their cities. This is to be financed through a mix of national funding but can also include EU funding. Until the beginning of 2019, €1,250 million have been allocated to projects.

The large projects of the Hungarian Investment Promotion Agency (HIPA) (fiche HU2) aim at increasing economic development and employment in the Northern and Eastern part of the country and at balancing the development of Central Hungary and Western Transdanubia. The projects are funded by the HIPA, which is the national investment promotion organisation governed by the Ministry of Foreign Affairs and Trade. In 2018, HIPA conducted 98 positive investment decisions and projects. As a result of these investment projects, it is expected that approximately €4,0 million will be invested in the coming years, and approximately 17,000 new jobs are going to be created.

The National Research, Development and Innovation Office (NRDIO) runs the National RDI Fund which is mostly dedicated to support research and innovation irrespectively of the location of the applicant. There are no explicit instruments that target Less Developed Regions in the current period (the regional innovation support programme that included a range of measures for universities and regional companies has been stopped in 2013). Nevertheless, there are measures implicitly affecting the countryside. These include the recently launched University Innovation Ecosystem (fiche HU3) and the Open Innovation measures (fiche (HU4). The University Innovation Ecosystem with a budget of €4.6 million aims to support the development and effective operation of result-oriented university innovation ecosystems. The programme supports the development of an ecosystem promoting the commercialisation of R&D results of higher education institutions and technology transfer to companies. This measure is a follow-up to the regional knowledge centre measure and helps regional universities to create innovation partnerships with local companies. The measure 'Open Innovation' with a total budget of €5 million, finances large companies based in the country to perform small-scale R&D&I projects carried out by SMEs and start-ups. Beneficiaries are companies with production facilities. Since the manufacturing sites are outside of Budapest, this measure is expected to have a positive impact on the economic development of regions.

In the area of employment support, the Ministry of Finance launched the Employment Support Programme (fiche HU5) with tenders published in 2017 and 2018 with a total budget of 15 billion Euro. This should promote job creation and retention for micro, small and medium-sized

[12] OECD (2019), Economic Surveys - Hungary 2019.

enterprises. It is expected that this measure will create new jobs, particularly in SMEs. Due to the nature of the investment, the impact of this measure is expected to be the greatest in the regions outside Budapest.

5. Classification of policy measures

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
Modern Cities Programme (HU1)	Budgetary transfers Grants Public procurements	Sector Development and Targeted Investment	Research infrastructures Industrial parks and other business infrastructures Clusters, centres of excellence and technology centres	Funding at national level, design and implementation at the local level
		Urbanisation and Connectivity	Transport infrastructures	
		Skills and Mobility	Educational infrastructures, universities	
Large Projects Hungarian Investment Promotion Agency (HIPA) (HU2)	Loans, tax incentives	Business Environment and Trade	Investment promotion, Tax incentives	Funding, design and implementation at the national level
University Innovation Ecosystem (HU3)	Grants	Sector Development and Targeted Investment	Commercialisation of research and technology transfer Business development and innovation support to firms	Funding, design at the national level, implementation at the national level
Open Innovation (HU4)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design at the national level, implementation at the national level
Employment support programme (HU5)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level
		Skills and Mobility	Labour market training	

6. Main Sources

Interviews

- Laszlo Szilagyi, Ministry of Innovation and Technology
- Dr István Szabó and Dr Ádám Mészáros, National Research, Development and Innovation Office
- Gabor Veress, Gabor Horvath, Zsuzsa Forgacs, Ministry of Finance

Main documents and sources:

- Government of Hungary, (2019): National Reform Programme Hungary, https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-hungary_hu.pdf
- OECD (2019), OECD Economic Surveys, Hungary 2019National Development and Territorial Development Concept, https://regionalispolitika.kormany.hu/nemzeti-fejlesztes-2030-orszagos-fejlesztesi-es-teruletfejlesztesi-koncepcio

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- Partnership Agreement Hungary 2014-2020, https://www.palyazat.gov.hu/szechenyi_2020

Country fiches

Modern Cities Programme	
ID	**HU1**
Country	Hungary
Time horizon	2015–2025
Region(s) affected	Cities with county rights (all Hungarian regions/counties)
Objectives and Scope	The objective is to foster the economic and infrastructural development and modernisation of cities with county rights in Hungary. (Budapest is not included)
Overview	The Modern Cities Programme is Hungary's largest local development programme, thanks to which towns with county rights receive support supported by the Hungarian Government for objectives such as transport, industrial parks, education, sport, innovation and tourism. Prime Minister Viktor Orbán announced this programme at the beginning of 2015, visiting the 23 cities with county rights. Within this programme cities can come up with a comprehensive development plan to modernise their cities. This plan is then to be financed by a mix of national funding but also including other EU etc funding. Institutions responsible include: • Hungarian Treasury • Government Commission responsible for local development • City governments • An example for the type of projects financed under this programme in the case of Debrecen: • Development of the University of Debrecen • Infrastructure investment of the innovation centre • Development of the Debrecen train station • Modernisation of the Theatre • Development of an international school • Investment into the South Industrial Park • Development of the city airport
Rationale	The rationale behind the policy is to support the balanced development of cities with country rights across all Hungarian regions.
Type of policy category	Sector Development and Targeted Investment Urbanisation and connectivity Skills and mobility
Type of policy instrument	Research Infrastructures Industrial parks and other business infrastructures

	Clusters, centres of excellence and technology centres Transport infrastructures Educational infrastructures, Universities
Type of funding	Grants, budgetary transfers, public procurements
Budget and expenditures	So far approx. €1250 million allocated
Governance	Design: level of cities (city governments prepare their plans and submit ideas) Implementation: level of cities Finance: national government
Policy implementation and policy mix	In case of a policy fiche, the downstream Policy measures/financing schemes/initiatives launched under the specific policy (strategy/policy or fiscal/budgetary transfers) are mentioned and links to the relevant fiches are established In case of a measure fiche the upstream policy is mentioned and a link to the policy is established Target group intended (and unintended) beneficiaries of the policy actions Additional aspects as identified during the research
Relevant ESIF measures	N/A
Impact: monitoring and evaluation	N/A
Link	Interview and news items https://hirlevel.egov.hu/tag/modern-varosok-program/ https://www.portfolio.hu/cimke/modern%20v%C3%A1rosok%20program

Large projects of the Hungarian Investment Promotion Agency (HIPA)	
ID	**HU2**
Country	Hungary
Time horizon	2014 -
Region(s) affected	North Hungary, Northern Great Plain, South Great Plain
Objectives and Scope	The objective of the large projects of HIPA is to increase economic development and employment creation. In 2018, HIPA conducted 98 positive investment decisions and projects. As a result of these investment projects, more than EUR 4311m will be invested in the coming years, and 17,024 new jobs will be created in Hungary. HIPA has an objective to promote investments to be realised in the Northern and Eastern part of the country in order to increase investments and job creation.
Overview	HIPA – Hungarian Investment Promotion Agency, Hungarian Investment Promotion Agency (HIPA) is a national investment promotion organisation governed by the Ministry of Foreign

	Affairs and Trade. It provides management consulting services to interested companies free of charge in an end-to-end, one-stop-shop service model, supporting them in selecting a business location, providing tailor made incentive offers and information on state aid issues. Besides this, HIPA also aims to link the potential financial and strategic investors with Hungarian projects in need of investment, handling a continuously growing database.
Rationale	Foreign direct investment and investment promotion contributes to the creation of new jobs and new economic activities that increase economic growth.
Type of policy category	Business environment and trade
Type of policy instrument	Investment promotion
Type of funding	Tax incentives, loans
Budget and expenditures	N/A
Governance	Design: national government and HIPA Implementation: HIPA, national level Finance: national government
Policy implementation and policy mix	N/A
Relevant ESIF measures	N/A
Impact: monitoring and evaluation	N/A
Link	N/A

University Innovation Ecosystems	
ID	**HU3**
Country	Hungary
Time horizon	2019 - 2021
Region(s) affected	Both Budapest and the countryside is addressed with this measure, but the initiative will have a strong impact on the innovation potential of counties with universities where actually this impact is expected to be more substantial
Objectives and Scope	The National Research, Development and Innovation Office launched this call with the objective to support the development and effective operation of result-oriented university innovation ecosystems.
Overview	Commercialisation of R&D results of higher education institutions by companies is facilitated by the entrepreneurial approach developed by teachers, researchers and students, by the institutional-level management of technology transfer and innovation. Specific goals: • Establishing a relationship based on mutual benefits between universities and business.

	• Displaying the intellectual and infrastructural competences of the institutions as a transparent service. • Establishing a one-stop-shop for businesses as universities as networked nodes. • Encouraging technology-based transfer and innovation management in institutions. • Enhancing entrepreneurial mindsets among educators, researchers and students. • Commercialisation of institutional RDI results through corporate collaboration. Applications can be submitted by Hungarian state-recognised higher education institutions: • State universities • Universities of applied sciences • 599 GFO code universities with the legal status of a legal person founded by the Hungarian State.
Rationale	The National Research and Development Office does not have a cohesion goal but instead its primarily objective is to increase the innovativeness of companies (especially SMEs) irrespectively where they are. The share of companies and especially SMEs that innovate is very low in Hungary and needs to be addressed. The reason why companies do not innovate is because they do not see reasons for innovation.
Type of policy category	Sector Development and Targeted Investments
Type of policy instrument	Commercialisation of research and technology transfer Business development and innovation support to firms
Type of funding	Grant
Budget and expenditures	€4.68 million (they expect around 12-24 projects with a project budget of around €300.000 each)
Governance	Finance: national government, Design: national government in close consultation with the counties, universities and local innovation actors (e.g. a country innovation roadshow has been organised where the draft of the upcoming calls have been consulted) Implementation: National Research, Development and Innovation Office. university
Policy implementation and policy mix	N/A
Relevant ESIF measures	N/A
Impact: monitoring and evaluation	N/A
Link	N/A

Open Innovation	
ID	**HU4**
Country	Hungary
Title	Open Innovation
Time horizon	2019 - 2021
Region(s) affected	Both Budapest and the countryside is addressed with this measure, but the nature of the call is such that it will have a strong impact on the innovation potential of counties where large companies have their production units
Objectives and Scope	The objective of this measure is to support innovation in SMEs.
Overview	The measure finances the demand of large companies in the country for small-scale R&D&I projects that should be carried out by SMEs, start-ups and result in the creation of marketable products, services.
Rationale	The National Research and Development Office does not have a cohesion goal but instead its primarily objective is to increase the innovativeness of companies (especially SMEs) irrespectively where they are. The share of companies and especially SMEs that innovate is very low in Hungary and needs to be addressed. The reason why companies do not innovate is because they do not see reasons for innovation. Since the centres of large companies and production facilities are usually outside of the Central Hungarian region, the measure expects to affect the countryside the most extensively.
Type of policy category	Sectoral Development and Targeted Investments
Type of policy instrument	Business development and innovation support to firms
Type of funding	Grant
Budget and expenditures	€5 million (with a project budget of between 40 - 400k each)
Governance	Finance: national government Design: national government in close consultation with the counties, universities and local innovation actors (e.g. a country innovation roadshow has been organised where the draft of the upcoming calls have been consulted) Implementation: National Research, Development and Innovation Office.
Policy implementation and policy mix	N/A
Relevant ESIF measures	N/A
Impact: monitoring and evaluation	N/A
Source	N/A

Employment Support Programme	
ID	HU5
Country	Hungary
Title	2017-2018
Time horizon	2018-2019
Region(s) affected	In the first phase of the programme, the counties: Hajdú-Bihar, Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén have been targeted. In the second phase the programme has been extended to Nógrádra, Heves and Jász-Nagykun-Szolnok.
Objectives and Scope	The Ministry of Finance launched this programme in 2017 in order to promote job creation, foster the labour market entry of unemployed and public employed and support their uptake by micro, small and medium-sized enterprises. The aim is also to enable labour offices to offer better support for career starters, mothers with young children, public workers and job seekers. The ministry strives to help strengthen the relationship between employment offices and companies.
Overview	The programme builds on three pillars: those who leave public employment may benefit from a placement benefit if they have a successful open market position, it is possible to employ a professional assistant at a workplace by taking over a part of the wage cost,
Rationale	The government treats the situation of SMEs as a priority, as these companies can be further strengthened with the help of technological developments, the targeted use of EU and domestic subsidies and their competitiveness. As he said, the substantial support for SMEs is essential for the continued recovery of the Hungarian economy, as high-value-added products require a high level of technology that can gradually improve their export ability. With the help of the central program, SMEs can, among other things, acquire new assets, machines, but the subsidy amount can also be used for real estate purchase or rentals, said the head of the ministry.
Type of policy category	• Sector Development and Targeted Investment Skills and Mobility
Type of policy instrument	• Business development and innovation support to firms Labour market training
Type of funding	Grants
Budget and expenditures	€15 million (2018)
Governance	It is the Hungarian Government and the Ministry of Finance that is responsible for the implementation of this measure. Funding: national level Design: national level Implementation: regional level

Policy implementation and policy mix	N/A
Relevant ESIF measures	N/A
Impact: monitoring and evaluation	N/A
Source	Interview https://nfsz.munka.hu/Lapok/programok/palyazatok/koszf_vers_p.aspx

Case study

Modern Cities Programme – Hungary (HU)

1. Executive Summary

The Modern Cities Programme is Hungary's largest local development programme. Cities with county rights receive support from the Hungarian Government for objectives such as transport, industrial parks, education, sport, innovation and tourism. The implementation is based on a cooperation agreement concluded with the cities. Although it is the cities except for Budapest that have been supported by this measure, there is no other preferential treatment among the regions for instance the Eastern part of the country over the West. The programme started in 2015 and all investments are expected to be implemented by 2025. From 2015 to the end of August 2019, the indicative need for financial resources to implement the programme amounted to 12 billion Euro. Most of the developments are financed from domestic sources (76%) and a smaller part (24%) from EU sources. One of the main goals of the programme (besides transport infrastructure) is to develop the local economy and support job-creating investments. The aim is to strengthen industrial parks, improve the quality of the workforce and foster business creation. In view of the achievement of these complex goals, the establishment of industrial parks is a priority of the programme.

Currently, the programme contains 269 projects, out of which 103 had been implemented. The vast majority of the projects are planned to be completed by 2025. For all projects, preparatory work has been started and, in many cases, construction and implementation is under way. On average, 10-15 new projects per city have been launched. The support is a substantial financial contribution to the development of the cities. The projects implemented through the programme are well suited to the cities' strategic directions, serving economic and social development. The measure is considered to be a bottom-up initiative that helps connecting the local development ideas to the government's planning and economic strategy.

2. Background and Context

Hungary is divided into 19 NUTS 3 counties plus Budapest and seven statistical NUTS 2 regions. It has to be pointed out that the 2012 public administration reform abolished the regional and micro-regional development councils, making the elected county level the main territorial actor. Central Hungary and especially Budapest have more than twice the GDP per capita compared to the other six regions benefiting from growth-enhancing agglomeration effects.

Another disparity is apparent in Western and Central Transdanubia. This part is more developed than the Eastern part thanks to strong inward investment. For the 2014-2020 programming period, all regions despite Central Hungary were classified as Less Developed Regions. While there is strong economic development in Central Hungary, there are a large number of peripheral, lagging and poorly accessible sub-regions and settlements within the region. The performance indicators of these sub-regions are similar to those of Hungary's least developed regions.

Regional disparities were reinforced after the country joined the EU, however, after the crisis a diffused growth can be highlighted which means that the strongest regions have been growing less than the country average (Capello et al, 2019). In Hungary, spatial development planning is stipulated in the so-called National Development and Spatial Development Concept (OFTK). The latest OFTK was issued in 2014 and it has a time horizon till 2030. The OFTK aims to make the country's development policy, spatial planning, and the resulting regulation a coherent, unified system, with unified action, effective and consistent measures for the dynamic development of the country, putting it on the path of growth, reducing territorial inequalities, and to achieve a more balanced territorial development. The aim of the OFTK is to create coherence between sectoral and territorial plans. The Government is committed to coordinate national development and regional development concepts in a coherent framework in order to create a long and medium-term spatial dimension between sectoral and territorial development policies and policy objectives.

3. Description of the Policy Measure

The programme focuses on towns and cities with county rights (outside of Budapest) to support transport, industrial parks, education, sport, innovation and tourism, based on comprehensive development plans by the local actors. The Programmes cover sector development and targeted investments, urbanisation and connectivity and skills and mobility. Despite of the strong economic development of Central Hungary, there are a large number of peripheral, lagging and poorly accessible sub-regions and settlements within that region, their performance indicators similar to those of Hungary's least developed regions. Funding is designed at national level; the design and implementation occurs at local level.

The measure fits the National Development and Spatial Development Concept and is in line with the city strategies. The measure is complementary to the planned investments of the regional OP. Under a government decision, projects implemented under this programme must be funded from EU resources when they fit the regional OP, otherwise they need to be new development projects.

4. Implementation of the Policy Measure

The institutions responsible for the implementation of this programme include the Office of the Prime Minister (Deputy State Secretary for the Coordination of the Development of Modern Cities and Villages), the Hungarian Treasury and the city governments. The implementation requires the cooperation of a range of local and national organisations and a strong alignment between the government and the major city halls on the countryside. Currently, the programme contains 269 projects, out of which 103 had been implemented. The vast majority of the projects are planned to be completed by 2025. For all projects, preparatory work has been started and, in many cases, construction and implementation is under way. On average, 10-15 new projects per city have been launched. The types of projects that have been implemented in the framework of this programme differ from one city to another. As concluded in the cooperation agreement, the city, in consultation with the Government, has identified the investments that best serve its modernisation. Nevertheless, almost all cities planned to implement national and local road development, industrial parks, sports infrastructure, cultural and educational programmes, tourism and the improvement of the urban living environment. Some cities are also implementing projects to develop their healthcare facilities.

5. Performance

There has been no assessment or evaluation of the policy measure and it is not known what the contribution of the measure is to reduce disparities. It is considered that the impact of the measure on cities’ economies is secured by the mere scale of the investments and the large amount of resources dedicated to their implementation. The measure fits the National Development and Spatial Development Concept and is in line with the city strategies. The measure is complementary to the planned investments of the regional OP. Under a government decision, projects implemented under this programme must be funded from EU resources when they fit the regional OP, otherwise they need to be new development projects.

6. Strengths and Weaknesses

- The government support is a substantial financial contribution to the development of the cities. The projects implemented through the programme are well suited to the cities’ strategic directions, serving the development of the transport systems, strengthening the university’s R&D activities and the further development of the natural and built heritage.
- The measure is considered to be a bottom-up initiative that helps connecting the local development ideas to the government’s planning and economic strategy.
- It takes a long time to properly prepare, plan, and authorize large-scale infrastructure investments, but these are essential for quality.

- A potential risk is seen in the subsequent maintenance of the facilities financed by the programme and a long-term sustainability plan would be essential.

7. Transferable Lessons

The transferable lessons include the model of cooperation between the national government and cities with country rights that are the main pillars of the economic development at the countryside. The measure offers a good practice how bottom-up local development can be fostered and how local ideas can be channelled into the overall national strategy. The measure is also an interesting case how national and EU funding can be efficiently combined.

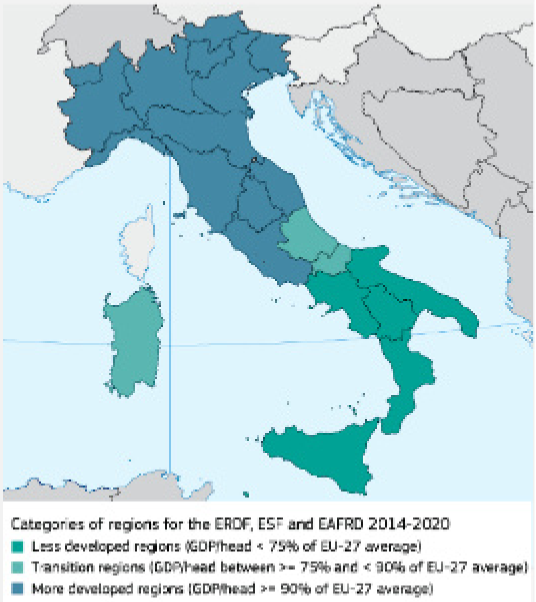
5 ITALY

Country briefings

National Policies addressing regional economic disparities – Italy (IT)

1. Background

Italy is a country with significant regional economic disparities between the North and the South, which have increased over the last 16 years. The GDP per capita of Bolzano which experiences a productivity growth of 0.2% per year, is 153% of the country average, while in Calabria with negative productivity growth of -1% it is only 60%. In 2017, the gross domestic product (GDP) of Mezzogiorno[13] is still 10 points below the level of 2008, and the most recent data even indicates a marked slowdown in growth, with the reopening of a significant dynamic of divergence between areas. In November 2018, the Association of the Industrial Development of Mezzogiorno (SVIMEZ) forecasted a GDP growth rate in 2018 of 1,3% in the Centre-North and 0.8 per cent in the South, with further risks of a "slowdown" in 2019.[14]



Source: European Commission (2019).

The disparities are even higher with regards to social and labour market indicators. According to OECD data[15] Italy has the highest regional disparities among OECD countries in unemployment rates and the second largest in terms of safety.[16] Among the regions comprising Mezzogiorno, Campania, Puglia, Basilicata, Calabria and Sicilia are Less Developed Regions while Abruzzo, Sardinia and Molise are Transition Regions.

2. Architecture of national policies for addressing regional economic disparities

Focus

Italy has a strong history of policy addressing regional disparities that goes back even before the establishment of EU cohesion policy. The focus of the policy is to address the structural dualism of the economy between the North and the South (Mezzogiorno), an effort which absorbs more than 80% of the national funding for regional disparities. Besides that, policy is aimed at addressing territorial disparities across the country. Approximately 20% of the funding is allocated to the Centre and North Italy on initiatives at the territorial level.

In terms of focus, measures addressing regional disparities in the south have both a thematic and a geographical focus with programmes addressing either specific regions or specific thematic priorities across all southern regions. In terms of sectors, the policies focus on existing strengths in areas such as aerospace, electronics, steel, chemicals, agri-industry and tourism.

Design and governance

Policy addressing regional disparities is in the responsibility of the Minister of the South (previously called Minister for Territorial Cohesion), and funding decisions are taken by the Inter-ministerial Committee on Economic Planning (CIPE). The implementation of the policies is the responsibility

[13] The Mezzogiorno is comprised by the NUTS 2 regions: Abruzzo, Apulia, Basilicata, Calabria, Campania, Molise, Sicily and Sardinia.
[14] Ministero dell' Economia e delle Finanze (2019) Documento di Economia e Finanza 2019
[15] OECD (2018), Regions and Cities at a Glance 2018.
[16] The indicator used by OECD for safety, is the number of homicides per 100 000 people.

of the regional governments through plans and programmes, coordinated centrally by the Department for Cohesion Policy and the Agency for the Development of Cohesion Policy.

The policy is funded by two instruments, the National Development and Cohesion Fund (FSC)[17] and the Revolving Fund (Article 5 of Law 183/1987).

- FSC is the main funding instrument and provides funding for the following programmes:
- National Operational Plans approved by the Inter-ministerial Committee on Economic Planning (CIPE)
- Priority plans and other CIPE allocations (launched prior to adoption of CIPE resolution no. 25/2016 on allocation of the fund);
- Allocations under provisions of law to individual projects of national interest;
- Development Pacts between the Government and regional governments and metropolitan areas (21 pacts already signed).

The Revolving Fund provides funding to the Operational Complementary Programmes (see fiche IT5)[18] aiming at the completion of interventions supported by Structural Funds during the previous programming period 2007-2013. Besides, it provides complementary (in addition to co-financing) funding to projects financed by the ESI Funds.

Overall, the financial resources allocated to addressing regional disparities, including all economic disparity objectives and types of regions, for the 2014-2020 cycle amount to 144.8 billion Euro. The national resources, including the co-financing to the ESI Funds, amounts to 98.05 billion Euro, compared to 44.66 billion Eurp contributed by the ESI Funds. Without the co-financing, the national funding reaches 67.55 billion Euro.[19]

Focusing only on Mezzogiorno and including all cohesion objectives, the total national funding, including the co-financing, amounts to 72.03 billion Euro while the ESI Funds' contribution is €30.74 billion. The national funding for Mezzogiorno without the co-financing is 56.13 billion Euro out of which 35.4 billion Euro are directed to economic cohesion objectives.

3. Relationship of national funding and the support through the ESI Funds

The design of national instruments and especially the FSC is quite similar to the instruments of the ESI Funds in terms of the architecture and their multiannual character. However, their focus is mainly on infrastructure, which is no longer supported by the ESI Funds, and less on soft measures. The FSC allows for higher funding intensities compared to the ESI Funds and is more flexible in terms of the planning and the milestones.

The Revolving Fund and the Operational Complementary Programme are meant to work complementary to the ESI Funds, either by continuing the funding from the previous programming period or by directing the funding to the projects funded through the ESI Funds in case the funding from the latter is not sufficient for the completion of the project.

4. Overview of national policy measures addressing regional economic disparities

The National Operational Plans 2014-2020 are part of the broader policy mix which is financed by the National Fund for Cohesion and Development (FSC) (see fiche IT1). In terms of their thematic focus, they mirror the OPs of the ESI Funds although they are putting emphasis on supporting infrastructures, that are not financed by the ESI Funds, and less on soft measures. The NOPs finance large projects or investments of national interregional or regional importance.

There are eight NOPs with a total budget of 25.8 billion Euro. However, only four of them, namely the NOPs Infrastructures, Environment, Entrepreneurship and Competition and Agriculture, with a budget of the 23.6 billion Euro, support activities with economic regional disparities objectives. Although they are national in scope, 80% of the budget is directed to Mezzogiorno and the rest of it to the Central and Northern Italy. Until the end of 2018, only 3.4 billion Euro were spent.

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[17] Fondo Sviluppo e Coesione (FSC).
[18] Programmi Operativi Complementari (POC).
[19] https://opencoesione.gov.it/en/risorse_2014_2020/.

Pacts for Development (fiche IT2.1) are agreements between the regional authorities (President of the Regions or Mayors) and the Government in accordance with the Masterplan of the South (fiche IT2) which is a plan for the development of the regions in the south of Italy to close the gap with the Centre-North. The focus of the plan is on strengthening the southern economy in areas such as aerospace, electronics, steel, chemicals, agri-industry and tourism. The Pacts for Development are the result of a dialogue between the government and the regional administrations/metropolitan cities of the South of Italy, which led to the preparation of 16 interinstitutional agreements through which initiatives for the alleviation of economic, social and territorial disparity are implemented. Eight are agreements with the Regions and seven with the Metropolitan Cities, to which the Institutional Development Contract (CIS) of Taranto (Puglia) was added. The total budget for the period 2014-2020 is 13.4 billion Euro of which only 0.197 billion Euro have been spent.

The South Enterprise Fund (fiche IT3) has been created in 2017 to support SMEs in the Regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily. It has a duration of twelve years and has been financed with €150 million by the FSC. The fund provides equity funding and loans to SMEs operating in the above regions.

Stay in the South (Resto al Sud) (fiche IT4) supports the establishment of new companies in the south of Italy aiming at computing the increasing brain drain mainly observed among the younger population. The measure provides working capital and finances the purchase of machinery, plant and equipment, computer programmes and ICT services, as well as the necessary construction work. The total budget of the programme amounts to 1.25 billion Euro. Until the end of 2018, 2195 applications had been approved absorbing funding of €68.3 million and leveraging private investments of €77.2 million.

The Complementary Operational Programs (POC) (fiche IT5) work complementary to the ESI Funds, aiming at ensuring the completion of projects started in the 2007-2013 programming period and on providing additional funding (in addition to co-financing) to projects and programmes financed by the ESI Funds in the current programming period. In total nine POC with relevant economic regional objectives addressing disparities have been identified. Six of them have a thematic focus covering the regions of Mezzogiorno (Calabria, Campania, Siciliana). The programmes provide grants and cover a very broad spectrum of objectives. POCs are funded by the Revolving Fund (Article 5 of Law 183/1987) by 8.8 billion Euro, out of which 8.5 billion Euro are directed to programmes with an economic cohesion objective.

5. Classification of policies

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
National Operational Plans 2014-2020 (IT1)	Grants, financial engineering	Business Environment and Trade	Investment promotion Venture capital and other financial instruments	Funding at the national level Designed in cooperation between the Government and the Region and Implemented at the regional level
		Sector Development and Targeted Investment	Business development and innovation support to firms Research infrastructure Industrial parks and other business infrastructures	
		Urbanisation and Connectivity	Transport infrastructure Digital infrastructures	
Pact for Development (IT2.1)	Grants	All policy categories	All policy instruments	Funded at the national level Design in cooperation of national and regional authorities

				Implementation by regions
South Enterprise Fund (IT3)	Equity funding and loans	Business Environment and Trade	Venture capital funds and other financial instruments	Funded, designed and implemented at the national level
Stay in the South (IT4)	Loans	Business Environment and Trade	Investment promotion	Funded, designed and implemented at the national level
Complementary Operational Programs (IT5)	Grants	Sector Development and Targeted Investment	Various types	Funding and design at the national level, implementation at national and regional level
		Urbanisation and Connectivity	Transport infrastructures	
		Skills and Mobility	New skills development Mobility of researchers	

6. Main Sources

Interviews

- Michele D'Ercole, from the Agency for Territorial Cohesion
- Paola Casavola, from the Department for Cohesion Policy of the Presidency of the Council of Ministers
- Stefano Mangogna, from the Ministry of Economics and Finance

Main documents and sources

- Government of Italy, (2019): National Reform Programme Italy, https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-latvia_en.pdf
- OECD (2018), Regions and Cities at a Glance 2018.
- Ministero dell' Economia e delle Finanze (2019) Documento di Economia e Finanza 2019
- https://opencoesione.gov.it/en/risorse_2014_2020/
- Additional sources can be found in Annex 2 with the individual policy fiches.
- Partnership Agreement Italy 2014-2020, https://ec.europa.eu/info/publications/partnership-agreement-italy-2014-20_en

Country fiches

FSC 2014-2020: Programmi Operativi Nazionali (National Operational Plans)	
ID	**IT1**
Country	**Italy**
Time horizon	2014-2020
Region(s) affected	80% of their budget is directed to Mezzogiorno and 20% to the Centre and North.
Objectives and Scope	The objective of the operational plans is to restore the economic and social balance between the different areas of the country. Divided in thematic areas, the operational plans aim at financing strategic

projects, both infrastructural and intangible, of national, interregional and regional importance.

Overview

There are eight operational plans, each one supporting one thematic area mirroring an OP of the ESI Funds. Four of them are supporting areas with economic cohesion objectives.

The Plans finance large projects or investments articulated in individual interventions that are functionally connected.

Rationale

The measure is part of a bigger framework of policies for the development and growth of Southern Italy, financed by the national Fund for Cohesion and Development (FSC).

Type of policy category

- Business environment and trade
- Sector Development and Targeted Investment
- Urbanisation and Connectivity

Type of policy instrument

- Investment promotion
- Venture capital and other financial instruments
- Business development and innovation support to firms
- Research infrastructures
- Industrial parks and other business infrastructures
- Transport infrastructure
- Digital infrastructures

Type of funding

Grants, financial engineering

Budget and expenditures

Total budget approved by CIPE 25.8 billion Euro, where the budget related only to economic cohesion policies amounts to 23.6 billion Euro and it is distributed as follows:

Thematic Areas	**Budgeted** (billion Euro)	**Spent until 2018** (billion Euro)
Infrastructure	17.9	1.9
Environment	2.8	0.8
Entrepreneurship and Competition	2.5	0.7
Agriculture	0.4	0.02

Governance

Combination of Scenario 1 and 2:

The plans were drawn up in accordance with the provisions contained in the resolution of the Interministerial Committee for Economic Planning (CIPE) of 10 August 2016 and with the indications provided by the Presidency of the Council of Ministers - Department for Cohesion Policies, and with the related guidelines made available by the Agency for Territorial Cohesion. The CIPE is responsible for the allocation by national thematic areas and the subsequent approval of the individual Operational Plans through its own deliberations, as well as, on the basis of the findings on the actual implementation of the Operational Plans, the power to provide for a different allocation of the budget between the national thematic areas, the reshaping of the annual spending quotas for each area and the revocation of

	allocations due to the impossibility of occurrence, failure to meet deadlines or non-compliance. Depending on the plan, the central administration is assigned to the relevant ministry (Ministry of Infrastructure and Transport for the Infrastructure Plan, Ministry of Environment for the Environment Plan, Ministry of Economic Development for the Entrepreneurship and Competition Plan, Ministry of Agricultural, Food and Forestry Policies for the Agriculture Plan). Depending on the type of measure, the final implementation is either in the hand of the ministry, central administration or regional administration.
Policy implementation and policy mix	Refers to the Cohesion and Development Fund (FSC).
Relevant ESIF measures (if any)	Reference to the ESI Funds' measures with similar objective
Impact: monitoring and evaluation	Reports available – open data available online: https://opencoesione.gov.it/en/
Links	Act on financing local and regional administration units (OG 127/17). Available at: https://www.zakon.hr/z/411/Zakon-o-financiranju-jedinica-lokalne-i-podru%C4%8Dne-(regionalne)-samouprave Ministry of Finance. State budget archives: http://www.mfin.hr/hr/drzavni-proracun-arhiva

Masterplan for the South	
ID	**IT2**
Country	**Italy**
Title	Masterplan for the South
Time horizon	2014-2020
Region(s) affected	Abruzzo, Molise, Campania, Basilicata, Puglia, Calabria, Sicilia, Sardegna, Lazio, Lombardia (plus municipalities of Firenze, Genova and Venezia)
Objectives and Scope	The Masterplan for the South has been designed to reverse the trend and close the gap with the Centre-North starting from the strengths and vitality of the southern economic fabric in areas such as aerospace, electronics, steel, chemicals, Agri-industry, tourism. The scope of the policy is to allow the southern excellences to become true diffusers of entrepreneurship and employment skills, attractors of production chains that give life to a recovery and a transformation of the entire economy of the South.
Overview	The Masterplan for the South, drawn up by the Government during 2015, is the political document that builds the framework within which the operational choices that make up the 16 pacts for the South are placed: 8 with the Regions and 7 with the Metropolitan Cities, to which is added the Institutional Contract for Development (CIS) of Taranto.

Rationale	The Masterplan for the South starts from the strengths of the southern economic fabric to enhance the ability to spread entrepreneurship and work skills and to promote the activation of production chains independently vital.
Type of policy category	All
Type of policy instrument	All
Type of funding	Projects funded
Budget and expenditures	Funding provided by FSC **Budget for the period**: 14.4 billion Euro **Expenditures since 2014:** 276.7 million Euro
Governance	**Institution responsible:** Presidency of the Council of Ministers **Scenario 3:** Funding at the national level by FSC. The Government set up the State-Regions Control Room of the Development and Cohesion Fund, which will have to allocate resources in such a way as to maximise synergies with the European Structural Funds. The Control Room makes use of the Department for Cohesion Policies and the Agency for Territorial Cohesion, whose process of completion has recently been completed. The Control Room, the Department and the Agency work with the central administrations and with those of regional and local authorities to boost administrative action and to remove procedural obstacles and speed up authorisation processes.
Policy implementation and policy mix	Framework measure for the action Pacts for the South (IT2.1)
Relevant ESIF measures (if any)	The policy has been designed to follow the measures scheme of the ESI Funds
Impact: monitoring and evaluation	Reports available – open data available online
Links	https://opencoesione.gov.it/en/

Patti per lo Sviluppo (Pacts for Development)	
ID	IT2.1
Country	Italy
Time horizon	2014-2020
Region(s) affected	Abruzzo, Molise, Campania, Basilicata, Puglia, Calabria, Sicilia, Sardegna
Objectives and Scope	The Pacts for Development - signed by the President of the Council or the delegated authority for cohesion and by the President of the region or mayors of the metropolitan cities in 2016 - represent a new instrument of interinstitutional territorial cooperation for the South of Italy. Their objective is to close the gap with the Centre-North starting from the strengths and vitality of the southern economic fabric in

	areas such as aerospace, electronics, steel, chemicals, Agri-industry, tourism.
Overview	Based on the indications provided by the Masterplan for the South, each Pact defines: 1. the vision that the Region or City has of its future and that it shares with the Government (areas of industrialization or reindustrialization, reclamation and environmental protection, agriculture and agri-food industry, tourism and cultural attractions, services and logistics, infrastructure and services of public utility); 2. recognition of the tools and resources available (interaction between PON and POR, central intervention with the Development and Cohesion Fund, Programme Agreements between the institutions involved and Development Contracts with local businesses, other tools available to Invitalia); 3. the priority actions and the timing of implementation; 4. the governance of the process (administrative streamlining, definition of reciprocal (e.g. identification of a clear person responsible for the implementation of the Plan).
Rationale	The Pacts for Development are the result of an intense dialogue between the Government and the regional administrations/metropolitan cities of the South of Italy, which has led to the preparation of 16 interinstitutional agreements through which initiatives for the development of economic, social and territorial cohesion are implemented. 8 are the agreements with the Regions and 7 with the Metropolitan Cities, to which is added the Institutional Development Contract (CIS) of Taranto (Puglia).
Type of policy category	All
Type of policy instrument	All
Type of funding	Grants
Budget and expenditures	Funding by FSC **Budget for the period 2014-2020**: 13.4 billion Euro, distributed as follows:

Budget distribution by administration	
Abruzzo	753.40 €
Basilicata	565.20 €
Calabria	1,198.70 €
Reggio Calabria	133.00 €
Campania	2,780.20 €
Napoli	308.00 €

	Molise	378.00 €
	Puglia	2,071.50 €
	Bari	230.00 €
	Sardegna	1,509.60 €
	Cagliari	168.00 €
	Sicilia	2,320.40 €
	Catania	332.00 €
	Messina	332.00 €
	Palermo	332.00 €
	Total	**13,412.00 €**

Expenditures since 2014: €197 million

Governance	**Institution responsible:** Presidency of the Council of Ministers **Mix Scenario 2 and 3**: Funding is national (FSC), The regional authorities define the strategic dimensions and priority actions for the development of their own territory based on the Masterplan of the South which has been designed by the Government; Implementation is at the regional or city level.
Policy implementation and policy mix	Part of the policy measure "Masterplan for the South", the Pacts for Development represent the 80% of the funds allocated for territorial development in less developed regions by the Development and Cohesion Fund (FSC) in 2014-2020. Beneficiaries are the less developed regions and the city municipalities.
Relevant ESIF measures (if any)	These measures have been constructed following the same reasoning of the European Structural and Investment Funds (ESI) - hence focusing on less developed regions according to the definition used in the ESI (less than 75% of the regional GDP per capita)
Impact: monitoring and evaluation	Reports available – open data available online: https://opencoesione.gov.it/en/
Link	https://opencoesione.gov.it/en/

Equalising decentralised functions	
ID	IT3
Country	Italy
Time horizon	2018-2030
Region(s) affected	Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna and Sicilia
Objectives and Scope	Fondo Imprese Sud aims to accelerate the competitiveness and growth of SMEs in the South, including through mergers and acquisitions.
Overview	Fondo Imprese Sud was established in order to support the economic and productive fabric of the Regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily. It has a duration of 12 years and provides for an initial allocation of €150 million, from the resources relating to the year 2017 of the Fund for Development and Cohesion 2014-2020. In addition to development capital, the measure provides entrepreneurs with skills in terms of governance, extraordinary finance, M&A operations, management of the generational transition, contributing to the most appropriate transformation to support the path of growth.
Rationale	The fund is aimed at supporting the growth in size of SMEs with registered offices and production activities in the regions of southern Italy.
Type of policy category	Business environment and trade
Type of policy instrument	Venture capital funds and other financial instruments Skills and mobility
Type of funding	Equity funding and loans New skills development
Budget and expenditures	**Total budget**: €150 million
Governance	**Institution responsible:** Invitalia (National Agency for Investment Attraction and Enterprise Development). **Scenario 1:** Funding by FSC. The management of the Fund is entrusted to the National Agency for the Attraction of Investments and Business Development Spa - Invitalia, which may also avail itself of Banca del Mezzogiorno. The initial resources of the Fund (€150 million) have been credited to special accounts opened with the State Treasury. The Fund is managed in accordance with the procedures set out in the relevant Regulation, approved on 6 April 2018 by resolution of the Board of Directors of Invitalia. The management of the Fund, which is fully independent and profit-oriented, is entrusted to an asset management company ("Invitalia Ventures SGR" S.p.A).
Policy implementation and policy mix	The instrument has been established by the 2018 Stability Law and managed by Invitalia Ventures, the asset management company controlled by Invitalia.
Relevant ESIF measures (if any)	Reference to the ESI Funds (similar objectives)

Impact: monitoring and evaluation	Reports available – open data available online
Link	https://opencoesione.gov.it/en/

Resto al Sud (Stay in the South)	
ID	IT4
Country	Italy
Time horizon	2014-2020
Region(s) affected	Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna and Sicilia
Objectives and Scope	Resto al Sud aims at encouraging the creation of new businesses in the South of Italy in order to address the increasing brain drain observed mainly among the younger population.
Overview	The measure, in its original design, was intended for young people under 36 and open to all productive sectors except for trade, agriculture and the liberal professions. Recently, with the Budget Law 2019, the number of potential beneficiaries was expanded with the extension of the age limit up to 45 years and the opening to the sector of the liberal professions. The new business initiatives, which are the subject of the subsidies, must have their legal and operational headquarters in one of the following regions: Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily. The measure finances the purchase of machinery, plant and equipment, computer programmes and ICT services, as well as works to adapt and restructure the place of business (up to a maximum of 30 per cent of the approved expenditure programme) and working capital expenditure (up to a maximum of 20 per cent of the approved expenditure programme).
Rationale	It is a measure promoted by the Ministry of the South in collaboration with Invitalia, to encourage the establishment of new activities, managed by young people, in the regions of the South.
Type of policy category	Business environment and trade
Type of policy instrument	Investment promotion
Type of funding	Loans
Budget and expenditures	**Total budget** of 1.25 billion Euro. As at 31 December 2018, there were 8,258 applications being completed on the dedicated platform and 5,591 applications submitted, for a total amount of investments planned of €369.25 million. Among these, 2.195 applications were approved, for a total amount of approved spending programmes of €145.52 million and subsidies of €68.31 million. The average investment per application was €66.000, with an average grant per application of €31.000.
Governance	**Institution responsible:** Invitalia (National Agency for Investment Attraction and Enterprise Development) **Scenario 1:** Funding by FSC, Implementation by Invitalia

Policy implementation and policy mix	The measure is part of a bigger framework of policies for the development and growth of Southern Italy, financed by the national Fund for Cohesion and Development (FSC). It refers to the policy FSC 2014-2020 Young Entrepreneurs in the South.
Relevant ESIF measures (if any)	Reference to the ESI Funds (similar objectives)
Impact: monitoring and evaluation	Reports available – open data available online: https://opencoesione.gov.it/en/
Links	https://opencoesione.gov.it/en/

Programmi Operativi Complementari (Complementary Operational Programme)	
ID	IT5
Country	Italy
Title	POC – Programmi Operativi Complementari
Time horizon	2014-2020
Region(s) affected	All the interventions concern mainly the regions of the Mezzogiorno (less developed and in transition, according to the EU definition).
Objectives and Scope	The Complementary Operational Programmes (Programmi Operativi Complementari - POC) aim at ensuring the completion of projects started in the 2007-2013 cycle and at supporting new initiatives in the 2014-2020 period in cases the funding from ESI Funds is not sufficient.
Overview	The programme is the successor of the Piani di Azione e Coesione. It provides funding to regional and national administrations, intended to: • allow the completion of interventions supported by Structural Funds during the previous programming period 2007-2013, • provide additional funding (in addition to co-financing) to projects and programmes financed by ESI Funds in the current programming period.
Rationale	In the context of regional cohesion policy for the 2014-2020 cycle, in addition to the programmes financed by the European Structural and Investment Funds and the national resources established for their co-financing (Revolving Fund - Law No 183 of 1987, Article 5), a complementary Action and Cohesion Programme has been envisaged. This programme, which is based on the experience of the 2007-2013 programming cycle with the Piani di Azione e Coesione (PAC), introduces a new family of OPs, known as complementary programmes.
Type of policy category	• Sector Development and targeted Investment • Urbanisation and Connectivity • Skills and mobility
Type of policy instrument	• Business development and innovation support to firms • Research Infrastructures, • R&D Programmes • Industrial parks and other business infrastructures • Clusters, centres of excellence and technology centres

	• Transport infrastructures • New skills development • Mobility of researchers
Type of funding	Grants
Budget and expenditures	POCs are funded by the Revolving Fund (Article 5 of Law 183/1987) by 8.8 billion Euro, out of which 8.5 billion Euro are directed to programmes with an economic cohesion objective as follows:

Programme Description	**Type**	**Responsible body**	**Budget**
POC Infrastrutture e Reti	POC National	MIT – Ministry of Infrastructures and Transport	670,448,000
POC Città Metropolitane	POC National	Agenzia per la Coesione Territoriale	206,012,000
POC Cultura e Sviluppo	POC National	MIBACT – Ministry of Cultural Heritage and Activities	133,623,000
POC Ricerca e Innovazione	POC National	MIUR – Ministry of Education, Universities and Research	412,000,000
POC Imprese e Competitività	POC National	MISE – Ministry of Economic Development	696,250,000
POC Governance dei Sistemi di Gestione e Controllo	POC National	MEF – Ministry of Economy and Finance	142,227,944
POC Regione Calabria	POC Regional	Regione Calabria	720,000,000
POC Regione Campania	POC Regional	Regione Campania	1,236,210,000
POC Regione Siciliana	POC Regional	Regione Siciliana	780,219,000

In addition, POC also supports programmes with social cohesion objective with 0.32 billion Euro.

The resources used by the POC comes from the resources previously allocated to the co-financing of the Structural Funds during the previous period, and they finally have not been used due to lower that planned overall spending.

Governance	**Institution responsible:** CIPE - Interministerial Committee on Economic Planning. **Mix of scenarios 1 and 2:** National funding by the Revolving Fund. Design by CIPE according to the Resolution 10 of 2015, which established that all the tasks of programming and reprogramming the resources of the POC 14-20 are the responsibility of the CIPE.

	Implementation by national or regional bodies according to the different programmes (related ministries for the thematic POCs, regional administrations for the regional POCs).
Policy implementation and policy mix	The programme is divided into 11 Complementary Operational Programmes (8 of which are national, and 3 are managed by the central and regional administrations), plus additional 6 programmes that are meant to complete the interventions started in the programming period of 2007-2013.
Relevant ESIF measures	The rules of eligibility and operation are closer to those of the Structural Funds compared to their predecessors (PACs), and there is a perfect interchangeability also in the structure of the programmes for axes and investment themes. (Reference to FESR and European Social Fund)
Impact: monitoring and evaluation	Reports available – open data available online: https://opencoesione.gov.it/en/
Links	https://opencoesione.gov.it/en/

Case study

Complementary Operational Programmes – Italy (IT)

1. Executive Summary

The Complementary Operational Programmes (POCs) are a national financial instrument, created in the previous programming period as a manoeuvre to accelerate the implementation of programmes co-financed by the Structural Funds 2007-2013 and strengthen the effectiveness of interventions, in a framework of enhanced cooperation with the European Commission. The POCs are financed by a share of the resources of the Revolving Fund, which totals approximately 7.4 billion Euro and have the objective of ensuring the completion of the actions started in the 2007-2013 cycle and to launch new ones for the period 2014-2020. These interventions, foreseen in the framework of Action and Cohesion Programmes, concern until now exclusively the Regions of Calabria, Campania and Sicily, and the central administrations holding the following national OPs: Governance, Inclusion, Legality, Metropolitan Cities, Research and Innovation, Culture, Infrastructures and Networks, Businesses and Competitiveness.

2. Background and Context

At the end of 2011, the state of implementation of the Structural Funds for payments was rather low compared to the previous 2000-2006 programming period, accounting for around 18% of the total contribution. Under the Convergence objective, the state of implementation of the regional operational programmes (PORs) for Campania and Sicily using resources from the European Social Fund (ESF), the Abruzzo region (both the ESF and the European Regional Development Fund - ERDF), as well as the national operational programme (PON) 'Research and competitiveness' and the interregional operational programme (POIN) 'Cultural, natural and tourism attractors' were particularly behind schedule compared with the objectives set.

For this reason, the Cohesion and Action Plan was adopted in November 2011 with the aim of accelerating the implementation of programmes co-financed by the Structural Funds 2007-2013 and strengthening the effectiveness of interventions. The Plan has intervened to consolidate a path already begun with the adoption of the CIPE resolution no. 1 of 2011, for the acceleration and

reprogramming of resources allocated to under-utilised areas - both national areas of an additional nature of the Fund for Development and Cohesion and those defined by the EU Structural Funds - through the setting of targets for commitment and expenditure certified to the European Commission. If the targets, taken individually, are not achieved, the amount to be reprogrammed for other programmes will be quantified, while respecting, as far as compatible, the territorial destination constraint. The Cohesion and Action plan continued in the programming period 2014-2020 with the "Complementary Operational Programmes".

3. Description of the Policy Measure

In light of previous experience with delays in the use of EU resources and the risk of not being able to benefit from it because of the so-called automatic decommitment to which Structural Funds are subject, the law of stability 2014[20] has provided that the national co-financing resources can also contribute to the financing of complementary interventions with respect to the programs co-financed by the Structural Funds, included in the strategic programming defined in the Partnership Agreement. The resources of the Revolving Fund, made available as a result of the adoption of EU OPs with a lower national co-financing rate than as programmed (50% for POR and 45% for PON), can be therefore transferred outside the operational programmes themselves, in favour of defined interventions, precisely, complementary to the programming of the Structural Funds 2014-2020. These interventions are called Complementary operational programmes (POCs).

The POCs are regulated by CIPE Resolution no. 10 of 2015[21], and have been designed - together with the EU - to help public administrations holding European structural funds to make the best use of national funding dedicated to them and avoid waste of resources. For this reason, the POCs move in parallel with the European OPs, having also the same eligibility criteria for expenditure and the same management and control system.

4. Policy Implementation

The implementation structure depends on the corresponding EU programme: if it is a regional programme, the choice of whether or not to make a complementary programme and how to do so, is left to the region in its capacity as the managing authority (MA) of the EU programme. If, on the other hand, it is a centrally managed programme, it will be the MA for that programme - hence the ministry of reference - which will decide whether or not to initiate the procedure. Once the procedure has been initiated by the central or regional administrations, the CIPE formalises the creation of the complementary programme and establishes the thematic objectives and investment priorities, defines the structure of the interventions to be carried out. However, the detailed design of each individual programme is left to the administration that manages it. Once the resources are allocated by the CIPE to the complementary programmes, in accordance with the budgetary resources available, the budget management is rather streamlined. Like the EU programmes, the complementary programmes are essentially "reimbursable", with a pre-financing of up to 20% of the intervention cost. Then up to 90% in interim payments are made, but only after reporting.

The different actors are coordinated by two main governmental bodies: the Cohesion Policy Department of the Presidency of Ministers, which has overall responsibility for both EU and national programming, and the Agency for Territorial Cohesion, which has the task of accompanying all the administrations - regional and central - in the implementation of both EU and complementary programmes. Apart from the appropriate national coordination, the monitoring of the implementation of the POCs shall be carried out by the same Committee set up at national level to monitor and accompany the implementation of the EIS Programmes 2014-2020.

5. Performance

Many of these programmes have a structure based on thematic objectives, axes and investment priorities, with indicators and targets that reflect Community programmes, so as to pursue the same lines of action and the same strategic orientations envisaged by the European Union. The management and control structure are also the same as that of the Community programmes: the control unit that checks the expenditure of the complementary programmes is the same as that of the Community programmes. The POCs are adopted by resolution of the CIPE, after consultation with the State-Regions Conference, on the proposal of the central administration which has the coordination of the reference SIE Funds, together with the Regions concerned and in agreement with the Ministry of Economy and Finance. The measure itself has been created in order to complement the resources allocated to the country by the EU cohesion policies.

[20] Law no. 147/2013, art. 1, par. 242.
[21] http://ricerca-delibere.programmazioneeconomica.gov.it/media/docs/2015/E150010.pdf.

6. Strengths and Weaknesses

For this reason, their main advantage is the flexibility on the time of the intervention, since there is no risk to incur in a decommitment of resources because of the time limits as for the Structural Funds. Overcoming the delays in the use of the resources of the European Structural Funds allocated to Italy. The risk of overburdening the administrations responsible of the programmes, since the POCs of the programming period 2014-2020 started when the previous programmes (2007-2013) were still in the process of being implemented.

7. Transferable Lessons

The Complementary Operational Programmes represent a good example of re-enforced collaboration with the EU and at the same time a structured attempt to speeding up and maximising the effects of cohesion policies on the territory. In fact, the use, through the POCs, of part of the co-financing resources for the financing of actions and interventions foreseen in the POC itself, prevents the decommitment of EU resources not used under the EU OPs, which otherwise would have generated a double negative effect, with the corresponding part of national co-financing that would also have been lost. Another important result of the POCs has been to turn the attention from resources (inputs) to the results (outputs), focusing on the achievement of the pre-established cohesion policy objectives.

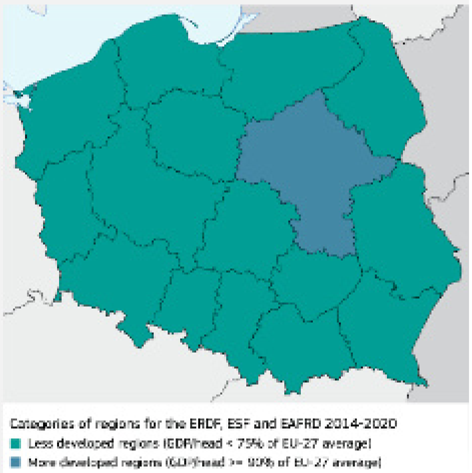
6 POLAND

Country briefings

National Policies addressing regional economic disparities – Poland (PL)

1. Background

Poland is divided into 16 NUTS 2 regions and 72 NUTS 3 subregions. Among the NUTS 2 regions, only the capital region Mazowieckie is regarded as a More Developed Region,[22] while the other 15 are Less Developed Regions.



Source: European Commission (2019).

Poland has the fourth highest regional economic disparities among all OECD countries.[23] Mazowieckie, the wealthiest region, is at the 19th position in EU28 based on the GDP per capita in PPS (151 compared to EU28=100) while the Least Developed Region Lubelskie is among the regions with the lowest GDP per capita in EU28 (48 compared to EU28=100) followed by two more regions Warmińsko-Mazurskie and Podkarpackie (49). [24] In terms of productivity, Greater Poland recorded the highest growth of 4.5% per year over the period 2000-2016, thus it closes the gap with the Polish frontier Mazovia. In contrast, Swietokrzyskie recorded the lowest productivity growth at 1.2% per year.[25]

2. Architecture of national policies for addressing regional economic disparities

Focus

Addressing regional disparities is an essential element of the national development policy of Poland. According to the policy documents and the interviews, the objectives of regional development are, on the one hand, to increase cohesion in the social, economic and spatial dimension by pursuing sustainable development using the specific potential of individual territories and, on the other hand, to strengthen the regional competitive advantage. Regarding the cohesion dimension, eastern Poland, Silesia and other economically weaker regions are focused upon. In the context of regional competitive advantage, the emphasis is put on innovation and the synergies between national and regional specialisations.

In addition to the ESI Funds, three additional measures, financed solely by the national budget, have been identified and are further discussed in section 3. Two of them focus on mobilising private investments and the third one on ensuring budgetary transfers to less wealthy regions.

Design and governance

The "Strategy for Responsible Development until 2020" is the main policy document for regional and policy addressing also regional disparities. Currently, a new policy document, the "National Strategy for Regional Development 2030" which is under consultation, develops further the regional dimensions of the national strategy and it is also expected to mobilise additional national funding in the coming years.

The emphasis on interventions at the territorial level has increased the complexity of governance compared to previous programming periods. At the national level, addressing regional disparities is in the responsibility of the Ministry of Infrastructure and Development, which coordinates with the sectoral ministries. At the regional level, the Voivodeships (NUTS 2) sign territorial contracts

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[22] GDP per capita >= 90% of EU-27 average.
[23] OECD (2018), Regions and Cities at a Glance 2018 – POLAND.
[24] Eurostat (2019), GDP per capita in 281 EU regions. News release 34/2019.
[25] OECD (2018), Regions and Cities at a Glance 2018 – POLAND.

with the central government. The contracts define the objectives and priority projects of significant importance for the country's development and the Voivodeship, for which both parties declare cooperation in the implementation within the available funds, including the ESI Funds. For interventions addressing counties or municipality the respective local authorities are involved.

Relationship of national funding and support through the ESI Funds

Currently, the policy addressing regional disparities is dominated by the ESI Funds, while the national funding focuses more on attracting private investments. The regional differentiation is done mainly on the basis of unemployment indicators and not on GDP per capita. Because of the importance of other levels of regional governance, some of the funding adressing regional disparities has the form of budgetary transfers to counties or municipalities which have the responsibility to design and implement their own policies.

It is expected that the introduction of the new "National Strategy for Regional Development 2030" will mobilise additional national funding for the support of the economically weakest regions.

3. Overview of national policy measures addressing regional economic disparities

All measures financed by the national budget are horizontal, providing some additional benefits or more favourable conditions if the supported activity is located in regions satisfying specific criteria.

Two of the measures aim at attracting investments. The first one, the Programme for supporting investments of major importance to the Polish economy for years 2011-2023 (fiche PL1) aims at attracting big investments which generate a substantial amount of jobs, namely investments above 750 million PLN (€176 million), expected to be creating a minimum of 200 new jobs or 500 million PLN (€117 million) and 500 new jobs. The measure is horizontal covering all the regions of the country. However, the support is not granted to investment projects located in districts where the unemployment rate is lower than 75% of the country average. Additional points are given for investing in Eastern Poland. Support is provided to companies planning investments in the priority sectors automotive, electronics and household appliances, aviation, biotechnology, food processing, modern services and (R&D). The second measure is a combination of two interventions. The Act on Support for new investments, which was introduced in 2018 replaces the older Special Economic Zones (fiche PL2). The later will remain active for existing investments until 2026, while the former will apply to all new investments after 2018. While the Special Economic Zones offers tax reliefs to companies established with their boundaries, the new Act provides tax reliefs for investments to all regions. However, the rate of the tax relief and the duration of the relief varies according to the unemployment rate in the area of establishment.

The final identified measure is the Act on Income of local self-government units (fiche PL3) which redistribute revenues earned by the regions, to regions with low tax income per capita. The budget transferred can be used by the regions for projects the improve the economy and social cohesion in the area, or the quality of life of the citizens.

4. Classification of policy measures

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
Programme for supporting investments of major importance to the Polish economy for years 2011-2023 (PL1)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level
Act on Support for new investments and Special Economic Zones (PL2)	Tax exception	Business Environment and Trade	Special economic zones Tax incentives	Funding, design and implementation at the national level
The Act on Income of local self-government units (PL3)	Budgetary transfer	Various types	Various types	Funding at national level, Design and implementation at regional level

5. Main Sources

Interviews

- Ewa Malik-Kapler, Head of Unit, Regional Policy, Department of Development Strategy, Ministry of Investment and Development
- Łukasz Gałczyński, Deputy Director, Department of Investment Development, Ministry of Entrepreneurship and Technology

Main documents and sources

- Government of Poland, (2019): National Reform Programme Poland, https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-poland_en.pdf
- National Strategy for Regional Development 2030
- Additional sources can be found in Annex 2 with the individual policy fiches.
- OECD (2018), Regions and Cities at a Glance 2018 – POLAND
- Partnership agreement Poland 2014-2020 https://ec.europa.eu/info/publications/partnership-agreement-poland-2014-20_en
- Strategy for Responsible Development until 2020

Country fiches

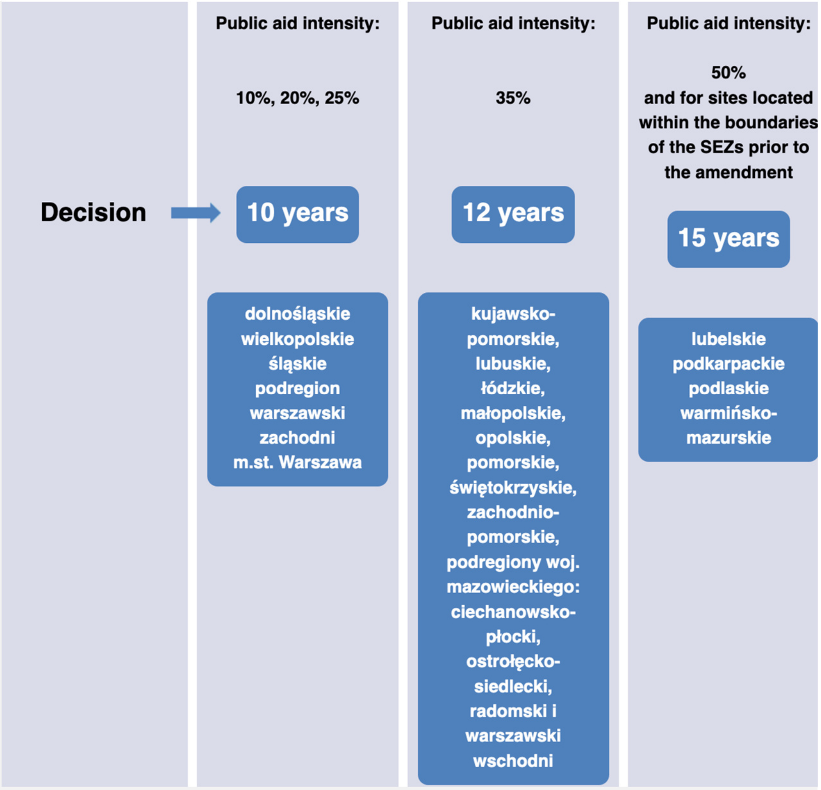
Programme for supporting investments of major importance to the Polish economy for years 2011-2023	
ID	**PL1**
Country	Poland
Region(s) affected	This measure is horizontal covering all the regions of the country. It should be however noted that the support is not granted to investment projects located in districts where the unemployment rate is lower than 75% of the country average. Additional points are given for location in Eastern Poland.
Time horizon	2011-2023
Objectives and Scope	Governmental grants are provided for supporting investments of major importance to the Polish economy for years 2011-2023 (further as the Programme), adopted by the Council of Ministers on July 5, 2011. Support is provided in the form of a grant based on an agreement concluded between the Minister of Economy and the investor. The agreement lays down conditions for the payment of the grant, which is paid proportionately to the degree of fulfilling investor's commitments. Support can be applied for by companies planning investments in the following priority sectors: • automotive sector, • electronic and household appliances sector, • aviation sector,

	- biotechnology sector, - food processing sector, - modern services sector, (R&D). Support can also be applied for companies planning manufacturing investments in other sectors if a project's minimum eligible costs are 750 million PLN (€176 million) and minimum 200 new jobs or 500 m PLN (€117 million) and 500 new jobs (significant investments).
Overview	The *Programme* provides support for investments under the two following categories: **1. Support for creation of new jobs (employment grant) plus 20% for location in Eastern Poland** The amount of employment grant depends, among others, on: *1) in case of manufacturing projects:* - the number of new jobs created, - the percentage of employees with higher education, - location, - investment expenditures, - sector, - attractiveness of the products on the international markets; *2) in case of services projects:* - the number of new jobs created, - the percentage of employees with higher education, - location, - complexity of processes provided by the company. **2. Support for new investment (investment grant) plus 20% for location in Eastern Poland** - The amount of investment grant depends, among others, on: - the number of new jobs created, - investment outlays per employee, - location.
Rationale	Support to companies planning investments in the identified priority sectors. The amount of employment / investment grant depends, among others, on location (Eastern Poland).
Type of policy category	Sector Development and Targeted investment
Type of policy instrument	Business development and innovation support to firms
Type of funding	Grants
Budget and expenditures	N/A
Governance	Scenario 1: The operator of the *Programme* and the authority granting state aid is the Minister of Economy. The Polish Information & Foreign Investment Agency (*Polska Agencja Informacji i Inwestycji Zagranicznych S.A.* - PAIiIZ) is responsible for preparing and providing the **Interministerial Committee for Investments of Major Importance to the Polish Economy** (hereinafter referred to as the Committee) with

	the *dossier* of investment projects and for preparing all documents required to carry out the entire procedure of providing financial support.
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	https://www.paih.gov.pl/en

Act on Support for new investments and Special Economic Zones	
ID	**PL2**
Country	Poland
Region(s) affected	Prior to the Act on Supporting new investments which entered into force in June 2018, Special Economic Zones (SEZ) had been established in highly industrial regions often based on the existing infrastructure of traditional sectors. After 2018, the criteria for tax breaks rates and the period for the tax breaks are set in the new Act, and they differentiate based on the unemployment rate in the Powiat (second-level unit of local government and administration) where the investment will be located.
Time horizon	Special Economic Zones till 2026 Act on Support for new investments 2018 – on going
Objectives and Scope	The Act of 10 May 2018 amends the instruments of corporate income tax (CIT) and the personal income tax (PIT) reliefs. While tax reliefs where available only for companies established in SEZs, with the new Act the tax relief are now available across the entire territory of Poland, for companies carrying out new investments, on publicly as well as privately owned properties. However, the currently biding SEZ permits, already granted to investors within the old SEZs shall remain in force until 2026. The main objective of the recent Act is to support the growth of private investments which will lead to: • Development of innovative areas of economic activity; • Creation of new and stable workplaces for highly qualified personnel; • Development of new technical and technological solutions and their application in the economy; • Increase of the competitiveness of production and services; • Development of export; and • Inhibiting the growth of regional differences. The Act also aims to link the support mechanism with the goals of the Strategy for Responsible Development until 2020. Special Economic Zones (SEZ) are administratively separated areas in Poland, where business operations are carried out on special and preferential terms. The key incentive is an exemption

	from income tax as the form of public aid for investors locating their projects in SEZ. There are currently 14 SEZ in Poland. Each zone consists of several to several sub-zones located throughout Poland. The legislator decided on not repealing the law on SEZ. The validity of two acts will make a clear division into investments that will benefit from existing support until 2026 as part of permits issued under the Act on SEZ, and completely new investments that will be able to benefit from support based on the new law, from its entry into force.
Overview	In the light of the provisions on regional public aid, the definition of a new investment reads as follows: • Establishment of new enterprise; • Increase of the production capacity of an existing enterprise; • Diversification of the production through introduction of products which previously were not manufactured in the enterprise; and • Fundamental change in the production process of the existing enterprise. If the investment is located in the capital region (Mazowieckie), only an investment in favour of new economic activity shall be considered a new investment. According to the new regulations, the following enterprises are eligible for public aid in the form of tax exemptions: • all enterprises in the sector of traditional industries, with the exception of enterprises producing, i.e.: explosives, alcohol, tobacco products, steel, or companies operating in the energy generation and distribution sector; wholesale and retail trade, facilities and construction works, services related to accommodation and catering services, and running game centres. Companies from the metallurgy, iron and steel sectors, the coal sector, and the transport sector are not eligible for support under the EU regulations. • selected enterprises from the business services sector (BSS) providing IT services, R&D in the areas of natural and technical sciences, auditing and bookkeeping services, accounting (excluding tax declarations), technical research and analysis services, call centres, architectural and engineering services. The maximum amount of state aid in the form of CIT or PIT tax relief is determined on the basis of the regional aid map for 2014-2020 (representing the percentage of costs eligible for regional aid), e.g.: Mazowieckie voivodeship 35%; 10%; and Warsaw 10%; with up to 50% in the following four regions: Warminsko-Mazurskie, Podlaskie, Lubelskie, and Podkarpackie. Also, the period for which the decision on support is issued shall depend on public aid intensity in a given area. This period is the same for all companies, regardless of the type of economic activity conducted and the size of the company. As shown in the figure below, the decision on support shall be issued for a definite period, not shorter than 10 years and not longer than 15 years.

	 The decision on support is issued for the implementation of a new investment meeting certain quantitative and qualitative criteria. Quantitative criteria (minimum amount of eligible costs) depend on the unemployment rate in the districts / Powiats in which the investment shall be implemented (the higher the unemployment rate, the lower the required costs) and the size of the enterprise. Preferences are also granted to entrepreneurs conducting R&D activities and in the sector of business services sector. Qualitative criteria are divided into the two main categories, i.e.: sustainable economic development (compliance with the current national development policy, where Poland may gain a competitive advantage – investments in certain sectors, export oriented sales, R&D activity, size of enterprise, national key cluster / business services sector) and sustainable social development (low negative impact on environment, investment location, support in gaining additional education, care for employees, creating high quality jobs).
Rationale	The new provisions introduced by the Act on Supporting new investments are a response to the need to adapt the rules and the mode of supporting new investments to the changing socio-economic realities. The changes also aim to align the support mechanism with the Strategy for Responsible Development until 2020. One of the assumed effects of the Strategy implementation is sustainable economic development and territorial balanced development. Income tax relief is a consistently popular instrument among entrepreneurs, and it is also offered in countries with which Poland competes for new investment projects. Reducing tax burdens is a clear incentive for starting new investment projects or expanding existing business operations.
Type of policy category	Business environment and trade

Type of policy instrument	Special economic zones Tax incentives
Type of funding	Tax exemption
Budget and expenditures	Since the beginning of its operation in 1994, Special Economic Zones have attracted investments worth nearly 112 billion PLN which represents 26.08 billion Euro. Enterprises operating within SEZ created some 332 thousand jobs. According to the latest available data (end 2016), it is estimated that some 2,263 entrepreneurs currently have permits issued to operate in SEZ.
Governance	Funded, designed and implemented at the national level. It is responsibility of the Ministry of Entrepreneurship and Technology.
Policy implementation and policy mix	Strategy for Responsible Development until 2020
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	For further information see above 'Budget and expenditures'
Link	Act of 10th May 2018 on Support for new investments (Dz. U. 2018poz. 1662), Act of 20th October 1994 on Special Economic Zones (Dz. U. 1994 Nr 123 poz. 600), https://www.paih.gov.pl/en

The Act on Income of local self-government units	
ID	**PL3**
Country	Poland
Region(s) affected	This measure is horizontal covering all the regions of the country. The Act introduced a compensation system in order to reallocate money the economically weakest self-government units.
Time horizon	2003-ongoing
Objectives and Scope	The Act of 13 November 2003 on Income of local self-government units determines sources of funding of local governments as well as principles concerning general subsidies and targeted grants. The Act introduced a system of payments to the state budget by all levels of territorial government. The large income disparities of local government units required the necessity of introducing the obligation to make payments not only by communes but also by Powiats and voivodeships. The system of making payments by the territorial self-government units is used in other European Union Member States (e.g. Germany, Denmark, Sweden and France). Funds from payments to the budget of the state are then re-disbursed for the purpose of local government units. Also, income from participation in personal income taxes and corporate income taxes will constitute a supplementary part of own revenues of local governments.

Sources of income of local government units were divided into own income, general subsidies, earmarked grants from the state budget.

In summary, the main objectives of the Act are to ensure:

- Further decentralisation of public tasks and resources, thus increasing the share of local governments in administering public funds;
- The increase in the economic responsibility of local government units by increasing the share of own revenues in general financial resources;
- Establishing stronger links taking into account the financial situation of self-government units with the economic situation at the central level;
- Expanding the possibilities of absorption of EU funds by increasing the flow of resources and making the principles of financial management of the single-local government unit more flexible; and
- Creating instruments to support entrepreneurship and the flow of highly qualified human capital.

Overview

One of the sources of income of territorial self-government units will be a general subsidy which consists of the following parts:

1. **The equalizing part of the general subsidy:** Due to the large diversity of income in communes, Powiats and voivodeships, a compensation system was introduced to protect the economically weakest units.

2. **The balancing part of the general subsidy:** This part of the subsidy will be granted to communes and Powiat in order to compensate for any differences in income due to the introduction of changes in the system of financing the tasks.

3. **The regional part of the general subsidy:** In voivodships, the regional part of the general subsidy was introduced taking into account macroeconomic factors.

4. **The educational part of the general subsidy:** the amount allocated for activities related to education.

The calculation of the general subsidy for voivodeship is presented below as an example.

The basic amount is obtained by the voivodship, in which the tax income per capita, hereinafter referred to as the "W index", is lower than the tax revenue for all voivodeships, hereinafter referred to as the "Ww index".

The “Ww index” is calculated by dividing the sum of tax revenues of all voivodeships obtained in the year preceding by the number of inhabitants of the country.

The amount of the basic amount due to the voivodeship is determined by multiplying the number constituting 72% of the difference between the ratio "Ww index" and the number of inhabitants of the voivodship.

The supplementary amount is obtained by the voivodeship, in which the “W index” is lower than 125% of the “Ww index” and the number of inhabitants does not exceed 3 million.

	The amount of the supplementary amount due to the voivodship is calculated by multiplying the number constituting 9% of the "Ww index" by number of inhabitants determined for the voivodeships with specific criteria. Overall, the legislation is considered to be highly controversial among local self-government units and there had been attempts in the past to make modifications, advocating more rational and more effective use of funding.
Rationale	The provisions of the Act are expected to strengthen the position of local governments by increasing their independence in managing the financial resources.
Type of policy category	Urbanisation and Connectivity / Skills and mobility
Type of policy instrument	Other (general subsidy to self-government units)
Type of funding	Budgetary transfers
Budget and expenditures	The Index W for Voivodeships as well as the final subvention amount for Voivodeships in 2019 are shown in the tables below.

WK	Voivodeship	City	Index **W** 2019
02	dolnośląskie	Wrocław	220,35
04	kujawsko-pomorskie	Toruń	125,26
06	lubelskie	Lublin	87,58
08	lubuskie	Zielona Góra	129,62
10	łódzkie	Łódź	142,40
12	małopolskie	Kraków	146,20
14	mazowieckie	Warszawa	390,79
16	opolskie	Opole	117,53
18	podkarpackie	Rzeszów	98,41
20	podlaskie	Białystok	90,71
22	pomorskie	Gdańsk	172,90
24	śląskie	Katowice	160,91
26	świętokrzyskie	Kielce	76,87
28	warmińsko-mazurskie	Olsztyn	80,66
30	wielkopolskie	Poznań	201,63
32	zachodniopomorskie	Szczecin	117,22
		Ww =	**178,32**

Source: Ministry of Finance (2019).

Governance	The minister competent for public finances is overseeing the implementation of the Act. The decision on the spending of the budget and the management of the spending is responsibility of the regional authority which receives the budgetary transfers.
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	Act of the 13th November 2003 on Income of local self-government units (Dz.U. z 2018 r. poz. 1530)

Case study

Programme for supporting investment for the Polish economy – Poland (PL)

1. Executive Summary

The main goal of the programme is to increase the innovativeness and competitiveness of the Polish economy with a particular focus on sectors classified by the OECD as high-tech sectors. As acknowledged in the programme documentation, these sectors generate the highest added value, most strongly contributing to the development of the economy and strengthening its competitive advantages. It was also acknowledged that most global FDI flows are concentrated in these sectors. Recently, the Ministry has prepared the amendments to the programme. Following the inter-ministerial consultation, the Council of Ministers took a final decision on 1 October 2019 adopting the changes to the programme.

In general, the main challenges in relation to the current support for reducing territorial disparities were mainly due to: a relatively high number of programmes with various criteria used during the selection process to promote less advanced territories; frequent changes in the programmes; and governance (i.e. sectoral programmes are overseen by the Voivode – a representative of the central government at the local level, whereas the regional OPs of the ESI Funds are implemented by the managing authorities – Marshal Offices of the respective voivodeships).

2. Background and Context

Launched in 2011, the programme was designed to stimulate FDI inflow to Poland. In the past, it complemented Measure 4.5 'Support for investments of great importance for the economy' implemented within the national Operational Programme of Innovative Economy 2007-2013 that was discontinued in the subsequent 2014-2020 programming period.

The support provided in the framework of Special Economic Zones (SEZs) constitutes another form of support for companies. More recently, the Act on Supporting new investments which entered into force in June 2018 allows companies carrying out new investments located in any territory in Poland to be benefit from the tax relief and the eligible support is determined on the basis of the regional aid map for 2014-2020. The permits that had been granted to investors within the SEZs shall remain in force until 2026. The five voivodeships, comprising Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie, are areas characterised by the lowest level of economic development in Poland and one of the lowest in the European Union. It is found that the problems affecting the socio-economic situation and development prospects of those regions are largely of a structural nature, being a consequence of historical circumstances. They are also further negatively reinforced by the effects of its peripheral location on the external border of the European Union, across which even less developed areas prevail.[26]

In terms of entrepreneurship development, Eastern Poland clearly lags behind when compared to Polish standards. In 2011, there were only 36.3 active enterprises per 1,000 population in the five voivodeship in Eastern Poland. At the same time, the national average was majorly higher and reach the level of 46.3. In 2011, the average investment per enterprise in Eastern Poland was about PLN 69,000 (€15.750) companied to PLN 90.000 (€20.543) at the national level. It is also worthwhile mentioning in-depth diagnosis carried out as part of the preparation of the Strategy for Responsible Development until 2020 by the team led by Prof. Przemysław Śleszyński. The analysis identified 122 medium-size towns which are characterised by a risk of losing socio-economic functions.

3. Description of the Policy Measure

The programme is one of the instruments enabling support for investment projects in Poland. Overall, the support can be granted to companies planning investments in:

- Priority sectors (automotive, electronic and household appliances sector, aviation sector, biotechnology sector, food processing sector
- All sectors (under special conditions). Support can also be granted to companies planning investments in other sectors than the priority sectors, provided that a project's minimum

[26] Ministry of Regional Development (2014) Operational Programme Eastern Poland 2014-2020, version of 16.12.2014.

eligible cost reach a certain threshold, notably 750 million PLN (€171.19 million) and contribute to the creation of at least 200 new jobs or 500 million PLN (€114.13 million) and 500 new jobs. This category of investments is referred to as 'significant investments' or 'key projects'.
- Modern services sector
- R&D sector

This measure is horizontal covering all the regions of the country. It should be however noted that the programme does not provide support for investments in poviats (equivalent to a county, district or prefecture in other countries) with the unemployment rate below 75% of national average with the following exceptions:

- Investments of major importance (i.e. 'significant investments' or 'key projects')
- Investments in the sector of modern services and R&D
- Investments undertaken in five regions (voivodeship) located in Eastern Poland, namely Warmińsko-Mazurskie, Podlaskie, Lubelskie, Świętokrzyskie, and Podkarpackie.

Additionally the support is not provided for investments which already obtained the public funding (e.g. from the State budget, the ESI Funds, tax incentives in the Special Economic Zones) with some clearly defined exceptions one of which is that the value of funding provided within the programme cannot exceed 3 million PLN (€684.790). It was not possible to verify the rationale for this threshold during the interviews carried out in the framework of this case study. It is most likely that this threshold had been established on the basis of the average value of funded projects by other programmes.

Overall, the programme aims at attracting large investors, increasing the employment, and providing incentives for new investments. The programme provides support in the form of employment and investment grant. Based on exchanges with the MA of the programme, it is interesting to note that similar instrument exists in other CEE Member States such as the Czech Republic, Slovakia and Hungary which are the typical benchmark countries for Poland. Concerning the support for the creation of new employment, the following types of interventions are eligible for funding:

Investments in the priority sectors, which contribute to the creation of 250 new jobs and account for the minimum eligible cost of PLN 40 million (€9.13 million).

Significant investments. Investment in the sector of modern services, which contribute to the creation of at least 250 new jobs and the minimum investment in tangible assets for the amount of PLN 1.5 million (€342.395). Investments in R&D sector, which contribute to the creation of at least 35 new jobs for persons with the higher education and the minimum investment in tangible assets for the amount of PLN 1 million (€228.263).

The programme also provides support in the form of grants for new investments. The following types of interventions are eligible for funding:

Investments in the priority sectors, which contribute to the creation of 50 new jobs and account for the minimum eligible cost of PLN 160 million (€36.52 million).

Significant new investments. Investments in R&D sector, which contribute to the creation of at least 35 new jobs for persons with the higher education and the minimum investment in tangible assets for the amount of PLN 10 million (€2.28 million). To take into account the diversified territorial level of socio-economic development, the location of investment is used as one of criteria during the selection process of applications. The investment location is defined on the basis of the unemployment rate in relation to the national average according to the latest data published by the Central Statistical Office on the day before submitting the investment application. This criterion is very important as the location of investment can account for maximum 30 out of 100 points in case of the employment grant and 15 out 45 points for the investment support.

In addition, if the investment concerning the support for investment is located in one of the five voivodships of Eastern Poland the value of eligible support is subject to 5% increase. In case of the support for creation of new employment, the value of eligible cost is increased by 20%. The newly updated programme that has been approval by the Council of Ministers will continue providing the support in less developed areas with high unemployment rate as well as in voivodeships of Eastern Poland. In concrete terms, additional points for investments in areas with the unemployment rate above 160% of the national average or if located in one of the 122 medium-size towns which are characterised by a risk of losing socio-economic functions identified in the analysis by Prof. Przemysław Śleszyński (see section Background and context) will be awarded according to the new rules.

4. Policy Implementation

The responsibility for the implementation of the programme lies within the Ministry of Entrepreneurship and Technology. The Minister decides on the support related to the new investments that are recommended by Inter-ministerial Team for Investments of Major Importance for the Polish Economy.

The Team which is composed by the Secretary of State or Under-Secretary of State of relevant ministries (i.e. public finances, foreign affairs, transport, regional development, science, labour, agriculture, communications, water management, maritime economy, construction, spatial planning, development, and housing, higher education, environment, in addition to a representative of the Chancellery of the Prime Minister and a representative of the President of the Office of Competition and Consumer Protection) is tasked with coordination of matters related to the implementation of the programme, including the assessment of applications for support and presenting recommendations to the minister competent for economy on providing support.

The Polish Investment and Trade Agency is responsible for the direct contacts with the investors, whereas the Department of Investment Development at the Ministry of Entrepreneurship and Technology is responsible for contractual matters and is overseeing the implementation of the programme.

Further streamlining in the process of granting the support will take place on the basis of the recently introduced changes to the programme. In practice it means that the Polish Investment and Trade Agency will take-up a role of one-stop-shop concerning the assessment of the investment applications according to our interview sources. Another change in the governance of the programme is a possibility of issuing opinions on the submitted applications on a circular basis which will eliminate a risk of the potential lack of quorum at the meetings of the Team.

5. Performance

Since the launch of the programme 76 contracts have been concluded between the Ministry of Entrepreneurship and Technology and the respective investors for the total amount of PLN 979.23 million (€223.54 million) which represents 5.1% of the total investment declared by the beneficiaries) of which PLN 814.28 million (€185,87 million) is provided in the form of investment grants and PLN 164.94 million (€37.65 million) to support the creation of employment. Based on the concluded contracts, the beneficiaries are expected to make investments for the total amount of 19.02 billion PLN (4.34 billion Euro) and create 28,737 new jobs, including 16,839 employees with a tertiary education degree.

A more in-depth analysis of the monitoring data shows the extent to which the programme has provided support to investors for locating production in areas at risk of economic and social exclusion. Having in place the selection criteria concerning location used to promote investments in less favoured regions, one would have expected to find more investments located in the five voivodeships of Eastern Poland. According to the monitoring data there have been only 8 contracts concluded concerning the investments in Podkarpackie, Podlaskie Warmińsko-Mazurskie with no investments in the remaining voivodeships, namely Lubelskie, and Świętokrzyskie.

Out of 76 contracts 41 of them are related to the investments located in large cities, namely Cracow, Wroclaw, Gdańsk, Warsaw, Łódź, Katowice, Bydgoszcz, and Poznań. The share of investments in this group cities accounts for some 13% of the total value of signed contracts which can be explained by the fact there was only one investment grant (in Wroclaw) which typically require substantial financial resources and the remaining support was provided in the form of the employment grant. The data also reveals that the funding provided in the latter form has been mainly concentrated in large cities in the service sector, business process outsourcing, and R&D. It is also important to note that the employment to be created thanks to the investments which received public funding in a group of large cities accounts for 17,376 jobs which represents more than three-fifth of the employment to be created within the programme.

In general, the effectiveness of the provided support is positively assessed by MA of the programme. The interview with the representative involved in the implementation of the programme indicated that the results have exceeded the initially planned targets. It was also noted that the programme has had a positive influence and contributed to reducing the unemployment rate (which according to the latest available data as at the end of August 2019 is 5.2%)27. According to the data obtained from the MA of the programme, the provided support since its launch until the end of December 2017 has contributed to the creation of new jobs (in total 23,768 including 4,887 in 2017) representing 156% obligations included in the contract for this period. It has also induced new investments which account for the total amount of 7.44 billion PLN and 1.49 billion PLN in 2017 (respectively 1.69 billion Euro and 340.5 million Euro) which represents 190% of obligations included in the contract for this period.

6. Strengths and Weaknesses

- The main strength identified by the research carried out within the Eurofund assignment was that the programme provided a reorientation of the Polish industry and services towards eco-friendly and technologically advanced investments that improve the competitiveness of the country's economy. This can be considered in line with the overall objective of the programme.
- It was found that the programme has managed to attract a relatively low interest among the Polish investors with the participation being estimated at only 11% of all applications. It can be also confirmed on the basis of monitoring data that all of the investments supported by the programme are linked to companies with the headquarters abroad.
- It turned out that among the applications submitted by the Polish entrepreneurs applying for support during the period 2011-2015, the majority of investment related to the development of IT solutions. It was also found that the level of required investment turned out to be too high for domestic entrepreneurs especially in the manufacturing sectors.
- Thirdly, the selection criteria of the programme do not take into consideration some important aspects which are important for meeting its objective, such the establishment of cooperation between foreign, local companies and scientific research and higher education institutions.

7. Transferable Lessons

- The return of public investments measured both in terms of the induced investments and the creation of new employment is very high. The new investments will also contribute to the development of value chains in the respective sectors of the economy supported by the programme.
- This case study shows that implementation of the programme has been efficient with the involvement of ministries in the selection process of applications submitted for funding. The newly adopted programme has introduced some changes to ensure even more swift implementation and streamline the control procedure.
- It is also found that promoting the location of investments in less developed areas can be challenging as the potential investor might be more willing to invest in large cities where

[27] See: https://stat.gov.pl/download/gfx/portalinformacyjny/pl/defaultaktualnosci/5473/2/85/1/stopa_bezrobocia_za_sierpien_2019.xlsx

the socio-economic situations are more favourable and thus offer a better perspective of growth.

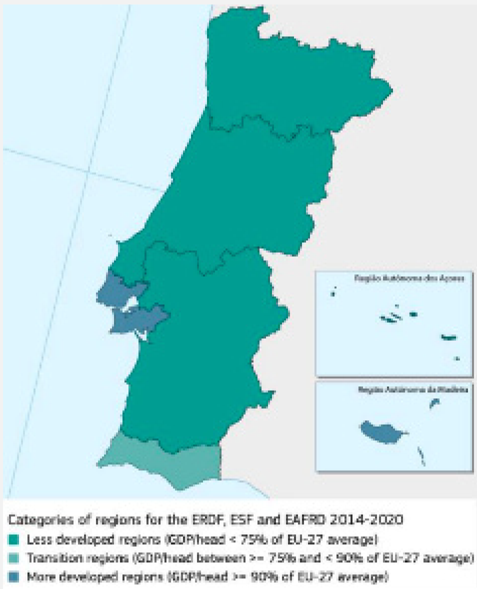
- The newly updated programme introducing changes in the types of projects represents a shift from the standard investment and employment grants to more advanced forms of support. It is yet to be seen how the programme will complement the future instruments to be funded during the 2020+ programming period and contribute to reducing territorial disparities.

7 PORTUGAL

Country briefings

National Policies addressing regional economic disparities – Portugal

1. Background



Source: European Commission (2019).

Portugal consists of seven NUTS 2 regions. Two of the regions are autonomous island regions. The Metropolitan Area of Lisbon and the Autonomous Regions of Madeira are regarded as More Developed Regions while Algarve at the south is a Transition Region. All other areas belong to the category of Less Developed Regions. However, due to the recent crisis, all regions apart from Lisbon fell under the threshold GDP of 75% of the EU-28 average. According to the OECD Index of regional disparity in GDP per capita for 2016[28], during the period 2000-2016 the reduction of the differences between the Portuguese regions in terms of GDP per capita was the 3rd largest among OECD countries, giving Portugal the 4th lowest position in regional economic disparities among OECD countries in 2016. The reduction of the disparities was due to a fall in GDP per capita in the metropolitan area of Lisbon since 2010 and moderate growth in the region of the North.

2. Architecture of national policies for addressing regional economic disparities

Focus

The ESI Funds remain the primary source of funding to address regional disparities. Therefore, the regional, urban and rural priorities are outlined in Portugal's Partnership Agreement with the EU.

Territorial development is an essential element of regional policy, and it is defined in the sub-regional pacts for territorial cohesion and development, the municipal strategic plans for urban development, and the rural, coastal and urban local development initiatives. The main strategic directions have been set in the National Programme for Territorial Planning Policy (PNPOT) (see fiche PT1) approved in 2007. The programme was amended in 2018, and it will be the framework for the design of the next programming period. Regarding the territorial economic development, the new PNPOT focuses on knowledge, innovation and training.

In addition to the measures financed by the ESI Funds, the national budget finances several of the measures of the National Programme for Territorial Cohesion, and its successor the Interior Valorisation Programme. Among the several national measures three have a regional orientation by offering more incentives to businesses (for instance providing tax incentives) that invest in selected Less Developed Regions.

Design and governance

Portugal is the 6th most centralised country in the OECD regarding public spending, with the central government being responsible for the 88.2% of public expenditures.[29] The Interior Valorisation Task Force under the Deputy Prime Minister is responsible for the design and implementation of the main national instrument addressing regional disparities the PNCT/PVI (see fiche PT2) in collaboration with the thematic ministries and the regional governance bodies. The measures providing tax incentives are designed and implemented by the Ministry of Finance.

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[28] OECD (2018), *OECD Regions and Cities at a Glance 2018*, OECD Publishing, Paris, https://doi.org/10.1787/reg_cit_glance-2018-en. and Eurostat

[29] OECD (2016), OECD Regional Outlook 2016: Productive regions for inclusive societies.

3. Relationship of national funding and the support through the ESI Funds

The ESI Funding is the predominant source of funding addressing regional disparities. The national budget supports mainly countrywide initiatives aiming at the convergence of the whole country to the EU average, and selected measures of the National Programme for Territorial Cohesion. Besides that, all tax incentives are financed by the national budget.

4. Overview of national policy measures addressing regional economic disparities

The National Programme for Territorial Cohesion/Interior Valorisation Programme (PNCT/PVI) (fiche PT2) supports interventions in municipalities and parishes in every Mainland Portuguese NUTS 2 and 3 regions, except for the Lisbon Metropolitan Area and the Oeste NUTS 3. The programme identifies 164 inter-ministerial measures. The most relevant to reducing economic disparities is Axis 2, which focuses on the competitiveness of the supported regions and Axis 4 on the connectivity of the territories. The two axes address a wide spectrum of measures including the improvement of the business environment, mobilising business investments, transport and digital networks, R&D and innovation, business infrastructures, educational infrastructures, development of human resources. Although the PNCT/PVI is a national programme, it also includes measures supported by the ESI Funds. The national budget also finances three tax regimes which provide various types of tax incentives to companies willing to invest in specific regions. The Contractual Benefits to Productive Investment (fiche PT3) is a tax benefit scheme for business investments equal to or greater than €3 million. The benefits last for a period of up to ten years from the completion of the investment project. All regions can benefit; however, the regions with lower purchasing power than the country average are entitled to higher benefit rates. The Tax Regime for Investment Support (RFAI) (fiche PT4) allows companies to deduct a percentage of the investment in non-current assets (tangible and intangible) from the calculated taxable income. The tax reduction rates for the Regions Center, Alentejo, Autonomous Region of the Azores and Autonomous Region of Madeira, is 25% for investment up to €10 million, and 10% for the surplus part. Investments in Algarve, Greater Lisbon and Setúbal Peninsula regions are subject to 10% tax reduction. The Installation of Companies in Interior Territories regime (fiche PT5) provides to SMEs a tax rate of 12.5% for the first 15,000 that are subject to tax when they established in one of the interior regions.

5. Classification of policies

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
National Programme for Territorial Cohesion / Interior Valorisation Programme (PNCT/PVI) (PT2)	Grants, loans, tax breaks	Business Environment and Trade	Venture capital funds and other financial instruments Tax incentives Investment promotion	Funding and design at the national level Implementation at the national and regional level
		Sector Development and Targeted Investment	Business development and innovation support to firms R&D programmes Science and industrial parks Clusters, centres of excellence and technology centres	
		Urbanisation and Connectivity	Transport infrastructure, Digital infrastructures	
		Skills and Mobility	Life-long learning New skills development (e.g. digital skills) Labour market training	

			Educational infrastructures, Universities	
Contractual Benefits to Productive Investment (PT3)	Tax breaks	Business Environment and Trade	Tax incentives	Funding, design and implementation at the national level
Tax Regime for Investment Support (RFAI) (PT4)	Tax breaks	Business Environment and Trade	Tax incentives	Funding, design and implementation at the national level
Installation of Companies in Interior Territories (PT5)	Tax breaks	Business Environment and Trade	Tax incentives	Funding, design and implementation at the national level

6. Main Sources

Interviews

- João Catarino, Secretary of State for the Valorisation of the Interior, Secretaria de Estado da Valorização do Interior
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Country fiches

National Programme for Territorial Planning Policy (PNPOT) – (Programa Nacional de Política de Ordenamento do Território)	
ID	**PT1**
Country	**Portugal**
Region(s) affected	All regions
Time horizon	The first PNPOT was approved in 2007. Its first amendment was approved in 2018. The PNPOT is the basic territorial development strategy.
Objectives and Scope	The PNPOT contains strategic objectives, specific objectives and measures that specify, respectively, the direction outlined in national territorial planning policy for Portugal 2025, the main lines of intervention to be developed to this end, and, also, the priority actions that will enable the strategic direction and lines of intervention. A recent update to the PNPOT aimed to prepare a new action programme for 2030.
Overview	• PNPOT is the top instrument of the land use management system. It defines the objectives and strategic options for territorial development and

	establishes the model of organisation of the national territory. The PNPOT constitutes the reference framework for other territorial programs and plans and as a guiding tool for strategies with a territorial impact. • This Programme defines five strategic territorial challenges at various levels of planning: to manage natural resources in a sustainable way; to promote a polycentric urban system; to promote inclusion and enhance territorial diversity; to strengthen internal and external connectivity; and to promote territorial governance. • The PNPOT also assumes 10 commitments for the territory: • To strengthen territorial systems according to their centralities; • To attract new inhabitants and manage demographic developments; • To adapt the territory and generate resilience; • To decarbonize by accelerating the energy and material transition; • To pay the services provided by natural capital: • To expand the territorial economic base with more knowledge, innovation and training; • To encourage collaborative processes to strengthen a culture of the territory; • To integrate new approaches to sustainability into the land use management instruments; • To guarantee the reduction of risk exposure in the land use management instruments; • To reinforce territorial efficiency in land use management instruments.
Rationale	The PNPOT Strategy, Territorial Model, Policy Measures and Guidelines are also the national territorial reference for the definition of sectorial strategies and socio-economic development with expression in the territory, promoting the sectorial articulation and orienting the territorialisation of sectoral option, public investment and strategic and operational definition for the next Community financing framework.
Type of policy category	• Urbanisation and connectivity
Type of policy instrument	• Transport infrastructure • Digital infrastructure
Type of funding	N/A
Budget and expenditures	As a strategic document, PNPOT is implemented by other instruments with a specific budget such as the operational programs of the ESI Funds, financing regional, urban, environment, agriculture, transport, research and innovation, complemented by national funding.
Governance	**Institution responsible:** Government / Ministry for the Environment and Energy Transition/Directorate-General of the Territory **Scenario 2** **Funding**: National Level

	Design: The design of the PNPOT amendment was based on a collaborative process developed in close coordination with the Focal Points. The different ministries were invited to frame their sectoral policies in the 15 Strategy Challenges of the Strategy. This exercise resulted in 50 policy measures. **Implementation:** National (Coordination Entities); Regional/ Local (Main Partners) PNPOT's governance structure consists of operational, advisory and evaluation bodies, namely the Intersectoral Forum, the Observatory for Spatial Planning and Urban Planning and of Advisory Boards and Committees.
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	The OPs of the ESI Funds are in line with the territorial strategy defined in PNPOT, considering that these funds are identified as the main source of financial resources to implement this national policy.
Impact: monitoring and evaluation	N/A
Link	http://pnpot.dgterritorio.pt/

National Programme for Territorial Cohesion / Interior Valorisation Programme (PNCT/PVI) – Programa Nacional de Coesão Territorial / Programa de Valorização do Interior	
ID	**PT2**
Country	**Portugal**
Region(s) affected	The Programme affects interior municipalities and parishes in every Mainland Portugal NUTS 2 and 3, except for the Lisbon Metropolitan Area and the Oeste NUTS 2. The territories covered by the measures of the PNCT are defined by the Resolution of the Council of Ministers no. 72/2016 (annex III). Within the scope of the PNCT, the delimitation of the beneficiary territorial areas is established by the ministerial decree (Resolution of the Council of Ministers no. 72/2016 (annex III)[2]. The territories affected, although coinciding with the *low-density* territories of CIC Resolution No. 55/2015, are now known as the Territories of the Interior.[3]
Time horizon	Time horizon: 2016- 18 as PNCT; Extended: July 2018–onwards as PVI
Objectives and Scope	The objective of the programme is to implement territorial measures of positive discrimination and of encouraging the development of low-density territories, aiming at settling the population, reducing regional asymmetries, cohesion and territorial competitiveness.
Overview	The PNCT, approved by the Council of Ministers on October 20, 2016, identifies 164 interministerial measures. Among these are the measures demonstrating the unique dimension of the PNCT, such as the shaping of a more favourable fiscal framework, the implementation of a Territory and Knowledge network, with a boost to the collaborative dimension between R&D institutions and higher education and vocational

	education, the promotion of cross-border cooperation, on an annual basis, and support for higher education in regions of low population density, with a new political orientation that will favour economically disadvantaged students. The Measures are organized around five Intervention Axes, each with the following goals: • Axis 1: + Cohesive – To build systems capable of promoting social inclusion and equity through greater territorial equality, promoting better articulation between the provision of urban and rural services and proposing new services networks that value intersectoral and inter-scale visions, improving the life quality. • Axis 2: + Competitive – To extend the development capabilities of the interior territories, fostering new strategies for valuing its resources, assets and agents, as well as the generation of higher levels of attractiveness, affirming and consolidating a new competitiveness. • Axis 3: + Sustainable – To foster geographic diversity by integrating the landscape, the natural and cultural heritage, for the valorisation of the mountain and border territories. • Axis 4: + Connected – To strengthen the connectivity of the interior territories, facilitating their spaces, in order to foster relationships between coastal, inland and border regions and with the diaspora, thus generating new forms of coordination and organization for cohesion, competitiveness and sustainability. • Axis 5: + Collaborative – To promote the transversal aspect of inter-ministerial activities, valorising local leaderships and institutional capacity building, disseminating platforms for dialogue and co-operation, experimentation and implementation of policies in favour of innovative processes of territorial governance. In 2018, the PNCT was revised. The new measures are listed in the Interior Valorisation Programme (PVI)
Rationale	Portugal has a persistent trend of littoralisation, which has put the interior regions in a scenario of devitalisation, characterized by depopulation, aging and impoverishment, leading to the loss of cohesion in these territories. This Programme results from a coordination effort between all the instruments of public policy designed by the Government and aimed at citizens and businesses.
Type of policy category	• Business environment and trade • Sector Development and Targeted Investment • Urbanisation and Connectivity • Skills and mobility
Type of policy instrument	• Venture capital funds and other financial instruments • Tax incentives • Investment promotion • Business development and innovation support to firms

	• R&D programmes • Science and industrial parks • Clusters, centres of excellence and technology centres • Transport infrastructure • Digital infrastructures • Life-long learning • New skills development (e.g. digital skills) • Labour market training • Educational infrastructures, Universities
Type of funding	The 164 measures contemplate different types of funding, including grants, loans and tax exemptions
Budget and expenditures	In September 2018 , in a presentation of the Interior Valorisation Programme (the revision of the National Programme for Territorial Cohesion), the Deputy Prime Minister office claimed that more than 3.5 billion Euro of investment was approved and being implemented (including both ESI and national funds), and 79% of the measures were already implemented. The programming documents include no budget, no clear discrimination of ESI and national funds (only occasional references), and there is no published financial implementation reports or evaluation studies. Although the Programme was assembled by the Interior Valorisation Task Force (UMVI), the measures are being implemented under several ministries, and there is no systematic account of budget and expenditure data associated with this programme.
Governance	**Institution responsible:** Deputy Prime Minister/Interior Valorisation Task Force (UMVI - Unidade de Missão para a Valorização do Interior) **Scenario 1** and **2** **Funding:** In addition to national funding, some of the measures are co-financed by Community funds within some of the ERDF OPs. **Design:** Nacional - Different ministries, depending on the thematic orientation. The programme identifies interministerial territorial development measures that result from the articulation of the action of several Ministries and their deconcentrated services, including the work of all representatives of the UMVI Advisory Council, namely the partners in social consultation. **Implementation:** National/Regional/Local levels – Differen t ministries and different institutions, depending on the measure, in articulation with the agents present in the territory, involving local authorities, intermunicipal communities, higher education institutions, business associations, companies and local development associations.
Policy implementation and policy mix	N/A

Relevant ESIF measures (if any)	Given the broad scope of this Programme, essentially its objectives are like those of the ESI funded Regional OPs of the Norte, Centro, Alentejo and Algarve, and the Portugal-Spain Cross-Border Cooperation Programme. It should be highlighted that the PNCT/PVI also encompasses several measures of the ESI Funds, of which the most relevant are the Pacts for Territorial Development and Cohesion, the Urban Development Strategic Plans, the Urban Renewal Action Plans, the Community Based Approaches to local Development, and several Business Incentive Schemes.
Impact: monitoring and evaluation	There is no systematic monitoring of the implementation of the measures, nor evaluation studies for the programme.
Link	https://dre.pt/web/guest/pesquisa/-/search/75796596/details/normal?l=1 https://www.portugal.gov.pt/pt/gc21/comunicacao/documento?i=apresentacao-do-programa-de-valorizacao-do-interior

Contract Tax Benefits to Productive Investment – Benefícios Fiscais contratuais ao Investimento Produtivo	
ID	**PT3**
Country	**Portugal**
Region(s) affected	All regions are benefited by a flat rate of 10% credit or exemption. The rate is increased in regions with per capita purchasing power lower than the country average.
Time horizon	On going
Objectives and Scope	The tax benefits regime is a contractual regime, with a period of validity of up to 10 years counted from the conclusion of the investment project, for investment projects whose relevant applications are of an amount equal to or higher than €3.000.000. Investment projects must have their object comprised in the following economic activities: • Extractive industry and manufacturing industry; • Tourism; • Computer activities and services; • R&D and high technology intensity activities; • Information technologies and audio-visual and multimedia production; • Shared service centre activities. To be eligible, investment projects must demonstrate technical, economic and financial viability, provide for the creation or maintenance of jobs, and that meet, at least, one of the following conditions: • Be relevant to the strategic development of the national economy; • Be relevant for reducing regional asymmetries; • Contribute to boosting technological innovation and scientific research

	• Improve the environment or strengthen competitiveness and productive efficiency
Overview	The following tax benefits may be granted cumulatively to investment projects: • Tax credit, determined based on the application of a percentage between 10% and 25% of the relevant investments of the investment project made, to be deducted from the amount of IRC collection; • Exemption or reduction of IMI, during the term of the contract, in relation to the buildings used within the scope of the investment project; • Exemption or reduction of IMT, in relation to acquisitions of buildings included in the investment plan and made during the investment period; • Stamp Duty Exemption, for all acts or contracts necessary for the completion of the investment project. The foreseen tax credit has the following limits: • In the case of the creation of companies, the annual deduction may correspond to the total amount of tax collected in each tax period; • In the case of projects in existing companies, the maximum annual deduction may not exceed the greater of 25% of the total tax benefit granted or 50% of the collection determined in each tax period.
Rationale	This scheme was created as a regime of state aid with a regional development purpose. In the context of their activity, and in order to promote competitiveness and investment, companies can benefit from tax incentives for productive investment. The tax benefit (individually or jointly with other regional State aid granted to the investment or investment project in question) encourages the realization of the projected investment in the region concerned to the detriment of another, as it compensates for the disadvantages and net costs associated with their deployment in this region.
Type of policy category	Business environment and trade
Type of policy instrument	Tax incentives
Type of funding	Tax breaks
Budget and expenditures	Not available.
Governance	**Institution responsible:** Ministry of Finances - Tributary and Customs Authority (AT – Autoridade Tributária e Aduaneira **Funding**: National Level **Design**: National Level **Implementation:** National Level
Policy implementation and policy mix	This measure was implemented under a new Investment Tax Code (Decreto-Lei 162/2014) approved by the Portuguese Government in 2014, with the objective of intensifying investment support, promoting sustainable growth, creating

	employment and contributing to the strengthening of the capital of businesses.
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	https://data.dre.pt/eli/port/94/2015/03/27/p/dre/en/html https://www.portaldosincentivos.pt/index.php/incentivos-fiscais/beneficios-fiscais-contratuais-ao-investimento-produtivo

Tax Regime for Investment Support (RFAI) – Regime Fiscal de Apoio ao Investimento	
ID	**PT4**
Country	**Portugal**
Region(s) affected	All regions are eligible however there are differences in the incentive rate in favour of the less developed regions: • In the case of investments made in the North, Center, Alentejo, Autonomous Region of the Azores and Autonomous Region of Madeira, is 25% for investment up to €10 million, and 10% for the surplus part; • In the case of investments in the Algarve, Greater Lisbon and Setúbal Peninsula regions it is 10%
Time horizon	On going
Objectives and Scope	The Investment Support Tax Regime is a tax benefit, according to the Decree-Law no. 162/2014 of 31 October, which allows companies to deduct a percentage of the investment in non-current assets (tangible and intangible) from the calculated taxable income. The tax benefits aim to promote and support investment in strategic sectors of the economy, favouring sustainable growth, job creation, regional development; contribute to strengthening the capital structure of companies; and attract to Portugal persons who carry out activities of high added value or obtain income from intellectual property, industrial or know-how. The eligible beneficiaries are legal persons who carry out an activity in the following sectors: • Mining and quarrying; • Manufacturing industry; • Tourism; • Computer activities and services; • Scientific R&D activities; • Information technologies and audio-visual and multimedia production; • Shared service centre activities.
Overview	The overall amount of tax benefits is subject to the limits laid down in the regional aid national map.

	Taxable persons are granted the following tax benefits: 1- Deduction to IRC[6] collection of the following amounts of the relevant applications: • In the case of investments made in the North, Center, Alentejo, Autonomous Region of the Azores and Autonomous Region of Madeira, 25% of the relevant applications, for investment up to €10 million and 10% of the relevant applications for the surplus part; • In the case of investments in the Algarve, Greater Lisbon and Setúbal Peninsula regions, 10% of the relevant applications. 2 - Exemption or reduction of IMI, IMT and Stamp Duty, in respect of buildings used, facts or acts included in the investments that constitute relevant applications. Deduction limits: • Up to the competition of total IRC collection: in the case of investments made in the taxation period of the start of business and in the following two taxation periods, except when the company results from a spin-off. Until the competition of 50% of the IRC collection: in all other cases.
Rationale	In its genesis, the RFAI was an instrument of countercyclical fiscal policy which, through the promotion of business investment in certain regions and the creation of jobs, was intended to contribute to the revitalization of the national economy.
Type of policy category	Business environment and trade
Type of policy instrument	Tax incentives
Type of funding	Tax breaks
Budget and expenditures	N/A
Governance	**Institution responsible**: Ministry of Finances - Tributary and Customs Authority (AT – Autoridade Tributária e Aduaneira) **Funding**: National Level **Design**: National Level **Implementation:** National Level
Policy implementation and policy mix	This measure was implemented under a new Investment Tax Code (Decreto-Lei 162/2014) approved by the Portuguese Government in 2014, with the objective of intensifying investment support, promoting sustainable growth, creating employment and contributing to the strengthening of the capital of businesses.
Relevant ESIF measures (if any)	N/A

Impact: monitoring and evaluation	N/A
Link	https://www.portaldosincentivos.pt/index.php/rfai

Installation of Companies in Interior Territories – Instalação de Empresas em Territórios do Interior	
ID	**PT5**
Country	**Portugal**
Region(s) affected	Territories of the Interior namely the *low-density* territories of CIC Resolution No. 55/2015.[30]
Time horizon	2014–on going
Objectives and Scope	This scheme aims to encourage the establishment of companies in the interior territories Beneficiary entities: Companies that are qualified as micro, small or medium-sized enterprises and which carry out, directly and primarily, an economic activity of an agricultural, commercial, industrial or service nature in the territories of the interior.
Overview	The scheme provides tax benefits: IRC (Corporate Income Tax) rate of 12.5% applicable to the first €15.000. of the taxable amount. The tax benefit is subject to the applicable European rules on *de minimis* aid and, as a general rule, the amount of tax incentives and other non-fiscal incentives granted to a single undertaking may not exceed € 200,000.00, for a period corresponding to three financial periods.
Rationale	These tax benefits aim to promote and support investment in sectors considered strategic of the economy, favouring sustainable growth, job creation, regional development; contribute to strengthening the capital structure of companies; and attract to Portugal natural persons who carry out activities of high added value or obtain income from intellectual property, industrial or know-how.
Type of policy category	Business environment and trade
Type of policy instrument	Tax incentives
Type of funding	Tax breaks
Budget and expenditures	N/A
Governance	**Institution responsible:** Ministry of Finances - Tributary and Customs Authority (AT – Autoridade Tributária e Aduaneira) **Funding**: National Level

[30] Low density territories that comprised of 165 municipalities and 73 parishes have been classified as Interior Territories by using using demographic, territorial and socio-economic indicators.

	Design: National Level **Implementation:** National Level
Policy implementation and policy mix	This measure was implemented under a new Investment Tax Code (Decreto-Lei 162/2014) approved by the Portuguese Government in 2014, with the objective of intensifying investment support, promoting sustainable growth, creating employment and contributing to the strengthening of the capital of businesses.
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	N/A
Link	http://info.portaldasfinancas.gov.pt/pt/informacao_fiscal/codigos_tributarios/bf_rep/Pages/ebf-artigo-41-o-b.aspx

8 ROMANIA

Country briefings

National Policies addressing regional economic disparities – Romania

1. Background

Categories of regions for the ERDF, ESF and EAFRD 2014-2020
Less developed regions (GDP/head < 75% of EU-27 average)
More developed regions (GDP/head >= 90% of EU-27 average)

Source: European Commission (2019).

For the 2014-2020 programming period, all regions in Romania, except for Bucharest-Ilfov, fell in the category of Less Developed Regions. Romania is gradually converging to the EU average, and all regions' overall growth rate has been positive since joining the EU. Nevertheless, the regional disparities within Romania have been widening at the same time, especially between the capital region Bucharest-Ilfov and the rest of the country. The former had a GDP per capita (PPS) four times higher than Romania's least developed region (North-East) in 2016. Bucharest-Ilfov ranks highest in terms of rates of investments attracted as a percentage of GDP and productivity rates, against the rest of Romanian regions.

2. Architecture of national policies for addressing regional economic disparities

Focus

The Romanian government recognises the need for more regional cohesion as a policy issue. However, there is no clear policy strategy and overarching framework to tackle regional disparities at the national level beyond the Partnership Agreement and the ESI Funding, which are regarded as the major sources of funding for this issue. As such, the Romanian government has not published a Regional Development Strategy for 2014-2020, and the National Strategy for Territorial Development 2035 is still to be approved by the Parliament, although the government has elaborated the proposal since 2014.

Despite the lack of an overarching policy framework, the Romanian government allocates funding to three specific measures financed by the national budget, in addition to the measures financed by the ESI Funds, to combat regional disparities and foster cohesion (see section 3). These are, namely, the National Programme for Local Development (PNDL), and two schemes for stimulating company investments and job creation in the regions. These measures are geared towards reducing disparities between Romanian regions, and do not particularly focus on reducing disparities to the EU; however, implicitly, they are expected to contribute to the latter goal.

Design and governance

The Ministry for EU Funding is responsible for the coordination of the Partnership Agreement with the ESI Funds. Regional policy combatting disparities is predominantly discussed in relation to the ESI Funds eligibility and priorities. The Ministry for Regional Development and Public Administration is steering the implementation of the National Programme for Local Development and of the Regional OP, while the Ministry of Finance is managing the schemes aimed at developing the regional economy through the support of companies. In general, the Romanian budget is defined on an annual basis; consequently, the national funding instruments may differ from one year to the other, due to changing priorities.

3. Relationship of national funding and support through the ESI Funds

Regional disparity policy in Romania is almost relying entirely on the ESI Funds, which cover the majority of sectors, especially in terms of funding of significant infrastructures, R&I funding, private sector development or environment. In terms of policy addressing regional disparities, the national budget is primarily used for co-financing the ESI Funds. Aside from the three public schemes described above, further horizontal national funding programmes are available for SMEs, support to different priority sectors, internationalisation, basic research and research infrastructures, social programmes but without any differentiation between regions or regional targeting.

In the case of the National Programme for Local Development (PNDL), there were no clear criteria for differentiating eligible costs between the two types of funds (ESI and PNDL). Nevertheless, the national budget is set on an annual basis, while the EU funds are set on a multi-annual basis. This makes the yearly budget more volatile, allowing to be used for covering gaps in ESI funding that were not foreseen at the time of the initial programming.

In general, the investments from the state budget cover expenses that are not eligible under EU funds. National ministries in charge of the different funding instruments coordinate to ensure the coherence of the investment priorities between the national and EU level funding.

4. Overview of national policy measures addressing regional economic disparities

The measures financed solely by the national budget are presented below.

The National Programme for Local Development (PNDL) (fiche RO1), is the most important national instrument for the support of municipalities, aiming at reducing both social and economic disparities among the regions. It provides budget transfers to municipalities for investments on improvements of local public infrastructure (e.g. roads, schools, kindergartens).

Three programmes provide direct support to companies. The most important one is the State Aid Scheme to stimulate investments with a significant impact on the economy (fiche RO3) which with a budget of €145 million supports substantial investments of over €1 million. Although the programme covers the whole country, the support intensity increased from 10% in Bucharest to 35% in Ilfov county & West Region and 50% in the rest of the country. The second programme targeting companies is the State Aid Scheme to stimulate job creation (scheme RO2). The measure covers the salary costs for two years of new jobs created by investments in companies. Although the main objective is the increase in employment, the measure also has a direct economic impact due to the implementation of investments. Support of employment is also the objective of the StartUp Nation Romania (fiche RO4), supporting the creation of new companies by disadvantaged people, unemployed and young graduates. While this was not the case in the 2017 calls, the programme now gives priority to applicants stemming from areas with low intensity of companies per inhabitant. The ceiling used for the selection of projects practically excludes candidates from Bucharest and Cluj.

In addition to the above, the Romanian government operates several other programmes financed by the national budget aiming at fostering the competitiveness of enterprises or specific sectors. However, they are horizontal supporting all regions including the capital region.

Further schemes for fostering competitiveness financed by the national budget are under preparation, including the support to access funding for SMEs by offering state guarantees for SMEs' credit lines (SMEInvest Romania Programme); and the set-up of a Fund for Development and Investments in infrastructure of the local municipalities and universities (ongoing in 2019), managed by the National Commission of Prognosis.

In addition to national support, some local municipalities and counties have developed their ad-hoc instruments to attract investments and job creation. The schemes may be implemented through direct investment support to companies located within their territories. For example, in 2018, state aid was awarded to companies by four municipalities (Slanic Moldova, Ghimbav, Sura Mica and Vaslui).

5. Classification of policies

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
National programme for Local Development (PNDL) (RO1)	Budget transfers to local authorities	Urbanisation and Connectivity	Transport infrastructure	Funding, at national level' design and implementation at the regional level.
State Aid Scheme to stimulate job creation (RO2)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level.
State Aid Scheme to stimulate investments with a major impact on the economy for the period of 2014-2020 (RO3)	Grants	Sector Development and Targeted Investment	Business development and innovation support to firms	Funding, design and implementation at the national level.
StartUp Nation Programme (RO4)	Grants	Sector Development and Targeted Investment	Business development and innovation support	Funding, design and implementation at the national level.

6. Main Sources

Interviews with:

- Ioana Ciocoiu – Programming Department, Ministry of Funds 2014-2020
- Nicoleta Georgescu – State Aid Department, Ministry of Finance
- Alexandru Soare, Deputy General Director, General Direction for Regional Development and Infrastructure
- Andreea Uncrop, Head of Office, Technical Direction, General Direction for Regional Development and Infrastructure

Main documents and sources

- Government of Romania, (2019): National Reform Programme Romania, 2019 https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-romania_en.pdf
- Partnership Agreement Romania 2014-2020, https://ec.europa.eu/info/publications/partnership-agreement-romania-2014-20_en
- Ministry of Finance, Romania, 2019: Fiscal-budgetary strategy for 2019-2021, http://www.cdep.ro/pdfs/buget/2019/strategie/SFB_2019-2021.pdf
- Ministry of Regional Development and Public Administration, Romania, 2019: Activity Report, oct. 2017- jan. 2019, https://www.mdrap.ro/userfiles/MDRAP_RAPORT_PS.pdf

Country fiches

National Programme for Local Development (PNDL)	
ID	**RO1**
Country	Romania
Region(s) affected	All regions targeted, but with differentiated investment rates per counties (40 territorial administrative units in Romania) depending on: • (30%) Population of the county / total population of Romania • (25%) Nr of towns and villages per county / total nr in Romania • (10%) County's surface / total surface of Romania • (35%) Financial capacity of the county based on the income tax in Romania / income tax in the county
Time horizon	2013-2020
Objectives and Scope	Supporting the administrative-territorial units for addressing basic economic and social challenges and improving the attractiveness of the county for investments. It is the most important nationally funded programme for local development,
Overview	Provide funding for educational infrastructure, health and environment, sports, social and cultural and tourist, administrative and access to the means of communication. Implemented by Ministry of Regional Development and Public Administration
Rationale	Enhancing the local cities, towns, villages' attractiveness and living conditions, wellbeing of citizens and investor attractions
Type of policy category	Urbanisation and connectivity
Type of policy instrument	Transport infrastructure
Type of funding	Budget transfers to local authorities
Budget and expenditures	PNDL Phase I: 2013-2019 budget allocation of €3.7 billion – out of which €2.7 billion spent. The budget refers to both social and economic cohesion objectives PNDL Phase II: 2017-2020 budget allocation of €6.2 billion – out of which €608 million spent in 2017-2018
Governance	The Ministry of Regional Development owns the scheme – Direction for Regional Development and Infrastructure
Policy implementation and policy mix	Funding to local authorities for infrastructure investments
Relevant ESIF measures (if any)	The Regional OP of the ESI Funds and the OP for Large Infrastructure are related, but with larger investment projects foreseen

Impact: monitoring and evaluation	Under the program, a total of 11,093 financing contracts are managed, out of which 3,304 objectives are completed. In Stage I (2013-2019), objectives are financed (totalling RON 17,800 million/ 3.7 billion Euro), of which RON 13,098 million / €2.7 billion (73.5% of the total allocated) have been spent so far. In Stage II (2017-2020), 6,711 objectives (totalling 29,702 million RON / €6.3 billion) are financed, out of which 2,814 million RON / €600 million (9.5% of the total allocated) have been spent so far.
Link	https://www.slideshare.net/edezvoltare/programul-national-de-dezvoltare-localapndl-etapa-a-iia

State Aid Scheme to stimulate job creation	
ID	**RO2**
Country	Romania
Region(s) affected	All Romanian regions are targeted, but with a different intensity of support, depending on their GDP's distance from the EU average GDP.
Time horizon	2014-2020
Objectives and Scope	The measure provides support to companies in order to stimulate job creation in all sectors.
Overview	Gov order nr 332/2014 2014-2020. Modified for 2018-2020 The scheme finances the new jobs that are created through the investment, by covering salary costs (up to the medium gross salary) for a period of 2 years, if they are created within 3 years of making the investment; The jobs need to be maintained for a period of 5 years (in the case of large companies) or a period of 3 years (for SMEs). Target beneficiaries are both SMEs and larger enterprises Budget differentiated per development level of regions (calculated based on the distance from the EU average GDP), based on the EU specifications in the General Block Exemption Regulation (EU) N°651/2014 of 17 June 2014: • For investments in Bucharest: subsidy for 10% of eligible investment • Ilfov county & West Region: subsidy for 35% of eligible investment • Rest of country: subsidy for 50% of eligible investment
Rationale	The policy is part of the government's policy for attracting sustainable and long-term investments in Romanian regions, but no clear strategy has been mentioned as a backing for the measure.
Type of policy category	Sector development and targeted investments
Type of policy instrument	Business development and innovation support to firms
Type of funding	Grants

Budget and expenditures	Budget 2014- 2020: €600 million, with up to €100 million per year
Governance	The Ministry of Finance Direction for State Aid coordinates the support scheme entirely, in coordination with other operational departments for payments, monitoring, financial control, treasury). At the moment of designing the scheme, it has been consulted with the Competition Council, Ministry of Regional Development, plus also the business environment and the Economic and Social Committee. The government approves the scheme.
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	There were no projects co-financed from EU funds among the ones supported under this scheme. The Ministry of EU Funds needs to also approve this scheme, to ensure that it is complementary and does not overlap with EU funding schemes.
Impact: monitoring and evaluation	During the period 2014-2018, the scheme had the following results: • 46 financing grants awarded • €84.33 million requested in eligible expenses • €40.45 million in awarded financing • 6770 jobs created, out of which 2442 for unemployed persons • €138.87 million paid back in taxes by the companies who created the investment • Since 2014, the government only reimbursed €5.2 million in salary costs in the case of 58 requests filed by companies who created the investment (companies can file up to two reimbursement requests per year).
Link	http://discutii.mfinante.ro/static/10/Mfp/presa/transcrieri_declaratii/26-06Prezentareschemadeajutordestatpentrusustinereainvestitiilor.pdf

State Aid Scheme to stimulate investments with a major impact on the economy for the period of 2014-2020	
ID	**RO3**
Country	Romania
Region(s) affected	All Romanian regions are targeted, but with a different level of support awarded, depending on their GDP's distance from the EU average GDP
Time horizon	2014-2020
Objectives and Scope	The measure support major projects in companies in order to achieve: • important effects on the economy, in fields where there are opportunities for technology transfer • expansion and diversification of economic activities in less developed regions • direction of investments in advanced technologies and innovative products that lead to creating highly qualified jobs

	• a multiplier effect in the economy, through mobilising connected investments and developing the local suppliers of products and services All sectors are eligible for support
Overview	State Aid Scheme to stimulate investments with a major impact on the economy (Gov order nr 807/2014) for the period of 2014-2020. Modified for 2018-2020. Intensity of support is differentiated per development level of regions (calculated based on the region's GDP distance from the EU average GDP), based on the EU specifications in the General Block Exemption Regulation (EU) N°651/2014 of 17 June 2014: • For investments in Bucharest: subsidy for covering 10% of eligible costs in 2018-2020 • For investments in Ilfov county & West Region: subsidy for 35% of eligible investment • For investments in rest of country: subsidy for 50% of eligible investment Target beneficiaries are both SMEs and larger enterprises; initially, a minimum investment level was requested of €10 million in order to be considered to receive the subsidy; however, a modification brought in 2018 lowered the investment threshold to €1 million, which made it easier for SMEs to apply. One further condition for awarding the scheme is that the forecast sum of the taxes the company pays to the government within 5 years from receiving the state aid should exceed the state aid amount. Otherwise, the company is obliged to pay back the difference to the government
Rationale	The policy is part of the government's policy for attracting sustainable and long-term investments in Romanian regions, but no clear strategy has been mentioned as a backing for the measure.
Type of policy category	Sector development and targeted investments
Type of policy instrument	Business development and innovation support to firms
Type of funding	Grants
Budget and expenditures	Budget 2014-2020 – annually approx. €145 million are budgeted for this scheme
Rationale	The policy is part of the government's policy for attracting sustainable and long-term investments in Romanian regions, but no clear strategy has been mentioned as a backing for the measure.
Governance	The Ministry of Finance Direction for State Aid coordinates the support scheme entirely, in coordination with other operational departments for payments, monitoring, financial control, treasury). At the moment of designing the scheme, it has been consulted with the Competition Council, Ministry of Regional Development, plus also the business environment and the Economic and Social Committee. The government as a whole approves the scheme.

Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	There were no projects co-financed from EU funds among the ones supported under this scheme. The Ministry of EU Funds needs to also approve this scheme, to ensure that it is complementary and does not overlap with EU funding schemes.
Impact: monitoring and evaluation	There were 30 financing agreements awarded in 2014-2018, based on which: • €872 million eligible expenses • ca. €365 million in state aid awarded • €84 million in commitments paid • 7805 jobs created €410 million in taxes paid back from the companies who performed the investment
Link	http://discutii.mfinante.ro/static/10/Mfp/presa/transcrieri_declaratii/26-06Prezentareschemadeajutordestatpentrusustinereainvestitiilor.pdf http://discutii.mfinante.ro/static/10/Mfp/ajutordestat/Bilant_HG807_31122018.pdf

StartUp Nation	
ID	**RO4**
Country	Romania
Region(s) affected	All regions; the 2018-19 calls penalise applicants from the areas with over 4 enterprises / 100 inhabitants. The limit affect primarily the cities of Bucharest and Cluj, due to the already high density of entrepreneurs.
Time horizon	2018-2020
Objectives and Scope	Stimulating the establishment of new enterprises Creating jobs Facilitating access of disadvantaged persons, unemployed and young graduates to the labour force Increasing the investments in new and innovative technologies
Overview	The measure grants de minimis support of up to 200,000 RON (cca €42,000) to 10,000 SMEs annually
Rationale	Support the creation of new companies, fostering job creation and support inclusion of disadvantaged people, unemployed and young graduates in the labour market.
Type of policy category	Sector development and targeted investments
Type of policy instrument	Business development and innovation support to firms

Type of funding	Grants
Budget and expenditures	N/A
Rationale	Support the creation of new companies, fostering job creation and support inclusion of disadvantaged people, unemployed and young graduates in the labour market.
Governance	The scheme is managed by the Ministry for the Business Environment and Entrepreneurship
Policy implementation and policy mix	N/A
Relevant ESIF measures (if any)	ERDF Regional OP ERDF Competitiveness OP
Impact: monitoring and evaluation	8,444 financing contracts signed in 2017 17,717 new jobs were created, out of which 14,365 for disadvantaged people. For the Start-up Nation 2018 programme, 33,514 applicants participated.
Link	https://startupnation2018.aippimm.ro/ https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-romania_en.pdf

Case study

PNDL – Romania (RO)

1. Executive Summary

The Romanian PNDL was setup in 2013 in order to cater to the local development needs of local authorities, i.e. beneficiaries, especially those that lack technical and financial capacity to apply for EU funding or for those which have ongoing projects form other defunct investment programmes. The main objective of the programme is to properly equip all administrative territorial units with the required technical and social infrastructure, in order to reduce inequalities and improve quality of life.

The PNDL is setup through Governmental Emergency Ordnance and lacks a general dedicated legal framework for its field of investment, as well as a long-term strategy. The main implementation body is the Directorate General for Regional Development and Infrastructure of the Ministry of Regional Development and Public Administration. Its responsibilities include general management of the programme, setting the annual budget and the selection of the project list.

The programme promotes an attractive level of accessibility due to its lax framework and reduced bureaucracy, but this comes at the cost of lack of clarity in terms of prioritization of investments and allocations, and reduced control over implementation. Moreover, the increased attractivity of the programme can induce the crowding out of the more complex EU funded programmes. Lastly, the programme does not include a well-defined monitorization instrument or indicators, making it difficult to track progress along the way.

Coordination of investments with other investments programmes, especially EU programmes, is prioritized and supported through guidelines drafted with the support of the World Bank. The practical implementation is, however, questionable in the light of available data, as it is unclear what improvements have been made since the issue has been raised by the Court of Auditors.

Whilst general implementation of the PNDL is problematic due to the lack of adequate legislative packages and transparency, the basic approach of the programme must be appreciated in a positive note. In theory, PDNL tries to counter balance the lack of EU funded investments through state funded ones and more flexible funding criteria. However, in practice, lack of transparency and legal ambiguity make it difficult to control investments and evaluate their efficiency and role in reducing regional disparities.

2. Background and Context

The National Local Development Programme (PNDL) is dubbed by the Ministry of Regional Development and Public Administration (MRDPA) as the most important in-vestment programme for the financing of local development objectives. The programme appeared in a post-crisis context and economic environment, which slowed down the reduction of regional disparities at national and EU level. Regional disparities have been a constant issue for Romanian governments, especially since EU accession. In addition, arge urban centres started to concentrate social and economic resources, while other areas, especially rural, started to lag behind even further due to lack of technical and transport infrastructure and services of general interest. Even if not always mentioned, PNDL is not a novel approach, as until 2012 a similar programme was in place, the National Infrastructure Development Programme, which was setup in 2010. The two are very similar in approaches and investment objectives, e.g. development of local and county road infrastructure, sewage and wastewater treatment, fresh water supply networks.

PNDL came into place as a support instrument for the Romanian regional development policy and the national commitments for bringing water supply and wastewater networks infrastructure up to European standards by 2017 and 2018 respectively. Moreover, the PNDL tries to prioritise an approach based on the argument put for-ward by the World Bank in the report "Competitive Cities" (World Bank, 2013), which in short emphasises that, at local level, investment priorities differ from area to area based on the level of economic and social development. This means that in less developed areas, local authorities will prioritise institutional performance in terms of general services infrastructure, while in more developed areas will prioritise links in-between neighbouring areas and investments in quality of life. In addition, considering that the Romanian administrative system is based on the principal of local autonomy, the PNDL actually emphasizes that it comes in support of local authorities by supporting these in making the investments by themselves. This way, at least at declarative level, the chosen investments are actually required at local level, and are not imposed by other regional or national programmes, which, as the PNDL reasoning note states, are not that well equipped for dealing with local investment priorities.

3. Description of Policy Measure

PNDL was setup through the Government Emergency Ordinance (GEO) 28/2013. The legal package also included the reasoning note and the methodological norms for the implementation of the programme (MRDPA Ministry Order 1851/2013). PNDL brings together and replaces three investment programmes that were implemented by MRDPA: The infrastructure programme (1997); The Rural Infrastructure Development Programme (2006); Multiannual Priority Programs for Water and the Environment (2006).

The programme includes 3 sub-programmes: "The modernization of the Romanian village"; "The urban regeneration of cities and towns"; "County level infrastructure". Considering the variety of these programmes, the PNDL covers a large range of in-vestments covering water and sewage systems, education, health, roads and bridges, social and cultural infrastructure, sports, and the headquarters of local authorities and their subordinated institutions. The programme allows for both new infrastructure as well as extensions of the existing one. Also, the investments can be new or ongoing at the time o application.

There are several national strategies that touch upon local development and the re-duction of regional disparities, but none focus directly on these. The main programme that explicitly targets regional disparities is the EU funded Regional Operational Programme. The MRDPA and its Directorate General for Regional Development and Infrastructure play important roles in ensuring the implementation of development measures. The MRDPA, drafted the National Strategy for Territorial Development, which should, in principle, guide national investment programmes such as the PNDL. However, since its drafting and 2016 adoption by the Government, it has been stuck in the Parliamentary approval procedure. Hence, we can say that even though PNDL other investment programmes follow general guidelines set out by the strategy, in practice, PNDL is implemented outside of a strategic framework for local development.

The programme's lead stakeholder is the MRDPA, as the Directorate General for Regional Development and Infrastructure is responsible for the management of the programme. Apart from MRDPA and local authorities, no other specific implementation bodies can be identified according to the programme design and methodological norms.

The PNDL covers the whole territory of the country and all local authorities can apply for funding. The differentiating factor is given by the distribution of funds at county level which takes into consideration different demographic and administrative criteria, the latter of which are not very clearly described.

The programme's budget results from the total sums allocated to each ministry from the state budget as agreed by the government. The amounts are approved by Parliament. The MRDPA establishes what the annual budget of the programme is, considering the total allocation for the programme, based on the multi-annual estimation for each funding round (See below PNDL timeframe). The total allocated sums for PNDL I, i.e. 2013-2019, is EUR 3.7 billion, while the total allocated sum for PNDL II, i.e. 2017-2020, is EUR 6.2 billion. Marking that the total programme budget doubled.

4. Policy Implementation

PNDL implementation does not depend on a pre-set institutional framework of actors in charge of implementation. The lead stakeholder is the MRDPA, that is responsible for the management of the programme. As already mentioned, the MRDPA establish-es the annual budget of the programme considering the total allocation for the programme, based on the multi-annual estimation for each funding round. Administrative-territorial units or administrative-territorial units members of intercommunal development associations are the direct beneficiaries of the PNDL allocations. In this context we can consider the inhabitants of each local administration as target groups of the investments.

It is worth mentioning that according to the PNDL guide, most of the responsibility for the implementation of the projects is left in the hand of the beneficiaries, while MRD-PA is in charge of the monitorization process. However, it is difficult to identify any dedicated instrument or indicators through which monitorization is being achieved. One interviewee actually mentioned that there are no progress indicators in place, the only indicators reported to MRDPA being the expenses sums and physical measures of the proposed investments, e.g. km of road, meters of pipe, build areas, and in some cases number of beneficiaries. The aim being only the tracking of the proper spending of the funds.

In terms of implementation and coordination structures it is difficult to establish how these are designed and function. MRDPA reports that the ministry coordinates with the management authorities of the EU funded OPs. In addition, with support from the World bank, the Government implemented the project "Coordination and efficient and transparent selection of EU and state-funded infrastructure projects for 2014-2020 period", which resulted in guides aimed to facilitate and improve project selection. However, interviews at local level pointed to the fact that there is no formal coordination framework, but PNDL is generally considered to be additional and complementary to the ESI Funds, but with a more flexible framework. One of the reports of the World Bank project also emphasizes this flexible framework, but points to the risk of crowding out of EU funding, due to the laxer bureaucracy of the PNDL, which makes it more attractive for local authorities (World Bank, 2015).

According to the PNDL implementation guide published by the MRDPA, following the establishment of the annual budget, MRDPA also establishes the financial allocation to each county, based on weighted calculation that includes: the population of the county, number of towns and villages, area of the county, the capacity of the administrative-territorial units to participate in investments with funds from their own local budgets. This type of approach raises some issues, as already stated by the Court of Auditors in 2015, because the definition of criteria like "financial capacity" is not well defined and open to interpretation.

It is worth noting that a change can be observed in terms of funding allocation be-tween PNDL I and II. As the World Bank already emphasized in their analysis in the 2013-2014 time frame, there was no clear prioritisation if we look at funding distribution, as all counties received similar funding amounts ranging from EUR 5 to 5.7 million (World Bank, 2013). This was a different approach compared to the EU funded programmes, as the Regional OP, which prioritise less developed regions. However, the 2015-2019 PNDL I allocations show a much-varied pattern in terms of county level allocations, with amounts ranging from EUR 30 million to EUR 177 million. In the case of PNDL II the total allocated sums for each county vary from EUR 77 million to EUR 197 million, a much more significant variation. The sums emphasize the significant increase of the total allocations but linking the allocated sums to the level of development is still problematic and open to scrutiny by the civil society (i.e. Expert Forum, a Romanian think tank analysed allocations at beneficiary level and identified allocation patterns that can be attributed to political affiliation. Expert Forum, 2016, 2018).

Until 2015, after the annual budget was been established, the County Councils centralized the new and ongoing investment proposals from all administrative-territorial units and send these to the MRDPA for approval. From 2015, GEO 28/2013 Article 9 states that the programme beneficiaries send their requests to the MRDPA directly. The latter analyses the list form each county and drafts the final list of investments, which is then approved my order of the Ministry. One of the main issues raised in this case by beneficiaries and third-party experts, as well as the Court of Auditors, is that the process of project selection is not always transparent. Moreover, in some cases, especially in the first round of PNDL I, allocations were marked for covering arrears from previous investment programmes. Currently the project selection criteria include type of investment, physical status of the investment, date of the contract and served population. However, it is unclear how these criteria are weighted in the project selection process.

The beneficiaries send all technical documentations, and these are analysed by the MRDPA. It must be noted that the documentation required for ongoing investments are much simpler than for new investments. After approval of the technical documentation, the MRDPA signs the multi-annual funding contract with the beneficiary. The contracts are for maximum 4 years (although the n+2 rule is often applied), considering the approved commitment appropriations and budgetary commitments, but with-out annual planning of the budgetary commitments. The method of allocation raises the risk of transforming these expenses in arrears in the future years, as financial sustainability is difficult to guarantee considering the current economic situation and future budget forecasts.

5. Project implementation

After signing the contracts, the beneficiaries start the public acquisitions process for the works required. Also, the beneficiaries can request the allocated amounts for the implementation. MRDPA verifies the documents and if there are no clarifications re-quired they transfer the funds to the beneficiary. Within 30 days from allocation, the beneficiaries are required to justify the use of the funds.

During the implementation process the beneficiaries are required to provide several reports regarding the state of the investment. However, these do not include progress indicators, but rather centralise expenses and allocation requests.

At the end of the project the beneficiaries are required to provide the proof of receipt for the services and works provided by contractors to MRDPA and to ensure the quality of the investment, although the latter is not properly defined. In addition, they have to provide a general data sheet regarding the project, but also in this case the data requested only includes financial data regarding the allocation from PNDL and the finalization of the project (reports are attached to the norms as annexes).

6. Strengths and Weaknesses

The main feature of the PNDL, its accessible framework of implementation, represents both a strength and a weakness. On one hand, the accessibility factor eases the implementation at local level, especially in the case of local authorities which lack the knowledge and technical capacity to access EU funding and/or the capacity to co-finance such projects. On the other hand, this also raises the risk of crowding out EU funding opportunities, which are more technical and bureaucratic in their implementation and can become significantly less attractive for small local authorities.

A second issue is the lack of systematic transparency in the budget allocation, project selection and implementation phases, from both MRDPA and beneficiaries. MRDPA, uses criteria that is not very well defined, e.g. "financial capacity", and which leaves room for interpretation. Also, in some cases project selection is difficult to justify, especially in 2014, e.g. when, as the Court of Auditors emphasized, sports centres were prioritized instead of water supply networks. This type of approach raises important questions regarding the added value of the programme interventions towards reducing regional disparities.

The legal framework for the implementation of the programme represents a structural weakness for the long-term continuation of the programme. Because the there is no strategy and law for the field covered by the programme, the obligation of any acting Government to continue the programme is debatable. Also, the multi-annual approach based on commitment appropriations raises issues of financial sustainability, considering that the sole finance source is the state budget, which can vary in size, increasing the risk of creating arrears for future local administration.

The programme also lacks appropriate process, input and output indicators, required by any investment programme in order to measure the level of achievement of objectives. Moreover, the existing legal framework does not describe a proper monitorization instrument, which was also confirmed during the interviews as missing and need-ed for proper implementation.

Finally, even if efforts have been made in order to coordinate PNDL investments with EU funded programmes, the programme seems to be missing a case-by-case system for checking the appropriateness of the PNDL instead of the ESI Funds.

7. Transferable Lessons

An important aim that can be taken away from this case study is that of fostering local development by not letting endogenous financial and capacity limitations stand in the way of local investments. Specifically, local authorities lacking technical and financial capability to access EU funds for development, should not be punished by lack of investment, but could be assisted through complementary state-funded programmes. However, this requires significant work from the governmental side to develop the required strategic and legal frameworks for implementation, which in turn must allow for transparency and thus reduce the politicization risk of the process.

Another important lesson is that accessibility is key in both implementation and gaining support from local authorities. But state-funded investment programmes criteria should not be discriminatory and so reduced that discourage the use of EU funded programmes, as this can raise questions about the correlation and complementarity with regional development objectives and Cohesion Policy. Moreover, deep integration and coordination with EU funded programmes is a necessary step, as it increases efficiency and reduces the risk of double financing.

Lastly, generality and ambiguity in the formulation of an investment programme, while encouraging and facilitating a wide range of investments, tends to reduce the level of impact through the diffusion of investments and lack of cohesiveness. In turn, this raises questions regarding the efficiency and efficacy of the programme in achieving its objectives. Ultimately this raises the issue of the appropriateness of the state-funded investments approach.

9 SLOVAKIA

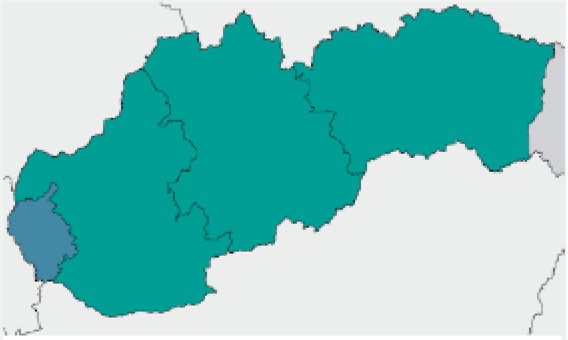
Country briefings

National Policies addressing regional economic disparities – Slovakia

1. Background

Slovakia consists of four NUTS 2 regions. The Region of Bratislava is the only one in the category of More Developed Regions, while the other three belong to the category of Less Developed Regions.

According to the OECD Index of regional disparity in GDP per capita for 2016,[31] for the period 2000-2016 the gap in the regional GDP per capita among the three less developed regions and Bratislava increased, with the GDP per capita in Bratislava to be 3.5 times higher than in East Slovakia, the least developed region of the country. In 2016, Slovakia had the 4th highest regional economic disparities among OECD countries.



Categories of regions for the ERDF, ESF and EAFRD 2014-2020
Less developed regions (GDP/head < 75% of EU-27 average)
More developed regions (GDP/head >= 90% of EU-27 average)
Source: European Commission

2. Architecture of national policies for addressing regional economic disparities

Focus

National policy for reducing the economic disparities between the country and the EU is set in the Partnership Agreement of the current programming period and financed by the ESI Funds. This dimension is reflected in the National Strategy for Regional Development (fiche SK2), which relies on the ESI Funds to address both the disparities between Slovakia and the EU and the internal disparities among the regions.

National policy focuses on the reduction of disparities between the regions. The reduction of regional disparities within the country is among the priorities of the Economic Policy Strategy 2030 of Slovakia, which puts emphasis on national investments on infrastructures in the regions that improve labour mobility and business environment.

In total, four measures have been identified which are funded by the national budget. All of them aim at addressing internal disparities. Three of them focus on urbanisation and connectivity by financing transport, digital infrastructures and energy infrastructures. One focuses on the development of skills and one on the improvement of the business environment.

Design and governance

The identified policies originate from different ministries, which have the responsibility for the design and funding. In most of the cases, the design and the funding of the measures is the responsibility of the Ministry of Economy while the implementation is the responsibility of regional or local authorities. The financial measure is designed and financed at the national level and implemented by a national agency (SBA).

Programmes with a territorial character such as the programme for the regeneration of rural areas are funded and overseen at the national level but are designed and implemented at the local level.

[31] OECD (2018), OECD Regions and Cities at a Glance 2018, OECD Publishing, Paris, https://doi.org/10.1787/reg_cit_glance-2018-en.

Relationship of national funding and support through the ESI Funds

The ESI Funds are the primary source of funding for cohesion policy addressing both dimensions, namely the cohesion between the country and the EU and the disparities between the regions.

The national budget provides a small contribution to the reduction of disparities between the regions, by financing mainly transport and digital infrastructures.

3. Overview of national policy measures addressing regional economic disparities

The public interventions financed by national sources, with the exception of the investments on the railway, are relatively small in budget and distributed to a considerable number of small projects.

The Programme for Regional Development Support, sub-programme "Development of Manufacturing and Services" (fiche SK1.1) supports local and regional authorities to finance the development and improvement of basic infrastructures which have a direct or indirect impact on the economic development of the area, such as the upgrading of gas and electricity infrastructure, roads, building water treatment plants, conducting archaeological excavations etc. Although it is open for all regions, local and regional authorities in deprived areas (e.g. the unemployment rate in the district/region is one of the assessment criteria) have a priority. As an indication for the size of the programme, the funding for 2018 amounted to €5 million.

In the area of transport infrastructures, the Railways of the Slovak Republic invested €125.8 million in 2018 for the modernisation of the Slovak railway infrastructure (fiche SK4) in all regions, except for Bratislava. Due to the size of the investment, additional funding from the ESI Funds and the Connecting Europe Facility was also used (€144 million and €5 million respectively).

The programme for the regeneration of rural areas (fiche SK3) provides funding opportunities for parishes, networks of parishes, microregions for interventions that improve the quality of the rural environment, developing green infrastructure and adopting measures to mitigate climate change, provide environmental education and awareness raising activities. Although Bratislava is not excluded, the region of the capital is deliberately disadvantaged in favour of the other regions. The programme runs annually with individual projects not exceeding €8.000.

The Slovak Business Agency runs a Microloan Programme (fiche SK5) for SMEs which provides loans ranging from €2.500 up to €50.000. The loan maturity ranges from 6 months to 4 years. The interest rate ranges from 1.19% to 9.03%. Although companies from all regions are eligible, applicants from the regions with higher unemployment rate have an advantage in the selection process.

4. Classification of policies

Title	Type of funding	Policy category	Policy instrument	Funding implementatio
The Programme for Regional Development Support, sub-programme "Development of Manufacturing and Services" (SK1.1)	Public procurements	Urbanisation and Connectivity	Transport infrastructure Digital infrastructure Energy infrastructure	Design and fun national level Implementatio regional or loca
The programme for the regeneration of rural areas (SK3)	Grants, public procurements	Urbanisation and Connectivity	Digital infrastructures	Funding at the level, design a implementatio regional/local
	Grants	Skills and Mobility	New skills development	
Modernisation of the Slovak Railway Infrastructure (SK4)	Public procurement	Urbanisation and Connectivity	Transport infrastructure	Funding at the level, design a implementatio regional/local
Microloan Programme (SK5)	Loans	Business Environment and Trade	Venture capital funds and other	Design, fundir implementatio national level

			financial instruments		

5. Main Sources:

Interviews with

- Łuboš Littera, Director of the Department for Cohesion Policy, Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatisation
- Antonia Mayerova, Director of Payments Department, Ministry of Finance of the Slovak Republic
- Juraj Cenker, Director of Department of structural and expenditure policies, Institute for Financial Policy of the Slovak Republic

Main documents and sources

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- Government of Slovakia (2018), The Economic Policy Strategy of the Slovak Republic until 2030, https://www.economy.gov.sk/uploads/files/wRKb2ncO.pdf
- Government of Slovakia (2018), The National Strategy for Regional Development of the Slovak Republic http://www.mpsr.sk/mvrrfiles/003994a.pdf
- OECD (2018), OECD Regions and Cities at a Glance 2018, OECD Publishing, Paris, https://doi.org/10.1787/reg_cit_glance-2018-en.
- OECD (2016), OECD Regional Outlook 2016: Productive regions for inclusive societies.
- Partnership Agreement Slovakia, https://ec.europa.eu/info/publications/partnership-agreement-slovakia-2014-20_en

Country fiches

The Economic Policy Strategy of the Slovak Republic until 2030	
ID	**SK1**
Country	**Slovakia**
Region(s) affected	All country
Time horizon	2018-2030
Objectives and Scope	To determine the strategic direction of the economic policy until 2030 and therefore allow to plan the economic development more independently of the standard political cycle and to provide a base material not only for the current government, but also for the successive ones.
Overview	The Strategy has seven main chapters: • Basic strategic goals of the economic policy • Analysis of the main global trends, including from the perspective of Slovakia • Economic potential of the regions • SWOT analysis • Outline of the main policy areas • Specific measures

	• Progress monitoring
Rationale	Reducing regional disparities and regional development is one of the key areas of the Strategy (Key Area 5). For example, the Strategy recognises the importance of national investments into transport infrastructure in the regions to fuel labour mobility and improve business environment, including in relation to Slovakia as a transit country.
Type of policy category	Business environment and trade Sector Development and Targeted Investment Urbanisation and Connectivity Skills and mobility
Type of policy instrument	The strategy covers all areas
Type of funding	**Variety of sources**: A mix of funding sources: national budget, EU funding
Budget and expenditures	Not specified. Different public bodies are responsible for implementation of different measures, including the responsibility for funding.
Rationale	Reducing regional disparities and regional development is one of the key area of the Strategy (Key Area 5). For example, the Strategy recognises the importance of national investments into transport infrastructure in the regions to fuel labour mobility and improve business environment, including in relation to Slovakia as a transit country.
Governance	**Institution responsible**: The overall responsibility is with the Slovak Ministry of Economy Scenario 1
Policy implementation and policy mix	This is an umbrella national strategy so assessing the downstream mix of measures and policies is very difficult. Some 45 specific measures were presented in the strategy.
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Not evaluated yet, but the monitoring system is using the International Human Development Index, the OECD Better Life Index and a selection of Eurostat indicators, such as for the comparison of GDP per capita PPP
Link	https://www.economy.gov.sk/uploads/files/wRKb2ncO.pdf

The Programme for Regional Development Support, sub-programme "Development of Manufacturing and Services"	
ID	**SK1.1**
Country	**Slovakia**
Region(s) affected	All country, however, applicants from Bratislava and some other advanced regions and districts are disadvantaged in project proposal assessment.

Time horizon	2018-2020
Objectives and Scope	To provide funding for manufacturing and services development
Overview	This is a programme implemented by the Slovak Ministry of Economy and funded from the Slovak National budget. It allows local and regional authorities to apply for national funding for their development projects, such as building water treatment plants, roads, upgrading gas and electricity infrastructure, conducting archaeological excavations etc.
Rationale	The programme addresses regional cohesion. In practice, the proposal evaluation criteria are set up in a way that they favour applicants (local authorities and regional authorities) based in deprived areas (e.g. the unemployment rate in the district / region is one of the assessment criteria). The activities that could be funded from the programme clearly contribute to improving regional cohesion because they focus on building/upgrading the basic infrastructure.
Type of policy category	Urbanisation and Connectivity
Type of policy instrument	Transport infrastructure Digital infrastructure
Type of funding	Public procurement
Budget and expenditures	2018: €5 million
Governance	**Institution responsible**: The overall responsibility is with the Slovak Ministry of Economy Scenario 2
Policy implementation and policy mix	Upstream: The Economic Policy Strategy until 2030
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Not evaluated yet.
Link	https://www.mhsr.sk/uploads/files/sIhCMhoV.pdf

The National Strategy for Regional Development of the Slovak Republic	
ID	**SK2**
Country	**Slovakia**
Region(s) affected	All country
Time horizon	2008 - 2030
Objectives and Scope	To determine the national strategic approach towards regional development in the Slovak Republic To identify the potential of all regions and specify the competitiveness within the national context

	To determine developmental goals and priorities for each region
Overview	The National Strategy for Regional Development has ten chapters: • Analysis of the regional development by industry sector • Main goals and priorities for regional development • The main strategic goal for 2020/2030 • Supporting the priority axes • Strategic goals of the regions to reflect the Europe 2020 Strategy • Forecast for the first years • Implementation of the Strategy • Monitoring and evaluation • Funding • Schedule
Rationale	The National Strategy for Regional Development of the Slovak Republic provides complex information on the national approach to regional development. It is an umbrella identifying strengths and weaknesses of all Slovak regions. It is aligned to the Europe 2020 Strategy and to the Partnership Agreement 2014 - 2020
Type of policy category	• Sector Development and Targeted Investment • Urbanisation and Connectivity • Skills and mobility
Type of policy instrument	• Basic business development and innovation support to firms • Transport infrastructure • Digital infrastructures • Life-long learning • New skills development (digital skills) • Labour market training
Type of funding	**Variety of sources**: Mix of funding sources, with the dominance of EU funding. The national budget to be used to funding only a minority of the proposed measures.
Budget and expenditures	The total funding allocation is not specified. There are different government departments responsible for the measures.
Governance	**Institution responsible**: The overall responsibility is with the Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatisation Scenario 1
Policy implementation and policy mix	Upstream: The Partnership Agreement 2014–2020, Europe 2020 Downstream: Very difficult to map as measures have different owners across the Slovak Government. An example of a specific measure is the Support for Least-Developed Districts (SK2.1)
Relevant ESIF measures (if any)	N/A

Impact: monitoring and evaluation	Not evaluated yet.
Link	http://www.mpsr.sk/mvrrfiles/003994a.pdf

The programme for the regeneration of rural areas	
ID	**SK3**
Country	**Slovakia**
Region(s) affected	All country (Bratislava is not excluded, but given the conditions of the programme, the region of the capital is deliberately disadvantaged at the expense of the other regions)
Time horizon	2019
Objectives and Scope	To create economic, organisational and expert environments for rural communities in order to allow them to develop their regions
Overview	The programme (running annually) provides funding opportunities for parishes, communities of parishes and microregions in the following areas: • Quality of rural life environment • Green infrastructure and adaption measures to mitigate climate change impacts • Environmental education and awareness raising activities
Rationale	The programme indirectly supports reducing of territorial disparities by funding bottom-up projects that aim at improving living conditions for rural communities and therefore at increasing attractiveness.
Type of policy category	Urbanisation and Connectivity Skills and mobility
Type of policy instrument	Digital infrastructures New skills development
Type of funding	Grants, public procurements
Budget and expenditures	Not specified, however, the available programme documentation does not suggest a large funding scheme, because individual projects' budgets could be €5.000 (€8.000) at a maximum.
Governance	**Institution responsible**: The overall responsibility is with the Slovak Agency for the Life Environment Scenario 3
Policy implementation and policy mix	Not available
Relevant ESIF measures (if any)	N/A

Impact: monitoring and evaluation	Not evaluated yet
Link	http://www.obnovadediny.sk/

Modernisation of the Slovak Railway Infrastructure	
ID	**SK4**
Country	**Slovakia**
Region(s) affected	All country
Time horizon	2018
Objectives and Scope	The main objective is to provide a detailed overview of the investment activities into the railway transport infrastructure that were carried out across all regions of Slovakia in 2018.
Overview	**Description**: The annual investment overview describes all projects that took place in 2018 to modernise railway infrastructure in the Czech Republic, regardless of sources of funding.
Rationale	Most of the infrastructure projects for 2018 targeted the regions (not the capital of Bratislava) and aimed at providing quicker, more reliable and safer railway connection across various regions, thus positively contributing to the regional development.
Type of policy category	Urbanisation and Connectivity
Type of policy instrument	Transport infrastructure
Type of funding	**Variety of sources**: national budget, EU funding
Budget and expenditures	National budget: €125.8 million Cohesion Fund / ERDF (through the Operational Programme Integrated Infrastructure): €144 million Connecting Europe Facility: €5.8 million
Governance	**Institution responsible**: Railways of the Slovak Republic Scenario 3
Policy implementation and policy mix	Not identified
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Not evaluated yet.
Link	https://www.zsr.sk/modernizacia-trati/plan-modernizacie/

The Microloan Programme	
ID	**SK5**
Country	**Slovakia**
Region(s) affected	All country, however, applicants from the regions with higher unemployment rate have an advantage in the loan assessment
Time horizon	1997–ongoing (a major update of the programme happened in 2017)
Objectives and Scope	The Microloan Programme addresses the issue of access of small entrepreneurs to capital and aims: • To allow SME development • To increase the survival rate of SMEs • To positively contribute towards employment and job creation
Overview	It has a revolving nature. The product "microloan" provided by the SBA is unique in Slovakia by its character. SMEs borrow from €2.500 up to € 50.000. The loan maturity ranges from 6 months to 4 years. The interest rate ranges from 1.19% to 9.03%.
Rationale	The programme tackles economic cohesion probably indirectly through providing advantageous conditions for obtaining micro loans for SMEs based in the regions with higher unemployment (the share of companies that have received the loans based in the regions with a high unemployment rate has not been specified).
Type of policy category	Business environment and trade
Type of policy instrument	Venture capital funds and other financial instruments
Type of funding	Loan guarantees
Budget and expenditures	The total amount that could be provided in the form of loans has not been specified, but the individual loans range from €2.500 to €50.000.
Governance	**Institution responsible**: Slovak Business Agency (SBA) Scenario 1 • Financed by the Ministry of Economy • Designed by the Ministry of Economy and the SBA • Implemented by a private company
Policy implementation and policy mix	Not identified
Relevant ESIF measures (if any)	N/A
Impact: monitoring and evaluation	Not evaluated yet.
Link	http://www.sbagency.sk/mikropozicky

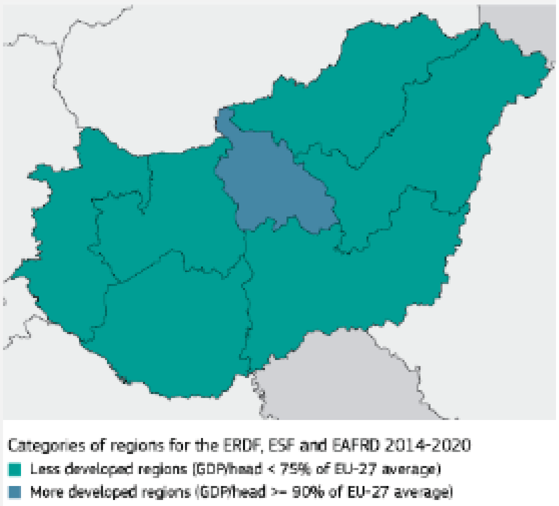
10 SLOVENIA

Country briefings

National Policies addressing regional economic disparities – Slovenia (SI)

1. Background

In 2017, Slovenia achieved 85% of the EU average of GNP per capita (in PPP). However, internally, there are still some of the regions in Slovenia at NUTS 3 level, where the development level is considerably lower than the national average. In 2017, the NUTS 2 region Western Slovenia was 2% above the EU-28 average, with the NUTS 3 regions Central Slovenia at 120%, Coastal- Karst region at 87%, Gorizia at 78% and Upper Carniola at 76%. Eastern Slovenia was below the threshold at 70% of the average of EU-28 with the NUTS 3 regions South East Slovenia at 84%, Savinja at 78%, Lower Sava at 71%, Drava 69%, Carinthia at 68%, Littoral Inner Carniola at 61%, Mura 57% and Central Sava at 45%.



Source: European Commission (2019).

2. Architecture of national policies for addressing regional economic disparities

Focus

As it is stated in the Slovenian long-term Development Strategy, the goal of the country is to achieve a GNP per capita EU average by 2030. To reach this goal, the average rate of growth of the Slovenian economy should be 1.5 percentage points higher than the one achieved at EU level. Therefore, Slovenian strategic documents and the ESI Funds' programming documents aim at faster and more coherent development of Slovenia.

As the policy papers state, such development shall be achieved by lowering the development barriers, promotion of synergies between sector targets and spatial planning measures, coordination of a sectoral development vision with the municipalities and through better management of development potentials at regional as well as municipality level. The spatial development should play a critical role in this policy during the next decades in supporting, on the one hand, the internal decrease in regional disparities of the country and, on the other hand, development participation of Slovenia in the European area and macro-regional integration.

Although regional policy covers all regions, the emphasis is given in the priority areas of:

- the least developed regions (NUTS 3);
- municipalities with individual development problems;
- the border areas;
- the areas inhabited by the Hungarian and Italian national minorities.
- For the period 2014-2020, seven measures have been identified each one supporting activities across several policy categories. Five measures support activities under the policy categories business environment and trade, sector development and targeted investments and skills and mobility, while two support urbanisation and connectivity.

Design and governance

The overarching strategy for the development of Slovenia, which addresses the internal regional disparities and the convergence with the EU is the long-term **Development Strategy of Slovenia** (2030) (see fiche SI1). The design of the strategy is the responsibility of the Government Office for Development and EU Cohesion Policy. At the operational level, the regional disparities are addressed by the ESI Funds OPs and the special Act on the Promotion of National Regional Development (NRD, OG RS, no. 20/11, 57/12 and 46/16) (see fiche SI4) designed in 2011 and updated in 2016. The Act is a Framework legislation, which defines the coordination between the State and municipalities in the planning and implementation of regional development activities and provides the scope and tools for intervention. The Act is implemented by special Decisions issued for each of the target regions. It also regulates the establishment of the Regional Development Fund (RDF) as the primary funding agency for regional development. The RDF and the implementation of the Act is the responsibility of the Ministry of Economic Development and Technology (MEDT). RDF distributes the funds through public calls annually. In some cases, the calls published also combine national and EU funds.

In addition to the measures launched by RDF, MEDT directly regulates and manages interventions that support border problem areas, areas with high unemployment, ethnic minorities and direct budgetary transfers to municipalities. An example is the special Acts for addressing pressing economic disparities and high unemployment issues in specific regions (for more details, see section 3).

Relationship of national funding and support through the ESI Funds

Slovenia relies heavily on the ESI Funds to support both external and internal cohesion. The priority axes of the OPs so far have been designed with this objective in mind. This also means that the majority of measures and instruments to lower regional disparities are co-financed by the ESI Funds.

Only a tiny part of selected interventions depends on national funding, and these are regulated through specific legal acts. One of the key characteristics of these acts is their flexibility in terms of where the government intervenes and in what amount without requiring cumbersome administrative procedures. On the other hand, it is more challenging to plan in the long-run what type of measure will be adopted and where the government will see it suitable to intervene. The national funding mainly addresses the disparities between regions by directing funding to regions with high unemployment, those facing pressing developing challenges and areas with high intensity of ethnic minorities. Also, a small contribution by the ESI Funds is used as a supplement to the national funding in supporting the above activities.

3. Overview of national policy measures addressing regional economic disparities

The mission and resources of the Slovenian Regional Development Fund, which was initially established in 1995, were redefined by the National Regional Development Act and was endowed with assets of €100 million from the national budget (see fiche SI4.1). The RDF grants loans with a favourable interest rate and a long payback period of up to 20 years. Only exceptionally, in cases of projects, located in the areas of the Hungarian and Italian national communities, the Fund supports investments, in addition to loans, through grants.

During the current programming period the following measures were supported by the national budget under the National Regional Development Act:

- The decision for interim support for Pokolpje, which covers municipalities of Southern Slovenia (see fiche SI4.2). This was the first of this kind of measures as a response of the government to increasing unemployment in the region due to the bankruptcy of several large companies. The funding amounted to €35.2 million for the period 2014-2020 supporting investments of enterprises, including FDI, the establishment of a network of incubators in the region and support of start-ups, support to the employment of older people who have lost jobs due to the closing of some major firms in the region during the crisis.
- The decision for interim measures for the development of Maribor and surroundings (fiche SI4.3), aiming at reducing the high level of unemployment (see fiche SI4.1). During the period 2014-2020, €47.6 million was allocated to the region from national funds (including the RDF and other national sources) and €2.4 million from the ESI Funds, in the form of tax breaks, grants or subsidies of interest rates to support investments and R&D and innovation projects and retain employment.

- The decision for interim measures for the development of Hrastnik, Radeƒçe and Trbovlje (HRT) (fiche SI4.4). The support was aiming to combat the high unemployment mainly due to the closure of the Mine Trbovlje-Hrastnik. During the period 2014-2020, €27 million from the national budget and €1.8 million from European funds were allocated in the form of tax breaks and subsidies for supporting investments by companies, contributing to the social security cost of employees, or supporting new energy and transport infrastructures.
- The Slovenian Coast and Eastern part of Prekmurje Areas where the Italian and Hungarian minorities live (fiche SI4.5) have been financed with €4 million from the RDF, for supporting entrepreneurial projects and activities in the agriculture. In addition, €1 million was provided by MEDT to support the preparation of projects to be submitted for funding under national or international schemes

In addition to the NRD Act, two more Acts contribute with national funding addressing regional disparities of Slovenia. The Act on Development Support for Pomurje Region (2010-2019) (fiche SI2) reimburses employers' social security contributions, provides tax incentives for investments, investments in agriculture, forestry and diversification to non-agricultural activities. The majority of the projects are financed by the ESI Funds with approximately €95.6 million during the period 2014-2019, while the National budget contributed with €6.45 million (in addition to the co-financing of the ESI Funds).

The Act Regulating the Gradual Closure of the Trbovlje-Hrastnik Mine and the Economic Development Restructuring of the Region (fiche SI3) provides support for the development of the devastated area. During the period 2014-2020, €18 million were provided from the national budget to build business parks for hosting start-ups, as well as for various infrastructures such as the Internet, to make the region more attractive for business investment.

4. Classification of policies

Title	Type of funding	Policy category	Policy instrument	Funding and implementation
Act on Development Support for Pomurje Region (2010 – 2019) (SI2)	Different type of subsidies, tax incentives & social contributions to potential investors	Business Environment and Trade	Tax incentives Investment promotion	Funding and design at national level It is implemented either at national or regional/local level
		Skills and Mobility	New skills development	
Act Regulating the Gradual Closure of the Trbovlje-Hrastnik Mine and the Economic Development Restructuring of the Region (SI3)	Different type of subsidies	Sector Development and Targeted Investment	Industrial parks and other business infrastructures	Funding, design and implementation at national level
		Urbanisation and Connectivity	Digital infrastructures	
Slovenian Regional Development Fund (SI4.1)	Loans with favourable interest rates and grants	Business Environment and Trade	Venture capital funds and other financial instruments	Funding, design and implementation at national level
Decision for interim support for Pokolpje (OG 26/11) (SI4.2)	Various types of subsidies and subsidised credits	Business Environment and Trade	Investment promotion	Funding, design and implementation at national level
		Sector Development and Targeted Investment	Business development and innovation support to firms Industrial Parks and other business infrastructures	
		Skills and Mobility	Life-long learning	

Decision for interim measures for the development of Maribor and surroundings (OG 53/13) (SI4.3)	Various types of subsidies and subsidised credits Tax incentives	Business Environment and Trade	Tax incentives Investment promotion	Funding, design and implementation at national level
		Sector Development and Targeted Investment	Business development and innovation support to firms R&D programmes	
		Skills and Mobility	Life-long learning	
Decision for interim measures for the development of Hrastnik, Radeče and Trbovlje (HRT) (OG 63/2013) (SI4.4)	Various types of subsidies, micro -credits and tax incentives	Business Environment and Trade	Tax incentives Investment promotion	Funding, design and implementation at national level
		Sector Development and Targeted Investment	Business development and innovation support to firms	
		Urbanisation and Connectivity	Transport infrastructures	
		Skills and Mobility	Life-long learning	
Support for national minorities (SI4.5)	Subsidised interest rate	Sector Development and Targeted Investments	Business development and innovation support to firms	Funding, design and implementation at national level
		Skills and Mobility	Labour market training, Life-long learning	

5. Main Sources

Interviews

- Igor Strmšnik, General Secretary of the MEDT Directorate for Regional Development
- Tomaž Boh, Head of Directorate for Science, Ministry of Education, Science and Sports.
- Irena Drmaž, Head of Directorate, Ministry of Finance, Directorate for Budget

Main documents and sources

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- Government of Slovenia (2017), Slovenian Development Strategy 2030, http://www.vlada.si/fileadmin/dokumenti/si/projekti/2017/srs2030/en/Slovenia_2030.pdf
- MEDT web page on Regional Policy: http://www.mgrt.gov.si/en/ (more info is on Slovenian site)
- OP 2014-2020; http://www.eu-skladi.si/kohezija-do-2013/ostalo/op-final-en
- Operativni načrt o sodelovanju ministrstev pri pripravi regionalnih razvojnih programov za obdobje 2021–2027 (Operational plan o cooperation of ministries in the preparation of the regional development programmes for the period 2021-2017), 2019, mimeo.
- Partnership Agreement Slovenia 2014-2020, https://ec.europa.eu/info/publications/partnership-agreement-slovenia-2014-20_en

- Regional Development Fund: Poslovno- finančni načrt 2018- 2019; http://www.regionalnisklad.si/o-nas/letna-porocila

Country fiches

Slovenian Development Strategy	
ID	SI1
Country	Slovenia
Region(s) affected	The whole country
Time horizon	2018-2030
Objectives and Scope	The idea of the document is to create a framework for the development of the Slovenian economy and society. As such it is a declarative document, however the adopted acts, documents etc. should be in line with this document.
Overview	This is the strategic document that defines the main characteristics of the development in the next 15 years.
Rationale	The document is not strictly linked to regional issues since it is a strategic national document. However, there are some emphases on the role of leveraged regional development. On its p. 14 it states "However, in certain regions, particularly in the eastern part of Slovenia, obstacles to development are significantly higher than the national average. Slovenia could thus achieve faster and more coordinated development through reducing obstacles to development, promoting synergies among sectoral targets and spatial planning measures, and better management of development potentials at the regional and local level."
Type of policy category	N/A
Type of policy instrument	N/A
Type of funding	N/A
Budget and expenditures	N/A
Governance	National. The Government Office for Development and EU Cohesion Policy is in charge.
Policy implementation and policy mix	Strategy
Relevant ESIF measures	N/A
Impact: monitoring and evaluation	The Government Institute of Macroeconomic Analysis and Development (IMAD) issues on a yearly basis the Development Report, which is structured according to this Strategy and follows the same indicators. Among the selected indicators, only indirectly some may reflect

	the cohesion issue (level of poverty, level of social exclusion, life expectancy), but they are monitored currently only at the national level.
Links	http://www.vlada.si/en/projects/slovenian_development_strategy_2030/

Act on Development Support for Pomurje Region (2010 – 2019)	
ID	**SI2**
Country	**Slovenia**
Region(s) affected	Pomurje Region
Time horizon	2010-2019
Objectives and Scope	The main objectives are: • Promote the development of the Pomurje region in the years 2010 to 2019 and the way they are financed. • Create new jobs and maintaining existing ones, establishing a development infrastructure and mitigating the consequences of the economic and financial crisis in the Pomurje region.
Overview	Article 3 of the Act defines the measures that should be adopted to enhance the development of Pomurje: Measures that are supported by the Act: • preparation of the Programme for enhancing the competitiveness of Pomurje region 2010–2019; • incentives for increasing employment: the employer that employs a worker for at least two years receives back all social transfers paid for this work • tax incentives for investments in Pomurje: an entity that operates in Pomurje can use the tax subsidy of 70% of the invested amount for the initial investments in firm's assets. • priority treatment of programmes and projects from the Pomurje region when applying for funding from national programmes, European cohesion policy programmes and rural development policy in the areas of: ◦ the establishment of an inter-company education centre, ◦ the establishment of a regional economic centre, • investments in restructuring and raising the competitiveness of agriculture and forestry and the food processing industry and diversification into non-agricultural activities; Financed by the ESI Funds (85/15) • investment in drinking water infrastructure. Financed by ESIF (85/15)
Rationale	Pomurje is by far the least developed region in Slovenia and was also suffering significantly after the financial crisis with several large companies closing (i.e. garment factory

	Mura), resulting in a significant rise of unemployment. That is why the Government (2008–2011) adopted the Act on the Development Support for Pomurje Region in 2009. The initial idea was to have an Act between 2010–2015, but since then it was prolonged twice, and the last is till 2019. This was the first time since Slovenian independence that the government decided to intervene in such a fashion. Later, a more general Act on Promotion of Regional Development had been prepared, partly resulting from the experience with this Act. The Act specifies that in defining and implementing the development support measures, the following long-term comparative advantages and development orientations of the Pomurje region shall be taken into account: • geothermal energy and other renewable energy sources, • sustainable and competitive agriculture, • tourism. The implementation of the development support measures shall also take into account the specific needs of the region's ethnically mixed area, in particular in terms of creating the economic base of the Hungarian national community. Funds intended to promote the development of the Pomurje region under this Act shall not be approved/ used for the production of studies, expertise, expert bases and similar documentation, and for concluding consultative contracts.
Type of policy category	• Business environment and trade; • Skills and mobility
Type of policy instrument	• Tax incentives; • Investment promotion; • New skills development;
Type of funding	Different type of subsidies, tax incentives & social contributions to potential investors.
Budget and expenditures	The majority of the projects are financed by the ESI Funds in addition to that the National budget contributed with €2.57 million in 2016; €3.88 million in 2017 (not related to co-financing of ESIF)
Governance	Primarily Scenario 1, to a minor degree also Scenario 2. Ministry of Economic Development and Technology (MEDT), Directorate for Regional Development.
Policy mix	
Relevant ESIF measures	In addition to national funding, the Act envisages also a priority treatment for the programmes and projects in the Pomurje region when applying for funding from the European Cohesion Funds and European rural development policy programmes. This is implemented by directly approving regional projects in the priority axes of the Operational programs by the MA. This is to be done in accordance with the rules of the Cohesion Funds and

	additional criteria for the selection of projects from the Pomurje region in public tenders. Financing approved through the ESI Funds: 2016: €37.3 million and 2017: €58.3 million The region Pomurje is entitled to applying for the financing through the following EU Cohesion funds on priority basis: • Programme for Rural Development 2014-2020; • Operation Programme 2014-2020.
Impact: monitoring and evaluation	The measures are monitored on a yearly-basis. The report on the progress, which only lists the projects implemented, is adopted by the Government and presented to the National Assembly.
Links	http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5730

Act Regulating the Gradual Closure of the Trbovlje-Hrastnik Mine and the Economic Development Restructuring of the Region	
ID	**SI3**
Country	**Slovenia**
Region(s) affected	Region Zasavje and close cities/Radeče, Litija
Time Horizon	2000-2019
Objectives and Scope	The idea of the Act is to regulate the closure of the Trbovlje-Hrastnik Mine and to help the economic recovery of the region.
Overview	The measure is directed to the closure of Trbovlje-Hrastnik Mine and to develop the devastated area around. Resources were provided to build business parks to host start-ups, as well as for various infrastructure (like Internet) to make region more attractive for business investment. The revised measure from 2015 onwards addresses also the issue of social benefits for the people whose pensions would be lower because of the closure of the Mine. The additional funds are to be given by the national budget.
Rationale	The Act provides a legal basis for the financial support to the mine and surrounding municipalities to overcome the damages/ economic and social costs caused by the closure of the mine. It also presents a basis for paying for the damages to local farmers.
Type of policy category	• Sector Development and Targeted Investment • Urbanisation and connectivity
Type of policy instrument	• Industrial parks and other business infrastructures • Digital infrastructures
Type of funding	Different type of subsidies, as well as social transfers.
Budget and expenditures	Finance for this are coming from the national budget and from the resources of the Trbovlje-Hrastnik Mine. The amount varies from year to year, for 2018 it was €11 million (only national funds, not related to co-financing of the ESI Funds).

Governance	Scenario 1. Ministry of Economic Development and Technology (MEDT)
Policy implementation and policy mix	N/A
Relevant ESIF measures	N/A
Impact: monitoring and evaluation	Yearly reports presented by the local RRAs to the Government. The process has been down-sized during the time of strong budgetary austerity measures. In 2014, the funds were increase and the implementation of the measure was prolonged to 2021. There are some visible effects of this project. In Hrastnik and Trbovlje they launched an industrial zone where small start-ups had their opportunity to develop. One of the success stories even at the national level is a company Dewesoft that caused that lots of engineers are now coming to Hrastnik.
Links	http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3715&d-49683-s=1&d-49683-p=1&d-49683-o=2 http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO2053

Act on the promotion of National Regional Development (NRD)	
ID	**SI4**
Country	**Slovenia**
Region(s) affected	Less developed regions
Time horizon	Open-ended
Objectives and Scope	The objective of the Act is to provide the legal basis for the establishment of a system that would enhance the development of Slovenian regions and also prepare them to apply for the cohesion funds. The Act is a basis for different decisions to intervene where government detects a need to provide additional support for a particular region. The Act also presents the legal basis for the establishment of the Regional Development Fund as the main funding agency for regional development.
Overview	The Development Act was adopted as a basis for the promotion of coherent national development. This Acts defines: • establishment of a public fund, financed by the national budget, intended for promoting balanced regional development and rural development; • procedures for special measures to be introduced for promotion of regional development; • provides the decision-making structure at the regional level (regional development councils, regional development agencies) and the process of formulating of the regional development programme.

Rationale	This Act is a general act but presents a basis for different specific Decisions for the government intervention in the less developed or problem areas.
Type of policy category	• Business environment and trade • Sector Development and Targeted Investment • Skills and Mobility
Type of policy instrument	• Venture capital funds and other financial objectives • Tax incentives • Investment promotion • Business development and innovation support to firms • Industrial Parks and other business infrastructures • Life-long learning.
Type of funding	Different type of subsidies; guarantee schemes, tax incentive, venture capital, subsidised interest rates, loans.
Budget and expenditures	The Act does not have a specific budget. There is a budget of Regional Development Fund (see fiche SI4.1) and allocations to specific Decisions on interventions.
Governance	Scenario 1 Ministry of Economic Development and Technology (MEDT)
Policy implementation and policy mix	From this programme six sub-programmes in a form of Decisions were adopted, presented in separate fiches (Pokolpje, Maribor z okolico, Zasavje, Pomurje, territories where Italian and Hungarian minorities live, territories where Roma citizens live)
Relevant ESIF measures	Only with regard to some of the calls, issued by the Fund for Regional Development, some measures of the ESI Funds may be relevant.
Impact: monitoring and evaluation	The Regional Development Fund provides a biannually report on conducted activities.
Links	https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2011-01-0820?sop=2011-01-0820 http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5801

Slovenian Regional Development Fund	
ID	**SI4.1**
Country	**Slovenia**
Region(s) affected	All of the regions specified in the NRD
Time horizon	1995–Open-ended
Objectives and Scope	The Regional Development Fund was created to provide a stable channel of resources for support of regional development. Its task is to support various measures planned within the Act on Promotion of Regional Development, so a broad range of different objectives is targeted by the Fund (border municipalities, problem municipalities, those with unemployment problems, with minority or Roma population).

Overview	Slovenian Regional Development Fund (http://www.regionalnisklad.si/) was established in 1995 under the Law, regulating the resources obtained from Law on Ownership Transformation of Companies (Official Gazette RS, no. 45/95, 34/96, 67/01 in 47/02). The Fund acts as one of the key institutions of regional development policy. It operates as a public financial fund, which is designed for a more sustainable achievement of public goals in regional development and rural development. As a primary form of incentive, the Fund grants loans with a favourable interest rate and a long maturity, i.e. payback periods of up to 20 years. Only exceptionally, in cases of projects, located in the areas of the Hungarian and Italian national communities, the Fund supports investments, in addition to loans, also through grants, which are not available for other projects. Incentives are being granted by the Fund in the following fields of investment: • co-financing of initial entrepreneurial investments; • co-financing of local and regional infrastructure as well as social and economic infrastructure owned by municipalities; • co-financing of projects in the field of rural development and support for projects in primary agricultural production as well as projects of processing, marketing and complementary activities; • co-financing of investment projects to increase the economic basis of the autochthonous national communities; • co-financing of projects based on the implementation of emergency measures in regional development; Incentives by the Fund have a priority focus on projects undertaken by investors in regions with a high development threat index. From the resources, obtained on the basis of the above stipulated law, the Fund should receive: • 11,5% for regional development and maintenance of rural population; • 2,5% for economic development of autochthonous national communities.
Rationale	Provide a stable source of finance for the support of regional development.
Type of policy category	Business environment and trade
Type of policy instrument	Venture capital funds and other financial instruments
Type of funding	Loans with favourable interest rates and grants
Budget and expenditures	Currently, the Fund's assets are nearly €100 million. Bi-annual programme (2018-2019) of different incentives amounts to approx. €28 million. According to the documents of the Fund, the allocation is the following: • For the initial entrepreneurial investments (various schemes) from the Fund's assets 8 million (€4 million

	in 2018 and 4 million in 2019) and from the central budget €11.570 million of which €7.290 million for 2018 and 4.280 for 2019) for promotion of development investments in business sector in less developed regions. • For the co-financing of local and regional infrastructure as well as social and economic infrastructure owned by municipalities, €12 million (€6 million for 2018 and €6 million for 2019) from Fund's assets. • For co-financing of projects in the field of rural development and support for projects in primary agricultural production as well as projects of processing, marketing and complementary activities €18 million (€9 million for 2018 and €9 million for 2019); • co-financing of investment projects to increase the economic basis of the autochthonous national communities €4 million (€2 million for 2018 and €2 million for 2019).
Governance	Scenario 1. Ministry of Economic Development and Technology (MEDT)
Policy implementation and policy mix	Support to business entities from less developed regions, support to municipalities, support to development of rural areas, etc. Fund runs a set of annual calls to which eligible business entities and municipalities can apply. The less developed the region of the applicant, the lower is the interest rate of the loan provided to the recipient.
Relevant ESIF measures (if any)	The Fund itself is not part of any of the ESI Funds' measures, but it is occasionally entrusted an implementation of a specific measure, deriving from OP (prepare the call, carry out selection process, monitor the implementation, etc.
Impact: monitoring and evaluation	Annual reports of the Fund are presented to the government, but no evaluation of its impact has been carried out so far.
Links	http://www.regionalnisklad.si/

Decision for interim support for Pokolpje (OG 26/11)	
ID	**SI4.2**
Country	**Slovenia**
Region(s) affected	Pokolpje (OG 26/11), which covers municipalities of Southern Slovenia (Kočevje, Kostel, Osilnica, Loški Potok, Črnomelj, Metlika in Semič).
Time horizon	2011-2020
Objectives and Scope	The main objective of the programme is to increase or at least retain the level of employment in the area.
Overview	The following measures are supported: 1. Support to the investment of enterprises in these municipalities, including FDI

	2. Establishment of a network of incubators in the region and support of start-ups 3. Support to the employment of older people who have lost jobs due to closing of some major firms in the region during the crisis 4. Promotion and support for regional projects in Pokolpje.
Type of policy category	Slovenia supports regions that have experienced depopulation and a high level of unemployment. Pokolpje is one of the least developed regions in Slovenia and people migrate from Pokolpje, usually to Ljubljana or Novo mesto. Also, there is a high level of unemployment, mainly due to the bankruptcy of some major enterprises during the crisis 2008-2012. Therefore, additional support to potential investors aimed at making the region more attractive.
Type of policy instrument	• Business environment and trade • Sector Development and Targeted Investment • Skills and Mobility
Type of funding	• Investment promotion • Business development and innovation support to firms • Industrial Parks and other business infrastructures • Life-long learning.
Budget and expenditures	Various types of subsidies and subsidised credits
Rationale	Plan for the period 2014–2020: €35.2 million, almost all from national budget (EU funds: €600.000).
Governance	Scenario 1. Ministry of Economic Development and Technology (MEDT).
Policy implementation and policy mix	Based on the NRD (fiche SI4), the Government in 2011 adopted a Decision for interim support for Pokolpje (OG 26/11), which covers municipalities of Southern Slovenia (Kočevje, Kostel, Osilnica, Loški Potok, Črnomelj, Metlika in Semič).
Relevant ESIF measures (if any)	Co-financing of subsidies for start-ups in amount of €600.000.
Impact: monitoring and evaluation	A yearly report is presented to the Government. So far, no substantial evaluation took place.
Link	https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2011-01-0820?sop=2011-01-0820 http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5801 http://www.mgrt.gov.si/si/delovna_podrocja/regionalni_razvoj/regionalna_politika/problemsko_obmocje_pokolpje/

Decision for interim measures for the development of Maribor and surroundings (OG 52/13)	
ID	**SI4.3**
Country	**Slovenia**
Region(s) affected	Maribor and surroundings (OG 53/13) that covers the following municipalities: Kungota, Hoče - Slivnica, MO Maribor, Pesnica, Podvelka, Radlje ob Dravi, Ribnica na Pohorju, Ruše and Selnica ob Dravi.
Time horizon	2013–2020
Objectives and Scope	The main objective of the programme is to increase or at least retain the level of employment in the area.
Overview	In order to achieve its objectives, the following measures has been adopted: 1. Retribution of contributions for social security to potential employers for the people they employed; 2. Tax subsidy for employment; 3. Tax subsidy for investments in Maribor or surroundings; 4. Subsidies for sustainable investments in Maribor area; 5. Subsidies of the interest rate for investment credits; 6. Support for the R&D projects and co-financing of investments for new technology.
Rationale	Maribor was before independence the heart of the industrial production of Slovenia. After 1991, most of the big enterprises in Maribor collapsed, causing a high level of unemployment. Different approaches have been made in the last 20 years to overcome the peril situation, but they gave poor results.
Type of policy category	• Business environment and trade • Sector Development and Targeted Investment • Skills and Mobility
Type of policy instrument	• Tax incentives • Investment promotion • Business development and innovation support to firms • R&D programmes • Life-long learning
Type of funding	Different type of subsidies, subsidised credits and tax incentives.
Budget and expenditures	Period 2014–2020: €50 million (€47.6 million from national funds, €2.4 million from European funds).No specific break-down is available for individual years.
Governance	Scenario 1. Ministry of Economic Development and Technology (MEDT).
Policy implementation and policy mix	Based on the NRD (fiche SI4) the Government in 2013 adopted a Decision for interim measures for the development of Maribor and surroundings (OG 53/13) that covers the following municipalities: Kungota, Hoče - Slivnica, MO Maribor, Pesnica, Podvelka, Radlje ob Dravi, Ribnica na Pohorju, Ruše and Selnica ob Dravi.

Relevant ESIF measures	Co-financing of subsidies for start-ups in amount of €2.4 million.
Impact: monitoring and evaluation	A yearly report is presented to the Government, but no evaluation was carried out up to now.
Links	https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2011-01-0820?sop=2011-01-0820 http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5801 http://www.mgrt.gov.si/si/delovna_podrocja/regionalni_razvoj/regionalna_politika/problemsko_obmocje_maribor_s_sirso_okolico/

Decision for interim measures for the development of Hrastnik, Radeče and Trbovlje (HRT) (OG 63/2013)	
ID	**SI4.4**
Country	**Slovenia**
Region(s) affected	Hrastnik, Radeče and Trbovlje (HRT).
Time horizon	2013–2020
Objectives and Scope	The main objective of the programme is to increase or at least retain the level of employment in the area.
Overview	For achieving its objectives, the following measures have been adopted: 1. Retribution of contributions for social security; retribution of social contributions for the newly employed personnel 2. Tax subsidy for the additional employment of staff; 3. Tax subsidy for investments in the region; 4. Subsidies for the sustainable investments in the countryside of the region; 5. Support for renovation and new energy and transport infrastructure.
Rationale	In 2000, the Government decided to close the Mine Trbovlje-Hrastnik. This caused an increased unemployment in the region and this programme has been trying to restructure the local economy towards a more competitive one. See also the connected measure of *Act Regulating the Gradual Closure of the Trbovlje-Hrastnik Mine and the Economic Development Restructuring of the Region* (fiche SI3).
Type of policy category	• Business environment and trade • Sector Development and Targeted Investment • Urbanisation and connectivity • Skills and Mobility
Type of policy instrument	• Tax incentives • Investment promotion • Business development and innovation support to firms • Transport infrastructures • Life-long learning

Type of funding	Various types of subsidies, micro credits and tax incentives.
Budget and expenditures	Period 2014–2020: €29 million (€27 million from national budget, €1.8 million from European funds).
Governance	Scenario 1. Ministry of Economic Development and Technology (MEDT)
Policy implementation and policy mix	Based on the NRD (fiche SI4) the Government in 2013 (OG 63/2013) adopted a Decision for interim measures for the development of Hrastnik, Radeče and Trbovlje (HRT).
Relevant ESIF measures	Co-financing of subsidies for start-ups in amount of €1.8 million.
Impact: monitoring and evaluation	A yearly report is presented to the Government, but no evaluation has been implemented so far.
Links	https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2011-01-0820?sop=2011-01-0820 http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5801 https://tinyurl.com/yxj97uv9

Support to national minorities (NRD)	
ID	**SI4.5**
Country	**Slovenia**
Region(s) affected	The areas where the Italian and Hungarian minorities live i.e. Slovenian Coast and Eastern part of Prekmurje.
Title horizon	Ongoing (no end envisaged)
Objectives and Scope	Objective is to develop the economic basis of both national minorities.
Overview	The Regional Development Fund (RDF) has a special task according to NRD to disburse resources for programmes that are supporting the Coastal Italian Minority Association and the Pomurje Hungarian Minority Association. The idea of this measure is to support entrepreneurial projects and activities in the agriculture in areas where the minorities live. On top of this, a smaller amount is annually available in the budget of MEDT to support preparation of the projects to be submitted for funding nationally or internationally.
Rationale	The legal framework for the protection of minorities is the Slovenian Constitution. They should enjoy preferential treatment so as to remain economically independent. With this in mind, the Act on Promotion of Regional development provides that 2.5% of funds received from the privatisation processes are directed to the Regional Development Fund, with the objective to provide financial sources for the economic independence of two minorities.
Type of policy category	• Sector development and targeted investments • Skills and Mobility
Type of policy instrument	• Business development and innovation support to firms,

	• Labour market training, • Life-long learning.
Type of funding	Subsidised interest rate
Budget and expenditures	1 million directly from MEDT (budget for 2019); €2 million (from RDF budget, 2019) and €2 million (RDF budget 2018).
Governance	Scenario 1. Ministry of Economic Development and Technology (MEDT)
Policy implementation and policy mix	The RDF issues every year a call for project proposals from the two minorities for subsidised investment credits.
Relevant ESIF measures	None.
Impact: monitoring and evaluation	The Regional Development Fund reports yearly, but no specific evaluation took place so far.
• Links	https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2011-01-0820?sop=2011-01-0820 http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5801 http://www.mgrt.gov.si/si/delovna_podrocja/regionalni_razvoj/regionalna_politika/obmocja_kjer_zivita_madzarska_in_italijanska_narodna_skupnost/

Case study

Act Regulating the Gradual Closure of the THM and the Economic Development Restructuring of the Region – Slovenia (SI)

1. Executive Summary

The case study covers two related measures,The Act Regulating Gradual Closure of Trbovlje Hrastnik Mine and the Economic Development Restructuring of the Region, 2000- 2019 (further in the text Act), with its Programme for development restructuring of the region 2000-2004 and 2004-2006 (Programme) and related more recent Decision for interim measures for the development of Hrastnik, Radeče and Trbovlje (HRT) (OG 63/2013) 2013-2020 (referred to as Decision 2013 further in text).

The Act has several components, besides the regulation of the closing procedures (both technical and economic, related to closure of the company itself), the most important and unique component was a special Programme for development restructuring of the region 2000-2004 and 2004-2006. This part of the Act was succeeded in 2013 in part by a Decision for interim measures for the development of Hrastnik, Radeče and Trbovlje (HRT) (OG 63/2013) 2013-2020 (referred to as Decision 2013 further in text), which has similar objectives as the Programme had: lower the development gap of the three municipalities with providing better opportunities for employment and by encouraging entrepreneurship in the region.

The main objective of the measures was to provide alternative employment opportunities to the people who directly or indirectly lost their jobs due to the closure of the mine. The Implementation Report 2007 states that the subsidies triggered more than € 40 million private investments, lowering the unemployment from 13.9% to 11.9% already during the implementation of the Programme 2000- 2006, with more jobs to be opened in years to come. With the co-financing coming to a rather abrupt end, the full benefit was not achieved. Yet, such type of intervention in less developed regions or the regions, faced by sudden serious crisis is at present a key element of Slovenian national regional policy, where additional financial assistance in selected cases is systematically provided by the national government. Such intervention was initiated for the same region again in 2013 in the form described below.

Decision for interim measures for the development of Hrastnik, Radeče and Trbovlje (HRT) (OG 63/2013) 2013-2020. The Decision 2013 has seven measures with several instruments and combines subsidies in the form of grants as well as favourable loans to be repaid. Especially the later have so far not been taken up by local business, so the implementation of some measures/ instruments is slow or even non-existent. The limited success of the Decision 2013 in lowering the development gap has led the regional development agencies and local authorities to propose to the government a re-introduction of the Act/ Programme as it was during the period 2000-2006.

2. Background and Context

The region of Zasavje (local communities of Trbovlje, Zagorje, Hrastnik and adjoining communities of Litija and Radeče) have for several decades depended on the mines of Trbovlje- Hrastnik. The region is among the smallest Slovenian Regions (at NUTS 3 Slovenia has 12 regions) with 264 km2 and approximately 45,000 people. The mine provided for employment of the region both directly and indirectly, with economic activities developed in support of the mine or on the basis of the mine's output (thermal power plant). With men employed in the mines, the socialist development strategies favoured location of textile and light manufacturing industries, providing employment for women in the region. Thus the region was an industrial stronghold up to the beginning of nineties, when one by one traditional industries started crumbling. The coal reserves were so low, that the running of the mine was no longer economically viable, so decision was reached to start with the closing procedure. This led to the need for a special Act, regulating the closure of the mine and allocation of state funds for the purpose. As part of the Act, a Programme for economic restructuring was prepared and implemented during 2000- 2006. While the activities on the closure of the mines are still on-going, the Programme was stopped in 2007.

The economic crisis of 2008-2010 in Slovenia hit different regions disproportionally. Zasavje suffered again from increased unemployment, significantly above Slovenian average at the time (Slo in 2013: 13.6% of labour active population was registered at the Employment Agency, in the municipalities, covered by the Decision 2013, this rate was above 19%). This justified a special action in accordance with the Law on balanced regional development of 2011. The region defined is somewhat different than in the Programme 2000-2006, since instead of town Zagorje the Decision includes Radeče, a municipality which suffered from the closure of the paper mill and a loss of approximately 250 jobs on this account. For a municipality with 4400 inhabitants, this was a significant loss. The economic indicators were so low to require special action by the government, which was first planned till 2016, and later prolonged till 2020.

3. Description of the Policy Measure

Through the act, the government provides subsidies for the development of industrial parks to host start-ups and other business structures to increase the region's attractiveness to business investment. The mine lies in the region of Central Sava, which has 45% of GNP / capita of the EU average. It covers the policy categories of sector development and targeted investment as well as urbanisation and connectivity. Covering a time horizon from 2000–2019, the programme is funded, designed and implemented at national level. The Act has several components, besides the regulation of the closing procedures (both technical and economic, related to closure of the company itself), the most important and unique component was a special Programme for development restructuring of the region 2000-2004 and 2004-2006.

4. Policy Implementation

For the implementation of the Programme 2000- 2006, every yea, an annual programme was prepared by the Regional Development Centre in coordination with the Ministry of Economic Development and approved by the Government. This was the basis for the allocation of the funds from the central budget. The Act already specified the basic allocations of resources until 2006. Annually, between €3.3 million to €3.5 million were disbursed for the three measures (Implementation report for the period 2001-2006, Regional Centre for Development, 2007). The data on distributed resources show that in 2001 88.9% of available funds were distributed, in 2002 97.6%, in 2003 91.11, in 2004

96.44, in 2005 96.01 and in 2006 80.87%. The distribution was lowest for the measure a) the development of possible locations for economic development, where according to the Implementation report only 81,58% of available resources were used. Even so, the local communities were able to arrange for 310,474 m2 of business zones, where by the end of the programme more than 1000 new jobs were created. More successful was the second measure of establishment of infrastructure for promotion of entrepreneurship, where 92.30% of allocated resources were spend. A detailed list in the Implementation report shows that all together 635 new jobs were created during the Programme's period and more were still planned, since not all investment projects had been completed by the date of the report.

The measure three consisted of three instruments.

- Human resource training and employment due to the restructuring of existing activities and introduction of new activities:
    - Elaboration of human resource strategies and implementation of projects in the area of human resource development
    - Education and training of human resources in the enterprises
- Scholarships
- Promotion of the region as employment opportunity (from 2004 on).

Altogether, 93.29% of the available resources were spend, with the lowest implementation in the segment of education and trainings (86.74%). Still, the enterprises reported that €2.4 million were invested in education and trainings of employees, of which €782.000 was subsidised through the Programme. The instrument covered 5,361 participants to various training programmes as well as 117 participants in formal education. The co-financing of elaboration of human resource strategies reached 91.91%, where a 30-50% of subsidy was available to enterprises. As many as 43 human resource strategies were prepared and 30 projects in the area of human resource development were implemented during the observed period. Looking at the list of firms who applied for the subsidy, most of the major employers in the region participated. All of the resources allocated for the scholarships (€1.33 million) were spend. Scholarships for 242 students at undergraduate level and 10 students at graduate level were awarded.

The activities under the Decision 2013- 2020, were initially relatively well-planned, but without a fixed financial outlay, except for the instrument under measure a), aimed at the promotion of competitiveness. The responsibilities for the implementation of different measures are under different line ministries/ agencies, so both planning and implementation is more complex, leading to delays and slow realisation of planned activities.

5. Performance

Altogether, €29 million were made available so far (end 2018), of which 18 million are loans. The finance is provided by the Ministry of Economic Development and Technology, Slovenian Entrepreneurial Fund (with additional funds from ERDF) and SID bank, with each having a separate call for the particular instrument it co-finances. The last official report (2018) on the implementation is for 2016 and provides extensive evaluation as the background for the prolongation of the Decision. The figures gathered by the Regional Development Agency in spring 2019 show that the disbursement of the favourable loans and microcredits is very low (investment loans 32% and microcredits at 19% of the available resources). On the other hand, much higher is the disbursement rate for the subsidies, where 92-98% of the available funds have been used. Local development agency and regional development centre act only as informants and advisors to those applying, all the rest was done at a higher level. Very little data is provided on the implementation of the measures not under MEDT. Slow implementation is not only the problem under measure one and its six instruments, it is the same at the level of measures. This is caused by complex coordination required by so many on board, as well as due to insufficient planning of the resources. Even after three years of the adoption of the Decision, some measures are still not in place.

6. Strengths and Weaknesses

The Programme 2000- 2006 was timely and well-designed. The cooperation between the local municipalities, Regional Centre for Development and the Ministry of Economic Development (the unit for regional development) was close and supportive (see the interviews for details). This meant that the measures and instruments were well- designed, appropriate and targeted the right issues.

While the basic concept of the Decision was copied from the Programme, the measures and instruments were not. The very idea that a special Decision needs to be taken to help catching up of the Zasavje region, can be assessed as a positive move. The ambition was to upgrade the previous approach and provide more complex and comprehensive measures, addressing not just the competitiveness of the region, but also various infrastructures (energy, transport, etc.) and combine various instruments for better effect

Due to changed policy approach, the Programme was discontinued just at the beginning of the overall economic crisis in Slovenia. This meant that the positive trends of restructuring of the region were stopped and the potential full benefits never materialised. Still, some of the measures helped the region to survive the economic crisis better than without this Programme.

A key weakness of the Decision 2013-2020, pointed out during the interviews and in the mid-term evaluation, lies precisely in what was to be its strength: complex, holistic approach, addressing a whole spectrum of co-related issues.

7. Transferable Lessons

While there are other instruments, especially the ones included in the OPs, available to less developed regions, the dedicated programmes have proven to be successful in special cases, when targeted measures, specific to the needs of the NUTS 3 region are required.

In the case of the Decision 2013- 2020, the measures present a mix of standard measures applied to any region in case of high unemployment and slow growth, which might be part of the reason, why the dynamics of the implementation are lower. Only some of the instruments are more specifically shaped towards the needs of the region and their municipalities. The lesson here may very well be that smaller, more specific and adjusted measures would have more and quicker impact on the municipalities. Also, from the interviews it was felt that local initiative was much more appreciated during the implementation of the Programme than it is under the Decision.

In fact, the municipalities, included in the Programme 2000- 2006, are preparing a new proposal to the government to reintroduce a special act on development support to Zasavje region. Main argument is that the region is losing contact with others and falling further behind: its current development level is at 52.4% of Slovenia’s average, the migration of young people is increasing (currently 52% of labour force from Zasavje works in other regions) and so is the number of employees (there is still a growth of number of enterprises from 1,699 in 2007 to 2,125 in 2014, but the number of employees fell from 9100 in 2007 to 6148 in 2014). A new Act, providing approximately €60 million, would be coordinated with the future OP 2021-2027.

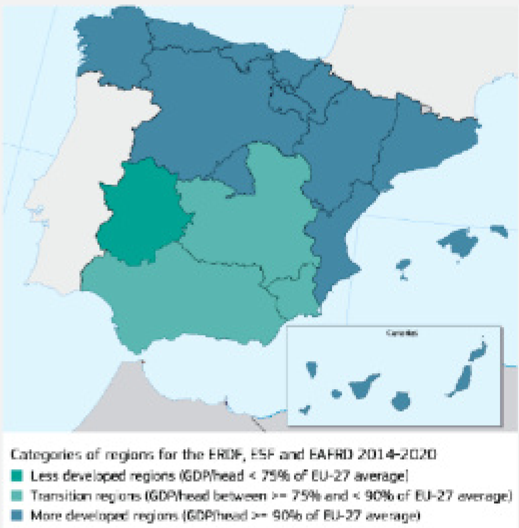
11 SPAIN

Country briefings

National Policies addressing regional economic disparities – Spain

1. Background

Spain is made up of 17 autonomous communities and two independent cities, with varying degrees of autonomy in policymaking.



Source: European Commission (2019).

According to the OECD Index of regional disparity 2016,[32] in the period 2000-2016 the differences between the Spanish regions in terms of GDP per capita remained stable. Comparing with other 30 OECD countries, only four recorded lower regional economic disparities than Spain.

The Autonomous Community of Extremadura, with GDP per capita 58% of EU28 in 2017, is the only region in the country falling into the category Less Developed Region. However, due to the recent crisis, GDP per capita of other regions has also fallen below the threshold of 75% of the EU-28 average, namely, Principato de Asturias (74%), Comunidad Valenciana (73%), Región de Murcia (69%), Canarias (69%), Castilla-La Mancha (66%), the Autonomous City of Ceuta (65%), Andalucía (62%), the Autonomous City of Melilla (ES64). On the other side of the spectrum, the capital region of Madrid generated one-fourth of the GDP growth in Spain in the period 2000-2016 and retained the highest GDP per capita amounting to 113% of the EU28 in 2017. Pais Vasco is close behind Madrid with 110%, Foral de Navara with 103% and Cataluña with 100%.

2. Architecture of national policies for addressing regional economic disparities

Focus

The reduction of economic disparities within the country and between the regions and the EU average is among the priorities of the national and regional policy in Spain. The other thematic national policies do not have an explicit dimension on regional disparities. However, they often have regional implications such as the industrial policy aiming at the strengthening of the industry of Spain and mitigating the effects of de-industrialisation. Regarding the former objective the support provided to the manufacturing sector, aerospace and automotive industry included funding to advanced industrial regions with strong agglomerations of automotive and space industries (e.g. Madrid, Pais Basco and Cataluña) but also to less industrialised regions such as Andalusia (some automotive and aerospace production) or Extremadura (smaller scale manufacturing activities).

The main instruments addressing regional economic disparities in Spain are the Regional Incentives Programme, running under its current name since at least 1985, and the Inter-territorial Compensation Fund. Thematic programmes with an impact on the economic development of specific regions are the Reindustrialisation programme (REINDUS), and the Framework for Action in Mining Communities (*"Comarcas Mineras").* More information is provided below in section 3.

[32] OECD (2018), *OECD Regions and Cities at a Glance 2018*, OECD Publishing, Paris, https://doi.org/10.1787/reg_cit_glance-2018-en.

Design and governance

Due to the decentralised nature of the Spanish state, most of the critical policies addressing regional development in Spain are executed at the regional level by the autonomous communities which have the responsibility of regional development. This limits the number of national programmes explicitly addressing regional economic disparities.

At the national level, the Directorate General for Regional Incentives of the Ministry of Finance is responsible for regional policy. The programmes are designed and financed by the Ministry, while the implementation mostly occurs at the level of the autonomous communities. The latter provides advice to the companies regarding the participation, receives and pre-screens the applications and sends the preselected ones to the Ministry of Finance for the final selection.

Among the thematic ministries, the Ministry of Industry, Commerce and Tourism implement programmes with regional implications.

Relationship of national funding and support through the ESI

The ESI Funds together with the national co-financing are the biggest source of funding of the entire policy addressing regional disparities. However, the contribution to reducing economic regional disparities of the nationally funded programmes addressing regional economic disparities is also substantial. The identified national contribution (without the national co-financing of ESI Funds initiatives) amounted to €15.9 billion. However, among the regions with GDP per capita below the EU average, only Extremadura receives substantial support as a Less Developed Region. Therefore, the national ministries and especially the Ministry of Finance and the Ministry of Industry, Commerce and Tourism, intervene by providing support to regions facing development challenges. The former offers horizontal support to all type of companies in the lagging regions, while the latter supports regions with specific sectoral needs or de-industrialisation trends.

3. Overview of national policy measures addressing regional economic disparities

The main nationally funded programmes with a clear regional dimension are the Regional Incentives Programme and the Industrial Compensation Funds, both run by the Ministry of Finance. The Regional Incentives Programme (fiche ES1) provides loans with preferential terms for the establishment of new businesses, the expansion of established companies, diversification of activities, or improvements of infrastructures. During the period 2014-2018, €12.7 billion were directed to all regions falling behind the EU28 average in terms of GDP per capita (all regions except Madrid, Pais Vasco, Foral de Navara and Cataluña). The support to Extremadura amounted to €341 million (2.7%). The second initiative of the Ministry of Finance, the Interterritorial Compensation Funds (fiche ES2), finances via the Compensation Fund (fiche ES2.1) investments in Less Developed Regions, and the wealth and income creation in regions via the Complementary Fund (fiche ES2.2). Both funds provide loans to companies in favourable terms for investment projects. The allocations to regions are the result of a complex calculation that takes into account the production costs and the population of the region, among others. The regions that are excluded from the support are Madrid, Pais Vasco, Foral de Navara, Cataluña and La Rioja. During the period 2014-2018, the Funds provided loans of €2.1 billion, while Extremadura received €128.9 million (6%).

The Ministry of Industry Commerce and Tourism run the Reindustrialisation and Strengthening of Industrial Competitiveness (REINDUS) Programme (fiche ES3) with five components solely financed by the national budget. The REINDUS: Industrial investment (fiche ES3.1) provides loans to companies for the financing of industrial investments. Its overarching objective is to improve and expand the Spanish industrial and attract companies in Spain. Initially, all regions were eligible for support. Only in 2019, the programme introduced criteria that give priority to the less industrialised regions. The budget for the period 2014-2018 amounted to €2 billion. The REINDUS: Industrial infrastructure (fiche ES3.2) provides loans for the relocation and setting up of industrial companies in particular industrial parks and free-trade zones. The programme was rather small, with a budget of €50 million. The REINDUS: Regional support (fiche ES3.3) with a budget of €269 million, aims at less industrialised regions. Eligible activities are the setting up of industrial companies, relocation of industrial companies within the supported regions and expansion of existing industrial establishment. The REINDUS: Moved industry (fiche ES3.4) supports industrial sectors that have been affected by the migration of industry to other regions or other countries. Such sectors are the textile sector, clothes makers, shoemakers, toy makers, furniture makers, and leather product makers. The total budget amounts to €40 million. The REINDUS: Support to Selected Sectors (fiche ES3.5) with a budget of €746 million supports industries that require large amounts of investments. The period 2014-2018 €23.5 million were directed to the aerospace industry, €100 million to the automotive industry and €623 million to other manufacturing sectors.

The Framework for Action for Carbon Mining and Mining Communities (fiche ES4) in the 2013-2018 provides support to regions with mining (several regions) or used to have coal mining activity (Asturias, Aragón, and Castilla y León). The measure contributed to the reorganisation of the mining sector and mitigation of the impact of the closing of the coal mines during the period 2013-2018. It provided grants to projects aiming at improving the productivity of the mining centres and close the less productive ones. Productive. The overall financial contribution was €296 million.

4. Classification of policies

Title	Type of funding	Policy category	Policy instrument	Funding and implementa
Programme of Regional Incentives (ES1)	Loans	Business Environment and Trade	Investment support	Funding at the national l Design at the National le Implementation at the national level with cooperation of the regior governance
		Sector Development and Targeted Investment	Business development and innovation support to firms	
Interterritorial Compensation funds (ES2, ES2.1 and ES2.2)	Loans	Business Environment and Trade	Investment support	Funding at the national l Design at the National le Implementation at the national level with cooperation of the regior governance
		Sector Development and Targeted Investment	Business development and innovation support to firms	
REINDUS: Industrial investment (ES3.1)	Loans	Business Environment and Trade	Investment support	National Design and Fun Regional/national implementation
		Sector Development and Targeted Investment	Business development and innovation support to firms	
REINDUS: Industrial infrastructure (ES3.2)	Loans	Business Environment and Trade	Special economic zones	National Design and Fun Regional/national implementation
		Sector Development and Targeted Investment	Industrial parks and other industrial infrastructures	
REINDUS: Regional support (ES3.3)	Loans	Business Environment and Trade	Investment support	National Design and Fun Regional/national implementation
		Sector Development and Targeted Investment	Business development and innovation support to firms	
REINDUS: Moved industry support (ES3.4)	Loans	Business Environment and Trade	Investment support	National Design and Fun Regional/national implementation
		Sector Development and Targeted Investment	Business development and innovation support to firms	
Framework for Action for Carbon Mining and Mining Communities in the 2013-2018 (ES4)	Grants	Sector Development and Targeted Investment	Business Development and innovation support to firms	Funding and Design: nat Implementation: regiona
		Skills and Mobility	New skills development	

5. Main Sources:

Interviews

- Carlos Ortega Camilo, Undersecretary for Regional Incentives, Ministry of Finance,
- Alejandro Cros Bernabéu, Undersecretary for Sectoral Industrial Policies, Ministry of Industry, Trade, and Tourism

- Riesgo Alcaide, Director for Research, Development and Innovation, Ministry of Science, Innovations and Universities,

Main documents

- Government of Spain, (2019): National Reform Programme Spain https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-spain_es.pdf
- OECD (2018), *OECD Regions and Cities at a Glance 2018*, OECD Publishing, Paris, https://doi.org/10.1787/reg_cit_glance-2018-en.
- Partnership Agreement Spain 2014-2020, http://www.dgfc.sepg.minhafp.gob.es/sitios/dgfc/es-ES/ipr/fcp1420/e/eea/Documents/Eval_Exante_AA_03_09_14.pdf

Country fiches

Regional incentives (Incentivos Regionales)	
ID	**ES1**
Country	**Spain**
Region(s) affected	All except Basque Country, Navarra, A. Community of Madrid and Catalonia
Time horizon	1985-present
Objectives and Scope	The programme's objective is to alleviate interterritorial imbalances and it is targeting the following areas: • Promote development in less developed regions • Creation of employment and development • Consolidation of industry • Targeted Sectors: transformative industries and innovative touristic enterprises
Overview	The programme provides a line of credit (loans) for the following purposes: • Support for the establishment of new businesses • Support for the expansion of an established business • Support for new business area in an existing company • Support for the improvement of infrastructure Loans begin at €900,000 and, therefore, are mostly targeted at larger projects from large corporations. Different conditions exist for smaller companies.
Rationale	Through the correction of regional disparities, national cohesion in both economic and social terms is improved.
Type of policy category	Business environment and trade Sector Development and Targeted Investment

Type of policy instrument

Investment support

Business development and innovation support to firms

Type of funding

Loans per region:

Budget and expenditures

Region	2014	2015	2016	2017	2018
Andalucia	235,397,548	139,547,177	844,258,061	653,248,367	922,816,839
Aragón	64,460,866	20,877,171	170,731,999	141,492,381	82,192,707
Principado de Asturias	22,393,691	59,915,062	27,389,904	20,625,831	33,711,585
Canarias	2,870,873,080	362,122,339	125,733,229	215,863,072	487,387,805
Cantabria	17,622,014	922,150	17,159,258	0	52,248,757
Castilla - La Mancha	112,182,216	25,881,131	22,140,014	162,839,997	439,140,981
Castilla y León	290,725,588	41,409,182	349,593,093	197,428,412	30,895,601
Extremadura	121,793,791	36,413,202	51,603,401	33,380,421	98,100,300
Galicia	56,342,655	90,205,405	633,888,570	272,250,828	44,464,596
Illes Balears	N/A	N/A	N/A	20,622,579	45,672,175
La Rioja	N/A	0	4,026,801	0	60,648,880
Región de Murcia	345,661,844	79,334,821	26,644,229	128,348,454	174,559,019
Comunitat Valencia	79,799,577	81,146,956	191,256,274	56,667,817	664,432,615
Total	4,217,252,872	937,774,597	2,464,424,835	1,902,768,161	3,136,271,865

Governance

Institution Responsible: Ministry of Finance

Scenario 1 and 2

Funding/Design: National

Implementational: Loans for less than €15 million are approved at the national level, with participation of the autonomous communities in the decision process. Loans for amounts above €15 million are decided at the national level and require the approval of the "Delegated Commission of the Government for Economic Affairs" (similar set-up to the ministry council but reduced to the ministers relevant to economic affairs).

Policy implementation and policy mix

No sub-measures for this policy.

Relevant ESIF measures (if any)

ERDF co-financing for small projects for SMEs. Must be requested by SME making application, if desired. No ERFD financing for programme as a whole.

Impact: monitoring and evaluation

The "memorias anuales" (annual reports) calculate employment created through the measures for each autonomous region. Reports are available for the past decade on an annual basis, and also for more recent years on a quarterly basis. The most recent report highlights that particularly under-developed regions (Andalucía, Canarias, Murcia) are the ones receiving the largest share of funding from this programme. Furthermore, under-developed regions tend to have the largest

	average funding amount per project (e.g., Extremadura's project average is €16.3 million; largest average amount in Canarias, €23.2 million). The largest amount of jobs were also created in under-developed regions: the largest amount of jobs were created in Canarias (865), followed by Castilla-La Mancha (380), and Andalucía (260). Extramadura placed 5th in job creation, with 90 jobs created in 2018.
Links	http://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/ir/ia/Paginas/MemoriasAnuales.aspx

Interterritorial Compensation funds (Fondos de Compensación Interterritorial – FCI)

ID	**ES2**
Country	**Spain**
Region(s) affected	All except A.C. of Madrid, Aragon, Catalonia, Navarra, La Rioja, Basque Country
Time horizon	2001-2018
Objectives and Scope	The objectives are: • to finance investment in comparatively less developed territories • to promote the creation of income and wealth
Overview	The Fondos Compensación Interterritorial is a financing instrument of the Autonomous Communities in order to correct inter-territorial imbalances. The programme finances via loans at under-market conditions a) investment projects b) the costs associated with the execution of these investment projects The amount of financing for each region each year is the result of a complex calculation that takes into account production costs and number of inhabitants, among others.
Rational	The loans are targeted at regions with lower economic development exclusively.
Type of policy category	Business environment and trade Sector Development and Targeted Investment
Type of policy instrument	Investment support Business development and innovation support to firms
Type of funding	Loans
Budget and expenditures	Figures in thousands of euros

Region	2014	2015	2016	2017	2018
Andalucia	159,350	160,471	159,396	160,341	160,922
Principado de Asturias	13,065	12,740	13,440	13,803	14,161
Canarias	44,689	46,476	46,843	46,729	50,140

Cantabria	3,903	4,064	4,987	5,400	5,257
Castilla - La Mancha	37,715	37,066	33,145	34,069	35,005
Castilla y León	20,885	18,588	19,519	19,351	18,765
Extremadura	26,897	26,615	25,240	25,046	25,093
Galicia	44,549	42,918	45,030	44,343	42,505
Región de Murcia	20,885	21,644	22,159	21,876	21,661
Comunitat Valencia	53,867	55,224	56,046	54,849	52,298
Melilla	3,309	3,309	3,309	3,309	3,309
Ceuta	3,309	3,309	3,309	3,309	3,309
Total	432,430	432,430	432,430	432,430	432,430

Fund	2014	2015	2016	2017	201
Compensation fund	324,330	324,330	324,330	324,330	324,33
Complementary fund	108,099	108,099	108,099	108,099	108,09
Total	432,430	432,430	432,430	432,430	432,43

Governance

Institution Responsible: Ministry of Finance

Scenario 1 and 2:

Funding/Design: national

Implementation: national/regional

Policy implementation and policy mix

The policy implemented through two funds (sub-measures):

- Compensation fund: destined to finance investment costs in less developed regions (fiche ES2.1)
- Complementary fund: destined to finance wealth and income creation in regions (fiche ES.2)

Relevant ESIF measures (if any)

None.

Impact: monitoring and evaluation

N/A

Link

http://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/oipr/fci/Paginas/inicio.aspx

Interterritorial compensation funds : Compensation fund

ID	**ES2.1**
Country	**Spain**
Region(s) affected	All except A.C. of Madrid, Aragon, Catalonia, Navarra, La Rioja, Basque Country
Time horizon	2001-present
Objectives and Scope	The compensation fund of the FCI aims at financing investment expenses in comparatively under-developed territories. The investments must target the creation income and wealth creation, either directly or indirectly, in the benefited territory.
Overview	The fund provides loans under better than market conditions.
Rationale	The fund targets the compensation of differences among the territories in Spain through the creation of wealth and/or income opportunities.
Type of policy category	Business environment and trade Sector Development and Targeted Investment
Type of policy instrument	Business development and innovation support to firms Investment support
Type of funding	Loans
Budget and expenditures	Figures in thousands of euros

Region	2014	2015	2016	2017	201
Andalucia	119,515	120,356	119,550	120,258	120,69
Principado de Asturias	9,799	9,555	10,080	10,252	10,62
Canarias	33,517	34,858	35,133	35,048	37,60
Cantabria	2,928	3,048	3,740	4,050	3,94
Castilla - La Mancha	28,287	27,800	24,859	25,552	26,25
Castilla y León	15,664	13,941	14,640	14,513	14,07
Extremadura	20,173	19,961	18,931	18,785	18,82
Galicia	33,413	32,189	33,773	33,258	31,87
Región de Murcia	15,664	16,233	16,619	16,407	16,24
Comunitat Valencia	40,401	41,419	42,036	41,138	39,22
Melilla	2,482	2,482	2,482	2,482	2,48
Ceuta	2,482	2,482	2,482	2,482	2,48
Total	324,330	324,330	324,330	324,330	324,33

Governance	Institution Responsible: Ministry of Finance Scenario 1: • Funding/Design: national • Implementation: national and regional
Policy implementation and policy mix	This measure is part of the Fondos Compensación Interterritorial (FCI) — Interterritorial compensation funds (ES2)
Relevant ESIF measures (if any)	None.
Impact: monitoring and evaluation	N/A
Link	http://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/oipr/fci/Paginas/inicio.aspx

Interterritorial compensation funds: Complementary fund	
ID	**ES2.2**
Country	**Spain**
Time horizon	2001-present
Region(s) affected	All except A.C. of Madrid, Aragon, Catalonia, Navarra, La Rioja, Basque Country
Objectives and Scope	The complementary fund finances investments that promote income and wealth creation, either directly or indirectly, in the benefited territory.
Overview	The funding is delivered as loans provided under better than market conditions. Notwithstanding, upon request of the benefited territory, additional financing can be provided for the approved investments for a period of two years (maximum).
Rationale	These funds target the compensation of differences among the territories in Spain through the creation of wealth and/or income opportunities.
Type of policy category	Business environment and trade Sector Development and Targeted Investment
Type of policy instrument	Business development and innovation support to firms Investment support
Type of funding	Loans
Budget and expenditures	Figures in thousands of euros

Region	2014	2015	2016	2017	2018
Andalucia	39,834	40,114	39,846	40,082	40,227
Principado de Asturias	3,266	3,184	3,359	3,450	3,540

Canarias	11,171	11,618	11,709	11,681	12,534
Cantabria	975	1,015	1,246	1,350	1,314
Castilla - La Mancha	9,428	9,265	8,285	8,516	8,750
Castilla y León	5,221	4,646	4,879	4,837	4,690
Extremadura	6,723	6,653	6,309	6,261	6,272
Galicia	11,136	10,728	11,256	11,085	10,625
Región de Murcia	5,221	5,410	5,539	5,468	5,414
Comunitat Valencia	13,465	13,805	14,010	13,711	13,073
Melilla	827	827	827	827	827
Ceuta	827	827	827	827	827
Total	108,099	108,099	108,099	108,099	108,099

Governance	Institution Responsible: Ministry of Finance Scenario 1: • Funding/Design: national • Implementation: national and regional
Policy implementation and policy mix	This measure is part of the Fondos Compensación Interterritorial (FCI) — Interterritorial compensation funds (ES2)
Relevant ESIF measures (if any)	None.
Impact: monitoring and evaluation	N/A
Link	http://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/oipr/fci/Paginas/inicio.aspx

Reindustrialisation and Strengthening of Industrial Competitiveness (REINDUS) — Reindustrialización y Fortalecimiento de la Competitividad Industrial	
ID	**ES3**
Country	**Spain**
Region(s) affected	All regions and particularly under-industrialised regions (e.g., Comunidad Autónoma de Extremadura).
Time horizon	2007-present.
Objectives and Scope	The programme’s objective is to strengthen industrial competitiveness and sustainable development, particularly through the renewal or creation of industry. It focuses on disadvantaged areas, promoting investment in both industrial infrastructure and business initiatives. It also focuses on creating a 4.0 industrial base in Spain.

Overview	The following elements of reindustrialisation are financeable via this programme: • creation of industrial establishments; • movement of industrial establishments within Spain; • expansion of existing industrial establishments. Starting in 2019, a point system was implemented, in order to favour companies from under-industrialised regions. Before 2019, there was a certain level of competition, particularly between companies from developed and underdeveloped regions, for the acquisition of these funds.
Rationale	Industry is considered to be one of the main drivers of GDP growth. With this strategy and its measures, the ministry aims to stimulate industrial development, and therefore support historically underdeveloped regions.
Type of policy category	• Business environment and trade; • Sector Development and targeted Investment;
Type of policy instrument	• Investment promotion • Special Economic zones, • Business development and innovation support to firms, • Science and industrial parks
Type of funding	Loans
Budget and expenditures	No explicit budget for entire programme, but each measure has its own budget.
Governance	Institution Responsible: The Ministry of Industry, Commerce and Tourism Scenario 2: • National Design and Funding, regional • Regional implementation
Policy implementation and policy mix	Depending on the year, different measures were implemented concurrently • Industrial investment support, general (2014-2018) (ES3.1) • Industrial infrastructure support (2014) (ES3.2) • Industrial investment in particular regions (2014, 2017) (ES3.3) • Reindustrialization programme in regions with moved industry (2014) (ES3.4) • Industrial investment, by sector (2014, 2015) (ES 3.5)
Relevant ESIF measures (if any)	Projects within the Industrial Initiatives area may be co-financed by community funds, within some of the OPs of the European Regional Development Fund (ERDF) (in addition to national funding).
Impact: monitoring and evaluation	N/A

Link	http://www.mincotur.gob.es/PortalAyudas/RCI/Paginas/Index.aspx

REINDUS : Industrial investment - Inversión industrial	
ID	**ES3.1**
Country	**Spain**
Time horizon	Current form since at least 2007 (consolidation of many different policies). New eligibility criteria from 2019 onwards
Region(s) affected	2007-2019 All regions Starting in 2019 new criteria are set giving an advantage to under-industrialised regions (e.g. Comunidad Autónoma de Extremadura).
Objectives and Scope	The aim is to support industrial investments mainly but not exclusively in under-industrialised regions. Its overarching objective is to improve the Spanish industrial infrastructure.
Overview	The measure provides loans for the following activities: • Setting up of new companies; • Attraction of companies to Spain; • Expansion of industrial capacity. Starting in 2019, a point system was implemented, in order to favour companies from under-industrialised regions. Before 2019, there was a certain level of competition, particularly between companies from developed and underdeveloped regions, for the acquisition of these funds.
Rationale	Industry is considered to be one of the main drivers of GDP growth. With this strategy and its measures, the ministry aims to stimulate industrial development, and therefore support historically underdeveloped regions.
Type of policy category	Business environment and trade Sector Development and targeted Investment
Type of policy instrument	Investment promotion Business development and innovation support to firms
Type of funding	Loans
Budget and expenditures	

2014	84,702,513
2015	408,725,760
2016	569,762,322
2017	606,368,488
2018	400,000,000
2019	N/A
2020	N/A

Governance	**Institution Responsible:** The Ministry of Industry, Commerce and Tourism Scenario 2: • National Design and Funding, • Regional/national implementation
Policy implementation and policy mix	This measure is part of the policy mix of Reindustrialización y Fortalecimiento de la Competitividad Industrial (REINDUS) (ES3)
Relevant ESIF measures (if any)	Projects within the Industrial Initiatives area may be co-financed by community funds, within some of the operational programs of the European Regional Development Fund (ERDF) (in addition to national funding).
Impact: monitoring and evaluation	N/A
Link	http://www.mincotur.gob.es/PortalAyudas/RCI/Paginas/Index.aspx

REINDUS: Industrial infrastructure – Infraestructura industrial	
ID	**ES3.2**
Country	**Spain**
Region(s) affected	All regions and particularly under-industrialised regions (e.g., Comunidad Autónoma de Extremadura).
Time horizon	2014
Objectives and Scope	This measure aims at improving the Spanish industrial infrastructure in order to meet the objectives of the government's industrial policy: improved competitiveness, better presence in international markets, incorporation of advanced technologies, and the creation of qualified employment.
Overview	The measure focuses on the promotion of industrial infrastructure in particular industrial parks and free-trade zones. This was executed through the offering of below-market loans for the initiation of projects of this particular nature.
Rationale	Industry is considered to be one of the main drivers of GDP growth. With this strategy and its measures, the ministry aims to stimulate industrial development, and therefore support historically underdeveloped regions.
Type of policy category	Business environment and trade Sector Development and targeted Investment
Type of policy instrument	Special economic zones, Industrial parks and other industrial infrastructures
Type of funding	Loans
Budget and expenditures	2014: €50 million
Governance	Institution Responsible: The Ministry of Industry, Commerce and Tourism

	Scenario 2 National Design and Funding, regional/national implementation • Ministry of Commerce, Industry and Tourism
Policy implementation and policy mix	This measure is part of the policy mix of Reindustrialización y Fortalecimiento de la Competitividad Industrial (REINDUS) (ES3)
Relevant ESIF measures (if any)	None.
Impact: monitoring and evaluation	N/A
Link	http://www.mincotur.gob.es/PortalAyudas/RCI/Paginas/Index.aspx

REINDUS: Regional support	
ID	**ES3.3**
Country	**Spain**
Region(s) affected	Less industrialised regions (e.g., Comunidad Autónoma de Extremadura).
Time Horizon	2014- ongoing
Objectives and Scope	This REINDUS measure is open to all sectors in selected Spanish regions. This particular measure aims to compensate inequalities between the Spanish regions. The criteria for selection regions that receive this additional aid are described as those in which particular circumstances come together that put these regions at a disadvantage in comparison to other Spanish regions.
Overview	Below-market loans for companies that fit the call's criteria The following elements of reindustrialisation are financeable via this programme: creation of industrial establishments; migration of industrial establishments within region; expansion of existing industrial establishment. The exact regions benefited by this programme are listed in the budget.
Rationale	Industry is considered to be one of the main drivers of GDP growth. With this strategy and its measures, the ministry aims to stimulate industrial development, and therefore support historically underdeveloped regions.
Type of policy category	Business environment and trade Sector Development and targeted Investment
Type of policy instrument	Investment promotion Business development and innovation support to firms
Type of funding	Total loans provided 2014-2018: €269 million
Budget and expenditures	

Region	2014	2015	2016	2017	2018

Comarca de campo de Gibraltar	26,287,590	N/A	N/A	N/A	N/A	
Comarcas de Ferrol, Eume y Ortegal	45,711,030	N/A	N/A	N/A	N/A	
Provincias de Teruel, Soria y Jaén	27,967,010					
Márgen izquierda del Nervión	7,850,140	N/A	N/A	N/A	N/A	
Comunidad Autónoma de Canarias	14,844,230	N/A	N/A	N/A	N/A	
Comarca de Lorca	10,579,700	N/A	N/A	N/A	N/A	
Isla de El Hierro	0	N/A	N/A	N/A	N/A	
Extremadura	12,225,590	N/A	N/A	N/A	N/A	
Comarca Bahia de Cádiz	61,771,440	N/A	N/A	N/A	N/A	
Asturias	N/A	N/A	N/A	61,771,440	N/A	

Governance	**Institution Responsible**: The Ministry of Industry, Commerce and Tourism Scenario 2 National Design and Funding, regional/national implementation
Policy implementation and policy mix	This measure is part of the policy mix of Reindustrialización y Fortalecimiento de la Competitividad Industrial (REINDUS)
Relevant ESIF measures (if any)	None.
Impact: monitoring and evaluation	N/A
Link	http://www.mincotur.gob.es/PortalAyudas/RCI/Paginas/Index.aspx

REINDUS: Moved industry support – En las zonas afectadas por procesos de deslocalización	
ID	**ES3.4**
Country	**Spain**
Region(s) affected	All regions and particularly under-industrialised regions (e.g., Comunidad Autónoma de Extremadura).
Time horizon	2014
Objectives and Scope	This REINDUS measure is open to all regions in selected Spanish sectors. It supports sectors of the economy that may have been affected by the migration of industry to other regions and/or countries. This measure aims to counter that by supporting the regeneration of local industry in these particular areas.
Overview	Below-market loans for companies that fit the call's criteria.

	The following elements of reindustrialisation are financeable via this programme: creation of industrial establishments; movement of industrial establishments within region; expansion of existing industrial establishment. Eligible economic sectors: the textile sector, clothes makers, shoemakers, toy makers, furniture makers, and leather product makers.
Rationale	Industry is considered to be one of the main drivers of GDP growth. With this strategy and its measures, the ministry aims to stimulate industrial development, and therefore support historically underdeveloped regions.
Type of policy category	Business environment and trade Sector Development and targeted Investment
Type of policy instrument	Investment promotion Business development and innovation support to firms
Type of funding	Loans
Region(s) affected	All regions and particularly under-industrialised regions (e.g., Comunidad Autónoma de Extremadura).
Budget and expenditures	2014: €40.487.990
Governance	Institution Responsible: The Ministry of Industry, Commerce and Tourism Scenario 2 National Design and Funding, regional/national implementation
Policy implementation and policy mix	This measure is part of the policy mix of Reindustrialización y Fortalecimiento de la Competitividad Industrial (REINDUS)
Relevant ESIF measures (if any)	None.
Impact: monitoring and evaluation	N/A
Link	http://www.mincotur.gob.es/PortalAyudas/RCI/Paginas/Index.aspx

REINDUS: Select sector support – Ayudas por sector	
ID	**ES3.5**
Country	**Spain**
Region(s) affected	Both the less developed and the more advanced regions are benefited due to the location of the industry. Aerospace is located in Madrid, Andalusia and País Vasco
Title	REINDUS: ayudas por sector – selected sector support
Time horizon	2014-2018
Objectives and Scope	This REINDUS measure is open to all regions in selected Spanish sectors.

The measure of REINDUS aims to support industries that require large amounts of financing, e.g. the general manufacturing industry, as well as the aerospace and automobile industry. Its objective is to support these sectors for the generation of a strong industrial economy in Spain and support employment creation.

Overview

This measure supports industrial manufacturing (light to heavy), as well as the auto and aerospace industry, in particular.

It offers below-market loans to projects that fit the call's criteria.

The following elements of reindustrialisation are financeable via this programme: creation of industrial establishments; movement of industrial establishments within region; expansion of existing industrial establishment.

Location of aerospace industry (ICEX (Spanish Trade & Investment Institute):

- Madrid (49.4 percent of total sales)
- Andalusia (21.7 percent)
- Castilla La Mancha (12 percent)
- Basque Country (9.9 percent)
- Catalonia (1.4 percent)

Location of automotive industry

Source: ICEX (2014) Automotive industry in Spain

Type of policy category

Sector Development and targeted Investment

Business environment and trade

Type of policy instrument

Investment support

Business development and innovation support to firms

Type of funding

Loans 2014-2018:

Budget and expenditures

Region	2014	2015	2016	2017	2018
Aerospace industry	€ 23.460.680	N/A	N/A	N/A	N/A
Manufacturing industry	€ 275.000.000	€ 348.460.680	N/A	N/A	N/A
Auto industry	€ 100.000.000	N/A	N/A	N/A	N/A

	In 2015, support for the manufacturing industry included €20 million support for the aerospace industry and €20 million support for the motor vehicle industry (particularly for vehicles running on renewable energies).
Rationale	Industry is considered to be one of the main drivers of GDP growth. With this strategy and its measures, the ministry aims to stimulate industrial development, and therefore support historically underdeveloped regions.
Governance	Institution Responsible: The Ministry of Industry, Commerce and Tourism Scenario 2 National Design and Funding, regional/national implementation Ministry of Commerce, Industry and Tourism
Policy implementation and policy mix	This measure is part of the policy mix of Reindustrialización y Fortalecimiento de la Competitividad Industrial (REINDUS)
Relevant ESIF measures (if any)	None.
Impact: monitoring and evaluation	N/A
Link	http://www.mincotur.gob.es/PortalAyudas/RCI/Paginas/Index.aspx

Framework for Action for Carbon Mining and Mining Communities in the 2013-2018 – Marco de Actuación para la Minería del Carbón y las Comarcas Mineras en el Periodo 2013-2018	
ID	**ES4**
Country	**Spain**
Region(s) affected	All regions with mining or used to have carbon mining activity (Extremadura is not included)
Time horizon	2013-2018
Objectives and Scope	The new 2013-2018 Action Framework aims at reorganising the coal mining sector and promote an alternative economy in mining areas. Its objectives include fostering the development of business projects that generate employment and supporting the creation of appropriate infrastructure. Specific objectives: • Improve productivity of mining centres or close those that cannot be productive • Economic reactivation of mining regions • Improvement of environment and quality of life in these regions • Help Spain achieve energy sovereignty

Overview

This measure offers grants to projects that aim to achieve the specific objectives of this policy. Projects targeted at the development of mines cannot continue after 2018, as per EU regulation.

Rationale

Regions that had a large share of mining activities are being supported in order to transform their industrial structure into more sustainable industries.

Type of policy category

- Sector Development and Targeted Investment
- Skills and Mobility

Type of policy instrument

- Business Development and innovation support to firms
- New skills development

Type of funding

Grants

Budget and expenditures

Total funding: €296 million

	Carbon Mining Programme	Mining zones subsidy	Mining communities (comarcas) subsidy (small investments)	Total
2014	66,488,521	N/A	1,250,000	67,738,521
2015	32,900,000	40,000,000	4,500,000	77,400,000
2016	25,300,000	40,000,000	5,000,000	70,300,000
2017	11,948,220	40,000,000	5,000,000	56,948,220
2018	5,716,030	12,900,000	5,000,000	23,616,030

Governance

Institution responsible: Shared programme between the Ministry of Commerce, Industry and Tourism and the General Directorate of Energy and Mines

Scenario 2

Funding and Design: national

Implementation: regional

Policy implementation and policy mix

The policy has the following measures:

- Plant closing programme
- Economic reshaping programme
- Retraining benefits
- Security improvement benefits

Relevant ESIF measures (if any)

None.

Impact: monitoring and evaluation

An evaluation was made in particular with regards to the closing of carbon mines by the final deadline of 2018. Evaluations of other programmes are ongoing (internal-only documentation).

Link

https://www.boe.es/buscar/doc.php?id=BOE-B-2019-23941

Case study

Interterritorial Compensation Funds – Spain (ES)

1. Executive Summary

The FCI is a policy in Spain that was conceived and is justified at the constitutional level. Its current implementation takes place through a 2001 law, which calls for the provision of investment grants to Spain's less-developed regions. Since its inception in the early 1980s, it has gone through several reforms, aligning it more closely to EU national cohesion objectives. The FCI's governing law clearly outlines the distribution of funds, based on the amount of state investment at the federal level, and adjusted to the socio-economic reality of each Spanish autonomous communities. Autonomous communities (ACs) can use their funds for any investment project they choose, and can receive additional funding for operational costs associated with these investments. ACs can choose independently how they distribute the funds. ACs work together with the Ministry of Finance, which then publishes a list of funded projects in the State's yearly budgets to assure transparency. Neither at the federal nor regional level are there indicators to measure the exact contribution of the funds to national cohesion. Accountability can, at a project level, be requested by regional auditing authorities. Investment is shown to be spent, across all ACs, largely on infrastructure projects and other projects related to the State's service provision. Areas significant for the improvement of national cohesion (e.g., local development or R&D) or not targeted generally. While the policy represents an example of successful regional-federal cooperation, as well as of a transparent and holistic approach to national cohesion (at least in its distribution), it could be better-targeted through appropriate indicators, in order to better serve its intended purpose. Other suggestions for improvement include allowing for the co-financing of projects with these funds and EU funds, and aligning the policy more closely to EU national cohesion policies and standards.

2. Background and Context

While Extremadura is the only region in Spain classified as a "Less Developed Region", 9 to 10 other Autonomous Communities are significant behind the country's best performing CA, as measured by GDP (75-90% of GDP/capita) of the EU-27 average or other socio-economic indicators (e.g. Spain's ICREG ranking). Due to this, Spain has spearheaded several initiatives to address this issue; this is most salient in the enshrining of the obligation of "solidarity" amongst Spanish regions in article 2 of the Spanish constitution. While the Interterritorial Compensation Fund (Fonda de Compensación Interterritorial or FCI for short) is one of the most clearly targeted instruments in this regard, its de facto purpose differs from this. Academics and interviewees have called into question the current relevance of the policy in regard to national cohesion for its usage for the regular investment activities of the CAs, as well as its steady funding decrease (in line with the shrinking pubic investment budgets of the Spanish state).

In spite of this, according to our interviewee from the Ministry of Finance, the funds, in combination with other EU and non-EU-funded federal measures, have contributed to improving the situation of many of the less economically developed Spanish regions. Other intervention mechanisms at the federal level include more specific funding mechanisms for particular purposes (e.g., certain economic sectors) or measures that are directly aimed at private persons. Moreover, a large part of the schemes to boost regional competitiveness and social development come from the autonomous communities themselves, in line with Spain's policy of distributing powers at the regional level.

3. Description of Policy Measure

The FCI is a policy that is outlined at the constitutional level and executed through law. Specifically, article 138 of the Spanish constitution calls for the establishment of a "fair and appropriate economic equilibrium among the parts of the Spanish territory, with special attention to the particular circumstances of the islands," in response to the aforementioned article 2. It stands out from other policies due to the long-term nature of the policy, as it will continue to exist as long as either a) article 138 remains unchanged and/or b) Law 22/2001 does not call for major changes. The policy is further specified in the LOFCA, or the Organic Law for the Financing of Autonomous Communities.[33]

The policy's specific objective is to support the funding of investment projects that would allow for an increase in the income of the targeted regions. The policy's secondary fund aims to support this by providing funding for the running costs of these investments. It targets specifically the Autonomous Communities (CAs). In an earlier iterance of the policy, which ran from 1984 to 1990, all CAs were eligible to be funded by this policy. In 1990, this was changed, in order for the policy to be brought more in line with EU policy regarding national cohesion. From this point on, only "Objective I" regions have been eligible under this programme.[34] Law 22/2001 stipulates that the Compensation Fund will be equal to at least 22.5% of public investment for any given year, while the Complementary Fund will be 7.5% of public investment. In addition to this, 0.471% are earmarked for the Spanish exclaves of Ceuta and Melilla, and 0.3% for the island CAs. Together, the minimum legal size of both funds must be equal to 30.771% of public investment.

The distribution amongst Spanish regions is determined by a number of factors. The Compensation Fund is distributed as follows: 87.5% in direct relation to the CA's population; 1.6% in relation to the CA's net migration numbers; 1% in direct proportion to unemployment; 3% in direct proportion to the CA's surface; and a further 6.9% in proportion to the settlement density of the CA. The funds are then further redistributed according to the income per capita of each CA. Law 22/2001 defines the institutions responsible for the distribution of the funds of this policy. The autonomous communities and the State are called upon to decide together on project funding within the "Committee of Public Investment" (Comité de Inversiones Públicas).

This Committee appears to not play a role in the de facto decision-making of the CA regarding which projects they finance.[35] The CAs decide individually which projects to finance, and distribute funds accordingly. The Committee serves as a meeting point, in order for the CA to present their selected list of projects to be funded by the FCI. The approved list of projects is then sent to the Spanish higher courts for final drafting in the yearly budget plan. The law also calls for cooperation between the CA government and local entities/municipalities in the establishment of projects, which seems to not occur de facto.[36]

4. Policy Implementation

As outlined in the previous section, the Autonomous Communities are, ultimately, responsible for the usage of funds in the manner they see best for their interests. While the law does stipulate that a joint federal and regional committee should be in charge of considering the approval of projects funded by this policy, in practice, the CAs are fully independent in how they spend the allocated funding. The committee serves as an organism to check for the technical correctness of the projects to be funded with the FCI by the Cas.

An analysis from 2002-2011 of the areas in which the CAs spend their allocated funds revealed that there are 7 key areas of spending.[37] Almost every autonomous community in any given year spent a large amount (at least 18% of total assigned funding) on "highways, freeways, and other main streets". Other areas of spending are not as uniform across the CAs. For instance, Cantabria was found to spend over half of its allocated funds in projects for the "protection and improvement of the environment", while all other CAs spent, at most, 14% of their funds on this. Additional areas of significant spending are, in no particular order, agriculture, cattle, and fishing; water; health care (the Canary Islands: >60%); housing; and other miscellaneous categories. Significant areas for national cohesion receive little funding from the CAs: for instance, local development; industrial and artisanal areas; or R&D (research and development) have never received over 8%

[33] Spanish: Ley Orgánica de Financiación de las Comunidades Autónomas.
See Government of Spain. Ley Orgánica 3/2009. Available at https://www.boe.es/buscar/doc.php?id=BOE-A-2009-20374.
[34] Originally termed "Less Prosperous Regions" by the European Commission; now "Less Developed Region". See European Commission, Obective 1. Available at https://ec.europa.eu/regional_policy/archive/objective1/index_en.htm.
[35] Leiceaga, et. al. (2013), EL FONDO DE COMPENSACIÓN INTERTERRITORIAL: ANÁLISIS Y PROPUESTAS PARA UNA REFORMA. Available at https://mpra.ub.uni-muenchen.de/51107/1/MPRA_paper_51107.pdf.
[36] Leiceaga, et. al. (2013), EL FONDO DE COMPENSACIÓN INTERTERRITORIAL: ANÁLISIS Y PROPUESTAS PARA UNA REFORMA. Available at https://mpra.ub.uni-muenchen.de/51107/1/MPRA_paper_51107.pdf.
[37] Leiceaga, et. al. (2013), EL FONDO DE COMPENSACIÓN INTERTERRITORIAL: ANÁLISIS Y PROPUESTAS PARA UNA REFORMA. Available at https://mpra.ub.uni-muenchen.de/51107/1/MPRA_paper_51107.pdf.

of funding from any CA (R&D has never received over 1% in the 9-year time period). Other areas that, at some point in this period have received funding from the autonomous communities are, in no particular order, railways; ports; other means of transport; telecommunications; aid to companies; tourism; culture; and education.

Relevant stakeholders in the implementation of the policy at the ministerial level are the two units of the Ministry of Finance in charge of providing for the distribution and budgeting of the policy. In addition, the Committee of Public Investment, which meets once a year to decide on the funds, also plays a role in the distribution. Nonetheless, the law clearly stipulates the minimum amount to be given to the fund. Ministerial units can only provide for funding that goes above and beyond this set minimum. The receptors of this policy, the Autonomous Communities, are the most crucial stakeholders in this policy. They decide how and in which manner they will spend the funds — with the only condition that they be investment projects.

5. Performance

In the case of Extremadura, our interviewee commented that the funds are integrated into projects that will have a high degree of success. The fund, which only accounts for a small percentage of available funding for investment in any given year, is integrated into the larger pool of funding for investment projects. It is provided to projects in need of investment. A list is prepared by the local government, which is then sent for approval by the Committee for Public Investment in the federal government. Funds allocated can also be reassigned to other projects throughout the course of the year with relative ease, as long as they fit the budget provided. The accountability of the allocation of funds at the regional level is the responsibility of local structures set up for this purpose. In the case of Extremadura, this is the Court of Auditors and the Extremaduran Assembly (parliamentary body). At the ministerial level, this occurs through the publication of funded projects in the yearly budget plan. There is no set of indicators to track performance, neither at the ministerial nor regional level, for this policy. The funds are provided as non-repayable transfers, with an annual restocking.

In the very beginning of the policy's implementation, there was an intention to frame the policy into the EU's larger Cohesion Policy framework. In particular, it was aligned to the EU's classification of Spanish regions into "least prosperous regions" or Objective I regions. As this definition changed due to the new members of the EU, Spain began using their own definition of eligible regions, as according to the EU definition, many economically disadvantaged regions would have been left out of the programme. Currently, Spain provides aid to any region below the Spanish median income.

6. Strengths and Weaknesses

- Clear outlining of the policy in law. The law states exactly how much to distribute each year, to whom, and in what way. Interviewees described the task mostly as inputting numbers given from the statistics office into a premade template. The law and its integrated distribution formulae account for socio-economic and demographic change, as well as the geography of the CAs. The funds also allow for the payment of operational costs associated with investments. Transparency of the funds' destination is guaranteed by law through the annual state budget.
- From the point of view of the autonomous communities, funds can be easily assigned to projects in need of investment funding. Its approval and, if necessary, reassignment, is accomplished with relative ease in agreement with the Ministry of Finance.
- A main weakness of calculating the budgets of this fund through the general state investment is the -non-controllable- variation in the total number of funds available.
- Neither at the federal nor at the regional level does the policy provide for indicators to track progress. The policy's execution success remains solely in the hand of the CAs and how they decide to invest the funds. This, in turn, has decreased the significance of the fund in achieving its stated purpose: improving national cohesion.

7. Transferable Lessons

- At the ministerial and regional level, the policy, and, in particular, its "philosophy" and clearly set socio-economic distribution requirements, were identified by interviewees as policy characteristics that could be applied to other regions or countries. Information is kept up to date by an involvement of the National Statistics Institute within the law.

- It relies on a strong involvement of the CAs in identifying the projects and drafting this list for their approval every year.
- At the regional level, improvement when transferring could be made by allowing co-financing of projects through funds like these.
- Furthermore, setting out measurable indicators for national cohesion remains a challenge for this policy, as identified by interviewees and academics. Transferring this policy to another region could be done in a more successful way by setting clear standards by which to measure progress in achieving national cohesion.

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