

Statistical needs for a more effective design and implementation of the European Structural and Investment Funds

- 1. Context of the reform**
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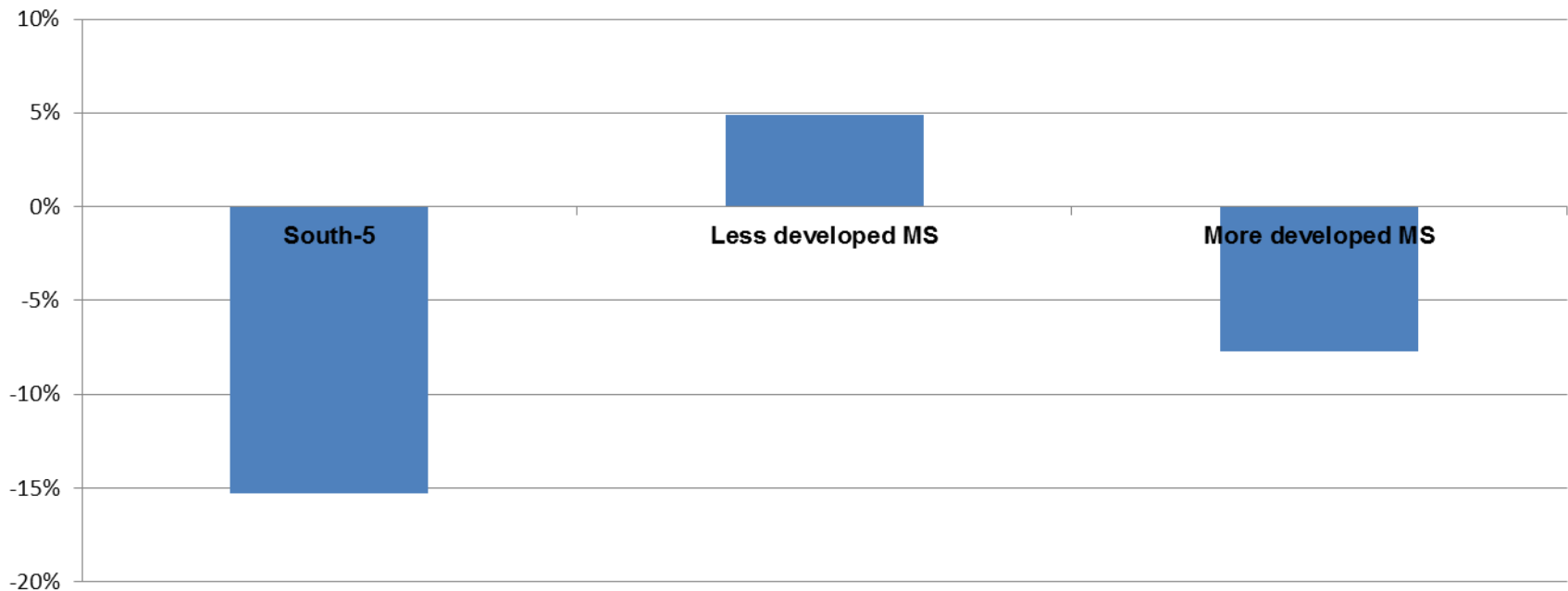
1. Context of the reform

At least one decade of convergence lost in the South EU

	GDP per head	Unemployment rates
Convergence through the whole period 2000-2013	BG, EE, LV, LT, HU, MT, PL, RO, SK	EE, CZ, MT, PL, RO, SK
Convergence 2000-2013 but halted by the crisis	CZ, HR, SI	BG, HR, LV, LT, SI
Convergence 2000-2007 has been wiped out by the crisis	CY, EL, ES, IT, PT	CY, EL, ES, IT, PT

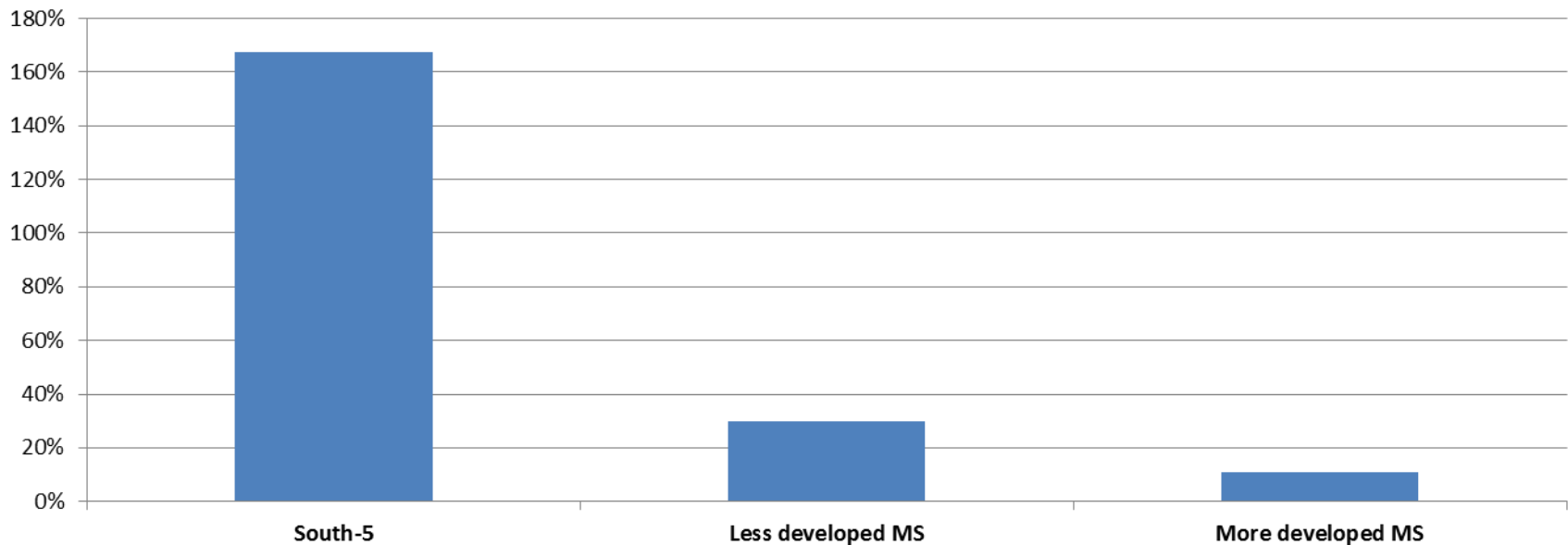
Significant decline of GDP per head in South EU

GDP per head in real terms 2007-2013



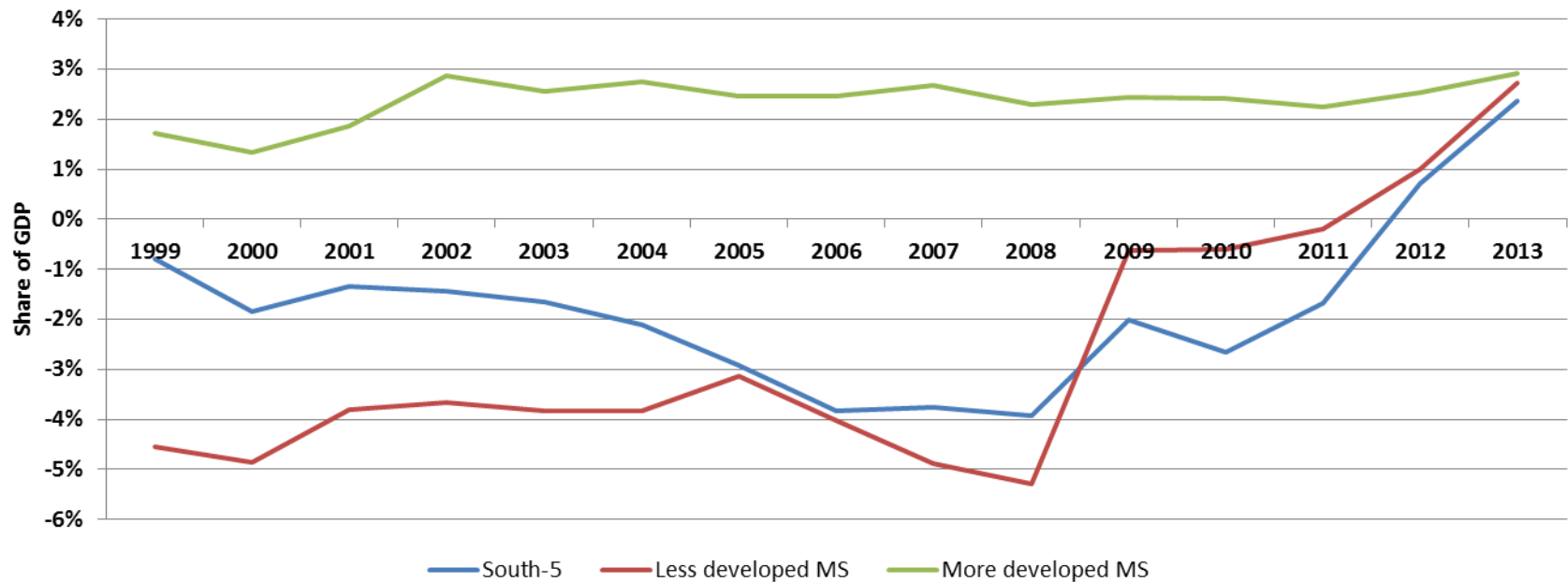
Dramatic rise of unemployment in South EU

**Increase in number of people unemployed
2007-2013**

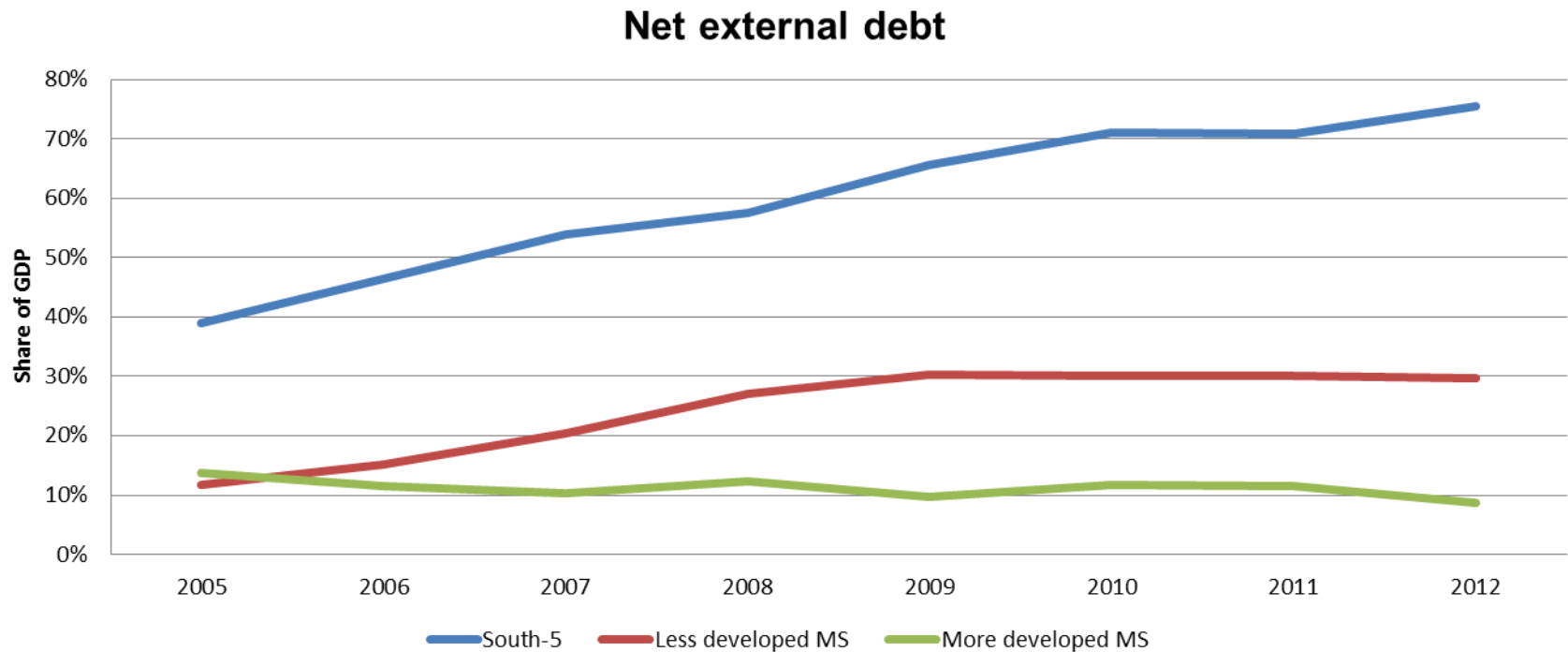


Growing trade deficits over the period 1999-2008

Trade balance (goods and services)

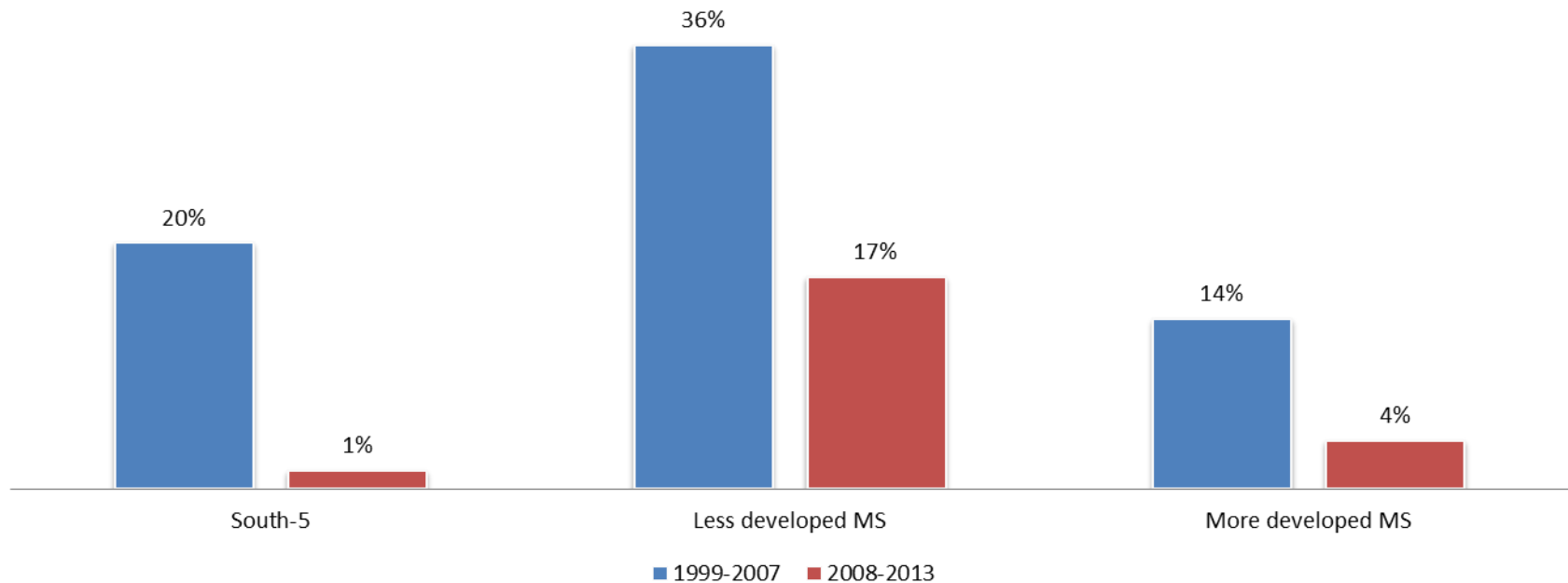


They have given rise to mounting external debt in South EU



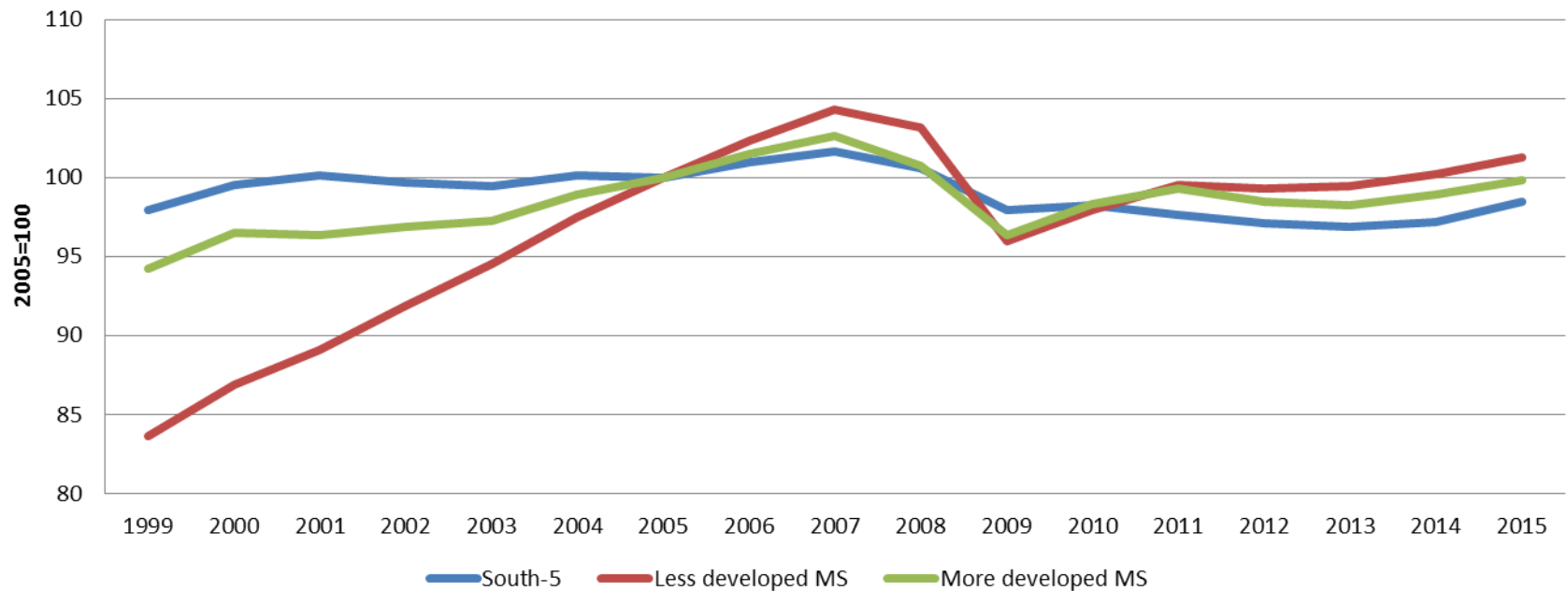
Growing debt did not result in a significant reduction of disparities in capital endowment within the EU

Increase of capital stock per head (in real terms)



Neither on productivity...

Total Factor Productivity



Macroeconomic imbalances underlie the uneven geographical impact of the crisis and seem to be responsible of the losses in terms of convergence and disparities within the EU

Cohesion Policy responding in times of economic crisis

Public Finances under consolidation pressure ...

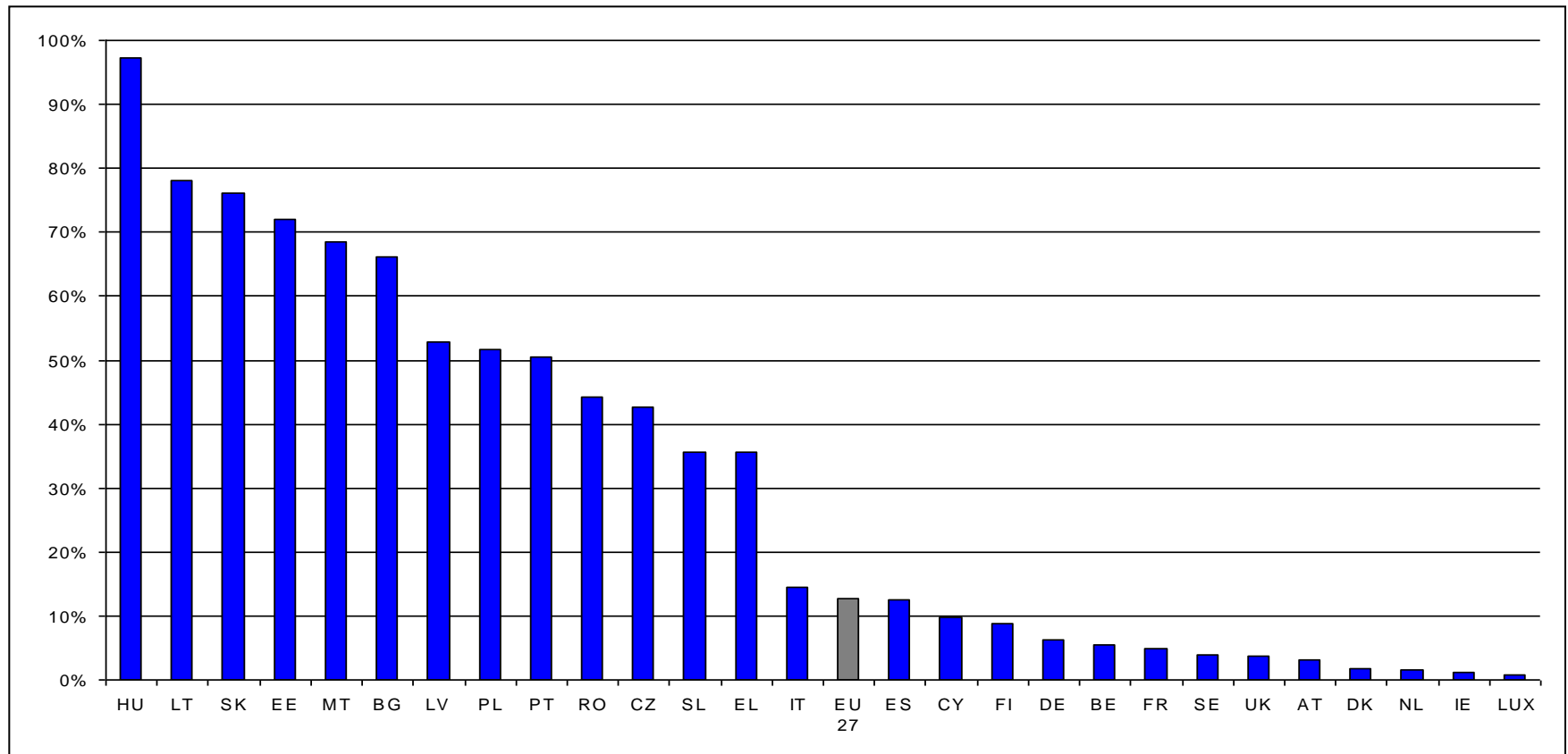
- Increase in EU advances, an extra EUR 6.2 bn (in 2009)
- Increase EU co-financing to max – EUR 28.6 bn
- Top up of maximum EU co-financing (to 95%)
EUR 1.8 bn for 6 MS

Crisis affects many sectors of economy; Youth unemployment and SMEs

Need for simplification and flexibility

- Thematic reprogramming 2007-13 of EUR 45 bn:
Includes work of 2012 Youth / SME action teams with 8 MS
- Broader scope of support: Financial instruments for energy efficiency and working capital for SMEs; social housing
- Simplified cost options (flat rates for indirect cost, standard scale of unit costs, lump sums)
- Major project threshold, payment before Commission decision
- National simplification measures

Cohesion policy 2007-2013 and national counterpart is a significant proportion of public investment in Europe (2011-2013)



2. Key points of the reform

Reform shaped around a critical objective: **Making the policy more result-oriented**

- **Targeting resources at key growth sectors** - Thematic concentration.
- **Alignment with the European Semester**
 - Ex-ante conditionalities
 - Partnership Agreements and programmes to take account of CSRs
 - Links to sound economic governance
- **Performance framework** - sound intervention logic fixing clear objectives towards which progress can be measured. Milestones and targets, common indicators and performance review and reserve (6%).

Why ex ante conditionalities?

- To improve the **effectiveness of investment**
- To ensure that the necessary framework conditions for effective use of Union support are in place
- These conditions are:
 - appropriate regulatory framework,
 - effective policy frameworks (strategies), and
 - sufficient administrative/institutional capacity.

Types of ex ante conditionality

- **Thematic ex ante conditionalities** are linked to the 11 thematic objectives and the investment priorities of cohesion policy
- **General ex ante conditionalities** are linked to horizontal aspects of programme implementation (*anti-discrimination, gender, disability, statistical systems and result indicators and effective application of public procurement, State aid law, environmental impact and strategic environmental assessment legislation*)

NB: They do not apply to European territorial co-operation.

Rationale for thematic concentration

2007-2013

**Limited impact due to
fragmentation of
resources
in areas which
do not always
underpin economic
and social
development**



2014-2020

**focus on limited
number
Of policy areas which
support Europe 2020
and contribute to
economic and social
development and
cohesion**

ERDF thematic concentration

- At least 80% (more developed regions), 60 % (transition regions) or 50% (less developed regions) to TOs:
 - **1 (research and innovation)**
 - **2 (ICT)**
 - **3 (SME competitiveness)**
 - **4 (shift to the low carbon economy)**
- At least 20% (more developed and transition regions), 15% (transition regions) or 12% (less developed regions) to TO 4 - low carbon economy
- *ETC: at least 80% concentrated on max four TOs*

Why further linkages with the European Semester and sound economic governance

Better coordinate ESI Funds with EU economic governance framework to ensure:

- (i) that the effectiveness of the funds is not undermined by unsound fiscal and economic policies;
- (ii) that programmes can be adjusted to address emerging economic and social challenges.

Member State when preparing the Partnership Agreement

Art.15 CPR: Partnership Agreement have set out how

(i) relevant country-specific recommendations adopted in accordance with Art.121(2) TFEU and

(ii) relevant Council recommendations adopted in accordance with Article 148(4) TFEU

have to be taken into account.

Art.2(35) CPR: relevant CSRs = *recommendations relating to structural challenges which it is appropriate to address through multiannual investments that fall directly within the scope of the ESI Funds as set out in the Fund-specific Regulations.*



Commission before adopting the Partnership Agreement

Art.16 CPR: Before adopting the PA the EC shall **assess its consistency** with the CPR and the relevant country-specific recommendations.

Art.96 CPR: Operational programmes under IGJ goal shall set out how the relevant country-specific recommendations have been addressed.

Article 23- Links with sound economic governance

First strand: The Commission may request a reprogramming of the ESI funds to better take account of structural challenges enshrined in country-specific recommendations or other Council Recommendations.

Second strand: Suspension of part of commitments in case of non-effective action by the Member State under some of the EU governance procedures.

Why a performance framework

Ensure a proper use of EU taxpayers' money.

Ensure that the ESI funds flow to the programmes and priorities that are delivering the results expected- maximise their impact.

Ensure therefore that the policy is oriented to its main remit: the reduction of disparities in the levels of development of the various regions in the EU.

Performance framework is about implementing the programme efficiently and the way it has been planned.

The structure of the performance framework

<u>Indicators</u> <p>(priority level)</p>	<u>Milestones</u> <p>(intermediate targets)</p> <p>– to be achieved end of 2018 – formally reviewed in 2019 – reserve excluded</p>	<u>Targets</u> <p>– to be achieved end of 2023 – formally reviewed in 2025 – reserve included</p>
Financial	<ul style="list-style-type: none"> • <i>Must be included</i> • <i>Total amount of eligible expenditure entered into the accounting system of the certifying authority and certified (except for EAFRD)</i> 	
Output	<ul style="list-style-type: none"> • <i>Must be included</i> • <i>Chosen from among indicators already selected for the programme (both common and programme-specific)</i> • <i>Limited number (majority of resources allocated)</i> • <i>Refer to outputs from fully implemented operations</i> 	

<u>Indicators</u> (priority level)	<u>Milestones</u> (intermediate targets)	<u>Targets</u>
Result	<ul style="list-style-type: none"> • <i>To be used where appropriate</i> • <i>Different approach fund by fund (ERDF, CF, EMFF – not recommended, EAFRD – excluded, ESF – immediate only)</i> 	

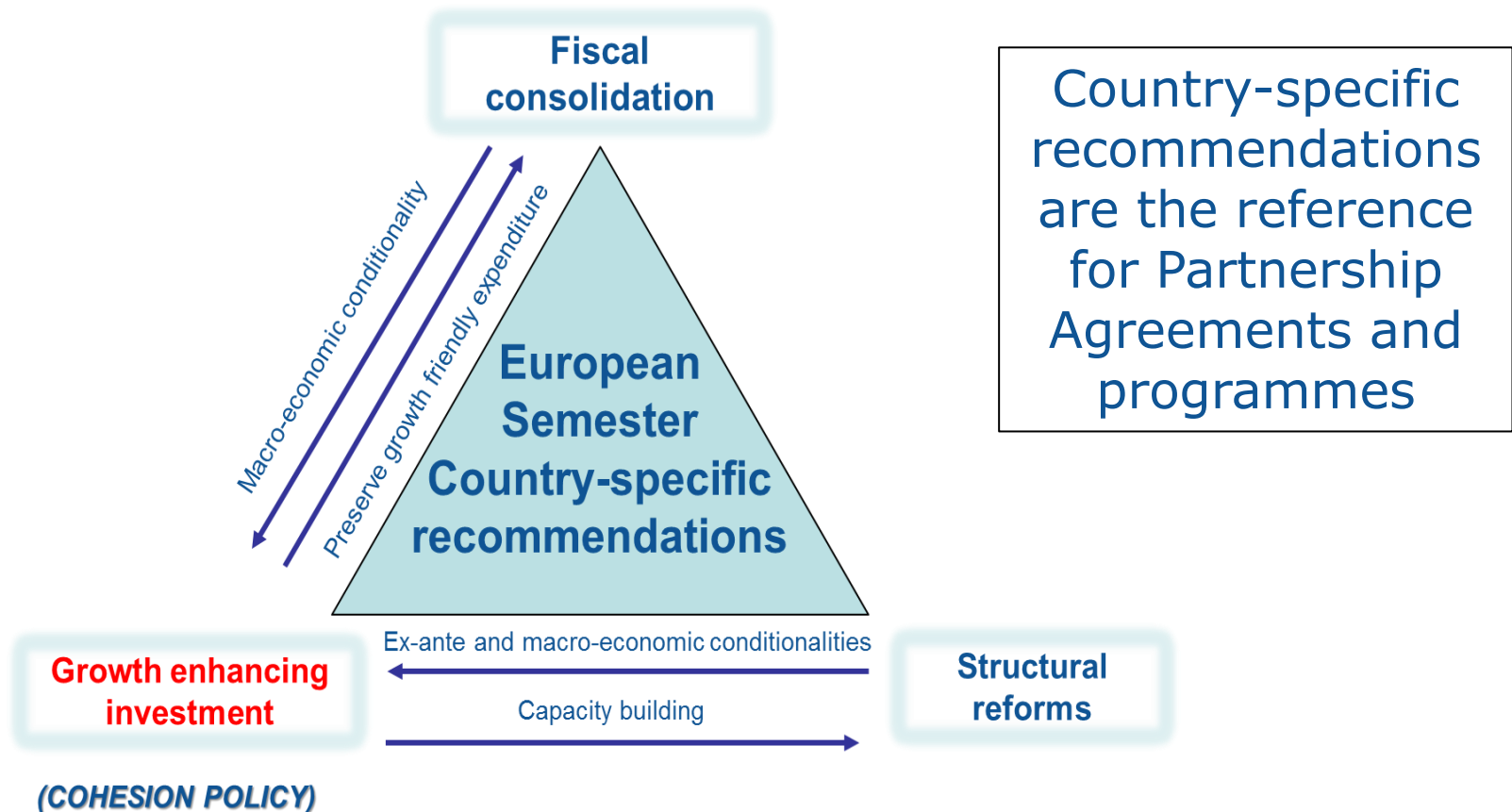
Performance framework elements

Partnership agreement	<p>Section 2.4 - mechanisms to ensure consistency of the performance framework across programmes (early detection of potential performance issues and the system for their follow-up optional)</p> <p>Table 9 - allocation to the performance reserve, broken down by ESI Fund and, where appropriate, by category of region.</p>
Operational programme	<p>Table 6 - indicators and their measurement unit, milestone and target values (broken down by ESI Fund and category of region where relevant)</p> <p>Table 17 – allocation to the performance reserve broken down by year and ESI Fund.</p> <p>Table 18a – allocation to the performance reserve broken down by priority axis and union support / national counterpart.</p>
Additional information	<p>Allows verification if Annex II criteria has been met - to be provided at EC request in line with Implementing Regulation 215/2014.</p>

The Performance Reserve

- 6% of resources (excluding ETC, YEI – which do not apply to the reserve, but do have performance frameworks)
- Pre-Allocated to priorities in programmes (excluding Technical Assistance & SME initiative) – between 5% & 7%
- Definitively allocated to priorities which achieve their milestones

Cohesion Policy in the economic policy mix



3. Some figures

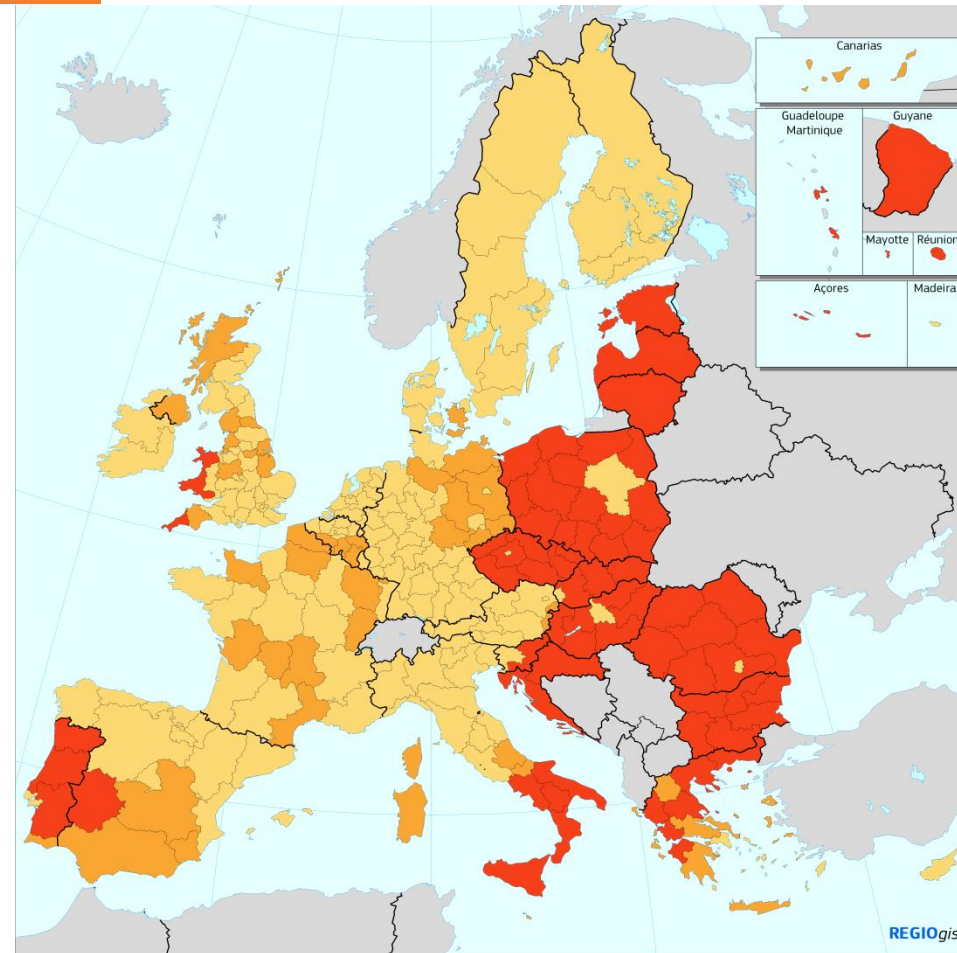
Two goals

- Investment for Growth and Jobs (96.3 % of the cohesion policy budget)
- European Territorial Cooperation (2.75%)

Three categories of regions

- Less developed (GDP below 75% of EU 28 average) (50.5 %*)
- Transition (GDP 75-90% of EU 28) (9.9 %)
- More developed (GDP above 90% of EU 28) (15.1%)

*) + Cohesion Fund (MS with GNI below 90% of EU (20.4%))



Structural Funds (ERDF and ESF) eligibility 2014-2020

Category

- Less developed regions (GDP/head < 75% of EU-27 average)
- Transition regions (GDP/head between >= 75% and < 90% of EU-27 average)
- More developed regions (GDP/head >= 90% of EU-27 average)

How will funding be allocated?

<i>Cohesion Fund¹</i>	<i>66.3</i>
<i>Less developed regions</i>	<i>164.3</i>
<i>Transition regions</i>	<i>32.1</i>
<i>More developed regions</i>	<i>49.1</i>
<i>European Territorial Cooperation</i>	<i>8.9</i>
<i>Outermost regions and sparsely populated areas (30€/inh./year)</i>	<i>1.4</i>
<i>Total</i>	<i>325.0</i>

2007-2013: 347 billion

EU overall

908

976

¹ €10 billion from the Cohesion Fund will be allocated to the Connecting Europe Facility

4. The importance of national policies and indicators

Why more and better data at regional level are needed

- To assess the extent to which the objectives of Articles 174 are being achieved (*'reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions'*)
- Eligibility and allocation criteria post-2020 (Article 90 and Annex VII CPR)

Some ongoing projects and ideas for possible progress

- Regional business demography
- Income and Living Conditions (SILC)
- Public expenditure and public investment policies
- Macroeconomic framework and its regional dimension

Public expenditure and public investment policies

Why is this information important

Concentration of resources in less developed regions by the European Structural and Investment Funds.

What are national policies doing? Is there compliance with additionality?

National data show significant differences in public and total investment within Member States

What is available in EU statistics

Sub-national government expenditure and investment and revenues (also deficit and debt)-aggregated level but not at NUTS II level

COFOG classification of expenditure by level of Government but not at NUTS II level

What has been done (I)

Grant agreement with ESTAT and discussions at working group level with national statistics institutes on the feasibility of providing a regional breakdown for some items of public expenditure

REGIO asked to include this reporting as part of the ESA-2010 Regulation

No progress because,

- Methodological problems to carry out a full breakdown
- Insufficient resources
- Some political sensitiveness

What has been done (II)

Ad-hoc study whose results were presented at the 5th Cohesion Report published in 2011

Possible update of this study- ideally this information should be provided by Member States on a regular basis

Regional dimension of the macroeconomic imbalances

What is the rationale behind

Impact of the crisis very much related to macroeconomic imbalances

Important to understand economic growth trends over the medium and long-term

Limited knowledge of their regional dimension



Why are they important for the European Structural and Investment Funds

To anticipate possible problems in achieving the objective of reducing disparities in the level of development of the various regions.

European Structural and Investment Funds further linked to the EU economic governance through,

- CSRs to be taken into account within the Partnership Agreements and programmes

- Set of ex-ante conditionalities

- Possible suspension of the funds in case of non-effective action under EU economic governance procedures

Objective

Deepen the knowledge of the impact of macroeconomic imbalances at regional level, in particular in our less developed regions

Better understand those imbalances more relevant to each region (and the most urgent and relevant structural reforms needed to unleash economic growth)

Tasks and way forward

Complex task given the limited availability of data and the genuine national nature of many of these some imbalances

Limit to a sample of Member States and regions (less developed in EL, ES, HU, IT, PL and PT) and to a limited number of economic imbalances (i.e. Unit Labour Costs, export market shares and housing prices)

Conclusions

The economic crisis has wiped out at least one decade of economic and social convergence in some parts of the EU.

Excessive economic imbalances seem to underlie these adverse trends.

The reform of the policy is aimed at tackling (some of) the weaknesses observed in the past.

A better understanding of the regional impact of national economic policies is essential to measure the objectives of Article 174 TFEU.

Thank you for your attention!