Northern Ireland Assembly

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Cohesion Policy 2014-2020

This paper provides background to and information on the 'new architecture for cohesion policy 2014-2020' which was announced by the European Commission on 6th October 2011.

Summary and Key Points

The current programming period for cohesion policy will end in 2013 and with it the current round of funding. The policy is second only to the Common Agricultural Policy in financial terms, accounting for 35.7% of the total EU budget (€347bn) in the 2007-2013 financial period

As far back as 2007, the European Commission launched a public consultation into cohesion policy post 2013 and encouraged Member States, members of the various European institutions and European citizens to participate. The UK and Irish Governments together with the Northern Ireland Executive and Ireland's Regional Assemblies responded to the consultation.

On 6th October 2011, the Commission published proposals which seek to simplify access to funding, by bringing a number of funds under the umbrella of a single regulation and reducing the documentation burden on applicants. The proposals will also require national and regional authorities to set clear, attainable and measurable goals in priority areas linked with the EU's "2020" growth and sustainability strategy. Most controversially, the policy also includes a mechanism that allows the Commission to cut funding if it deems national budgetary policies as unsustainable.

The 'new architecture for cohesion policy 2014-2020' is structured around the following 3 types of region

- *less developed regions*, whose GDP is below 75% of the Union average, will continue to be the top priority for the policy.
- *transition regions*, whose GDP is between 75% and 90% of the EU 27 average.
- *more developed regions,* whose GDP per capita is above 90% of the average.

The category in which a region finds itself determines co-funding maximums and to some extent the sectors that will receive support from the policy and related funds.

Northern Ireland's relative GDP in the latest year for which data is available, whilst having fallen in recent years, is just above the upper threshold for transition regions. In response to the Commission's consultation on the future of cohesion policy, the Northern Ireland Executive suggested the use of alternatives to GDP as the single determining factor for groupings of regions.

The Irish Government and Ireland's Regional Assemblies, whilst supporting proposals for a more clearly defined and expanded transition category, considered that a mechanism should be developed to capture those regions in which GDP will fall in the period 2010-2013 to 75-90% of the EU27 average, due to the current economic crisis. Northern Ireland may find itself in this position if the downward trend in relative GDP continues.

Given its very recent publication and the detail contained within it, the Northern Ireland Executive appears not yet to have made any comment on the detailed proposals or their potential impact on EU funding in Northern Ireland.

The new regulatory framework must be in place for the next phase of cohesion programmes beginning in 2014. It is therefore up to both the European Parliament and the Council to examine the Commission's proposals and find agreement on the proposed texts by then

Background

The aim of the Cohesion Policy is to reduce regional and social disparities within the European Union. In terms of financial resources, the policy is second only to the Common Agricultural Policy. For the 2007-2013 financial period, Cohesion Policy amounts to 35.7% of the total EU budget (€347bn).[1] Structural Funds [the European Regional Development Fund (ERDF), the European Social Fund (ESF)] and the Cohesion Fund are used to deliver cohesion policy and their future availability and application is inextricably linked to the debate surrounding the future cohesion policy.

The current programming period for cohesion policy will end in 2013 and with it the current round of funding. In 2007, the Commission launched a public consultation into cohesion policy post 2013 and encouraged Member States, members of the various European institutions and European citizens to participate. The results of the consultation are contained in the Commission's fifth progress report on economic and social cohesion adopted in June 2008.

A key issue addressed during the consultation was the question concerning which Member States and which regions should benefit from structural funds, as it had been argued by some that these funds should not be available to richer Member States. The UK Government had stated that it believed that wealthier Member States have both the ability and capacity to finance their own regional development policy and hence do not require Structural Funds. The Government did, however, also recognise that richer Member States would need time to adjust to withdrawal of Structural Funds and accepted, therefore, that wealthier Member States should continue to receive funding during the 2014-20 programming period.[2]

The Northern Ireland Executive indicated during the consultation that retaining access to Cohesion funding was a key objective and welcomed early indication of support for continuation of structural funds in some form in all (including the wealthier) Member States. The Executive did however recognise that having all regions and Member States eligible for Cohesion support runs the risk of spreading available funds too thinly. In this context the Executive argued that greater creativity in the use of available funding might be possible, if the differing regional impacts arising from the current economic crisis were considered. This approach, the Executive suggested, might allow funding to target those regions, rather than Member States, experiencing greatest current need.[3]

In its response to the consultation, the Irish Government agreed '….with the consensus arising, ie. concentration of policy on EU2020 Strategy, focus on performance and results, high level political debate, increased co-ordination with national and EU policies to create synergies and more simple and efficient administration systems taking into account the principle of proportionality.[4]

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[1] European Commission –The Funds http://ec.europa.eu/regional_policy/thefunds/funding/index_en.cfm (accessed 12/10/11)

[2] UK Government Response to 5th Cohesion Report Consultation http://ec.europa.eu/regional_policy/consultation/5cr/pdf/answers/national/uk_government_contribution_2011_02_08.pdf

[3] Northern Ireland Executive Response to 5th Cohesion Report Consultation http://ec.europa.eu/regional_policy/archive/consultation/5cr/pdf/answers/local_authorities/northern_ireland_executive%20_2011_02_07.pdf (accessed 12/10/11)

[4] Ireland's Response to the Fifth Report on Economic, Social and Territorial Cohesion and Submission to the Consultation on the Conclusions of the Report (January 2011) http://ec.europa.eu/regional_policy/archive/consultation/5cr/pdf/answers/national/irland_government_2011_01_28.pdf

In response to the question addressing the design of a new intermediate category of regions to accompany those which have not completed their process of catching up, the Irish Government responded that it '…was in full support of the proposals for a more clearly defined and expanded 'transition' category and consider that a mechanism should be developed to capture those regions whose GDP will fall in the period 2010-2013 to 75-90% of the EU average due to the current economic crisis'.[5]

The suggestion that a mechanism should be developed to capture those regions whose GDP will fall to 75-90% of the EU average in the period 2010-2013 due to the current economic crisis was also made in Ireland's Regional Assemblies' submission to the consultation.[6]

Commission's New Proposals

The 'new architecture for cohesion policy 2014-2020' was announced by the European Commission on 6th October 2011. Launching the proposals and draft legislative package which will frame cohesion policy for 2014-2020, the Commission stated that:

> The new proposals are designed to reinforce the strategic dimension of the policy and to ensure that EU investment is targeted on Europe's long-term goals for growth and jobs ("Europe 2020")…Through Partnership Contracts agreed with the Commission, Member States will commit to focusing on fewer investment priorities in line with these objectives. The package also harmonises the rules related to different funds, including rural development and maritime and fisheries, to increase the coherence of EU action.[7]

Early criticism has been made of the Commission's ability in the proposals to suspend funding if Member States break budget rules or breach the EU's Stability and Growth Pact. Addressing this issue, a *Eurativ* briefing reported that:

> Calling it a last resort action, Johannes Hahn, Commissioner in charge of regional policy, tried to counter criticism at the proposal and underlined that the effectiveness of cohesion policy in promoting growth and jobs depended significantly on countries' sound macro-economic policies…Critics underline that the measure does nothing else but punish regional and local authorities for the failures of national governments.[8]

The package of measures and the legislative regulations which will bring them into force include:

- An overarching regulation setting out common rules governing the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD)

[5] As above
[6] Ireland's Regional Assemblies Submission to the Consultation on the Conclusions of the Fifth Report on Economic, Social and Territorial Cohesion http://ec.europa.eu/regional_policy/archive/consultation/5cr/pdf/answers/local_authorities/regional_assembly_ireland_2011_01_20.pdf (accessed 12/10/11)
[7] EU Cohesion Policy 2014-2020: legislative proposals http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm (accessed 13/10/11)
[8] EU cohesion reform burdened by debt rules http://www.euractiv.com/regional-policy/eu-cohesion-reform-burdened-debt-rules-news-508193 (accessed 13/10/11)

and the European Maritime and Fisheries Fund (EMFF). This (one set of rules instead of 5) will allow for the better combination of funds for a stronger impact of EU action.

- Three specific regulations for the ERDF, the ESF and the Cohesion Fund.

- Two regulations dealing with the European territorial cooperation goal and the European grouping of territorial cooperation (EGTC).

- Two regulations on the European Globalisation Fund (EGF) and the Programme for Social Change and Innovation.

- A communication on the European Union Solidarity Fund (EUSF)[9]

Explaining why rural development and fisheries are included in the package of measures, when they are not part of cohesion policy, the Commission has explained that:

- The objective is to improve the coordination of different EU funds, make them reinforce each other around the same economic goals, cut the red tape and maximise their added value.

- At the EU level, a "Common Strategic Framework" will translate the Europe 2020 objectives and targets into concrete investment priorities for cohesion policy, rural development (European Agricultural Fund for Rural Development-EAFRD) and maritime and fisheries policy (European Maritime and Fisheries Fund-EMFF). The Commission is expected to adopt a Communication on the Common Strategic Framework by December 2011, which will be followed by a public consultation.

- At the national level, in their Partnership Contract, Member States will outline how they plan to coordinate the different EU funds.

- Harmonised eligibility and financial rules for all 5 Funds are also designed to streamline financial management and monitoring. This streamlining can lead to a significant reduction in the administrative burden and help beneficiaries access the Funds.[10]

In terms of which categories of regions would receive support after 2013 under the proposals, the Commission has stated that this would be based on the following categorisation:

- *less developed regions*, whose GDP is below 75% of the Union average, will continue to be the top priority for the policy.

- *transition regions*, whose GDP is between 75% and 90% of the EU 27 average.

[9] Commission lays foundations to boost impact of cohesion investments after 2013 http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1159&format=HTML&aged=0&language=EN&guiLanguage=en

[10] European Commission - Q&A on the legislative package of EU regional, employment and social policy for 2014-2020 http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/663 (accessed 11/10/11)

- *more developed regions,* whose GDP per capita is above 90% of the average.

The Commission has explained that the second category of region:

> …would cover 51 regions and more than 72 million people, including 20 regions that are forecasted, as of 2014, to move out of the current "convergence" objective (less developed regions), reflecting the success of the policy. The purpose of the new category is to ease the transition of these regions, which have become more competitive in recent years, but still need targeted support. It also ensures fairer treatment for regions with similar levels of economic development.[11]

Addressing the question of why there should be a specific support for transition regions, the Commission has stated that:

> The objective of the new transition system, covering regions with a GDP per head between 75% and 90%, is to treat regions at a similar stage of economic development uniformly…As an example, if the current system would be maintained, the Polish region of Mazovia (GDP per head of 86% of the EU average) and the region of Inner London (GDP per head of 338% of the EU average) would be subject to the same rules. The new transition system allows more flexibility and differentiates between these two regions, in terms of the level of funding available, priority areas for investment, applying different co-financing rates etc. [12]

The proposed three categories of regions determine the maximum co-financing rates in the following way:

> For the new category of transition regions the maximum co-financing rate will be 60% from EU side. The other ceilings for co-financing rates remain unchanged, i.e. maximum 50% for the most developed regions, maximum 85 % for the less developed regions and maximum 85 % for the Cohesion Fund.[13]

The categories of regions will also to some extent determine the sectors which will receive support, the Commission explaining that:

> To ensure that EU investments are concentrated on those priorities which maximise European added value and contribute to the economic growth, the draft regulations include minimum allocations for a number of areas where the EU has made concrete commitments. For example, in more developed and transition regions, at least 80% of ERDF resources at national level would be allocated to energy efficiency and renewables, innovation and support for small- and medium-sized enterprises (SMEs). This amount is foreseen at 50% in less developed regions, reflecting their broader development needs. In line with the EU's commitment to inclusive growth, at least 20% of the ESF should be allocated to promoting social inclusion and combating poverty.[14]

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[11] As above
[12] As above
[13] As above
[14] As above

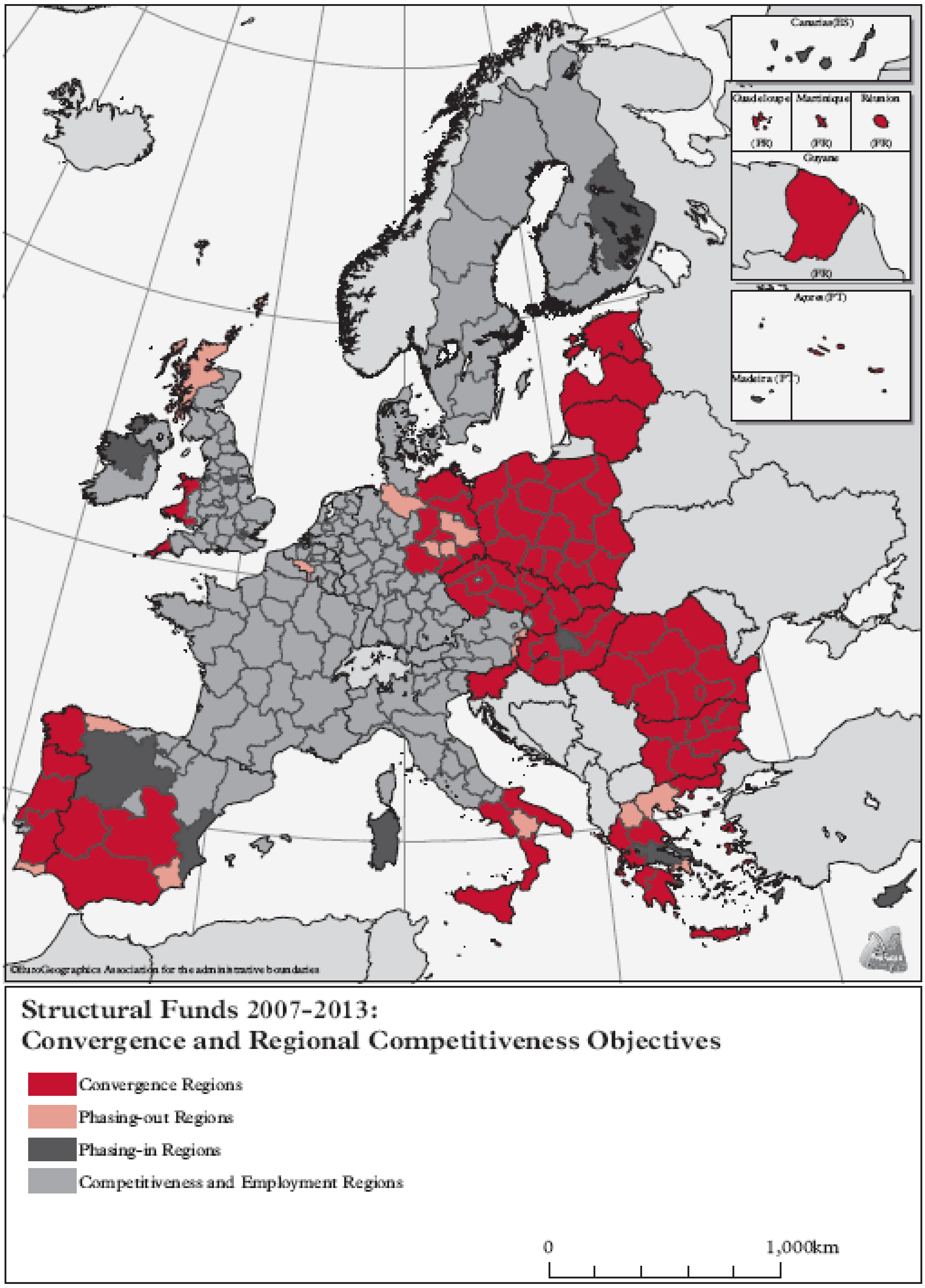
Whilst negotiations on the whole EU budget for 2014-2020 are ongoing, the Commission has proposed to allocate €376 billion to cohesion policy in the following way:[15]

Proposed budget 2014-2020	EUR billion
Less developed regions	162,6
Transition regions	38,9
More developed regions	53,1
Territorial cooperation	11,7
Cohesion fund	68,7
Extra allocation for outermost and sparsely populated regions	0,926
Connecting Europe Facility for transport, energy and Information and Communication Technologies	EUR 40 billion (with an additional EUR 10 billion ring fenced inside the Cohesion Fund)
European Social Fund	At least EUR 84 billion (within the above allocations for less developed, transition, and more developed regions)

The diagrams below map the differing regions in the 2007-2012 and the 2014-2020 funding periods on the basis of the relevant categorisation. It should be noted that for the 2014-2020 period the map is based on simulated data.

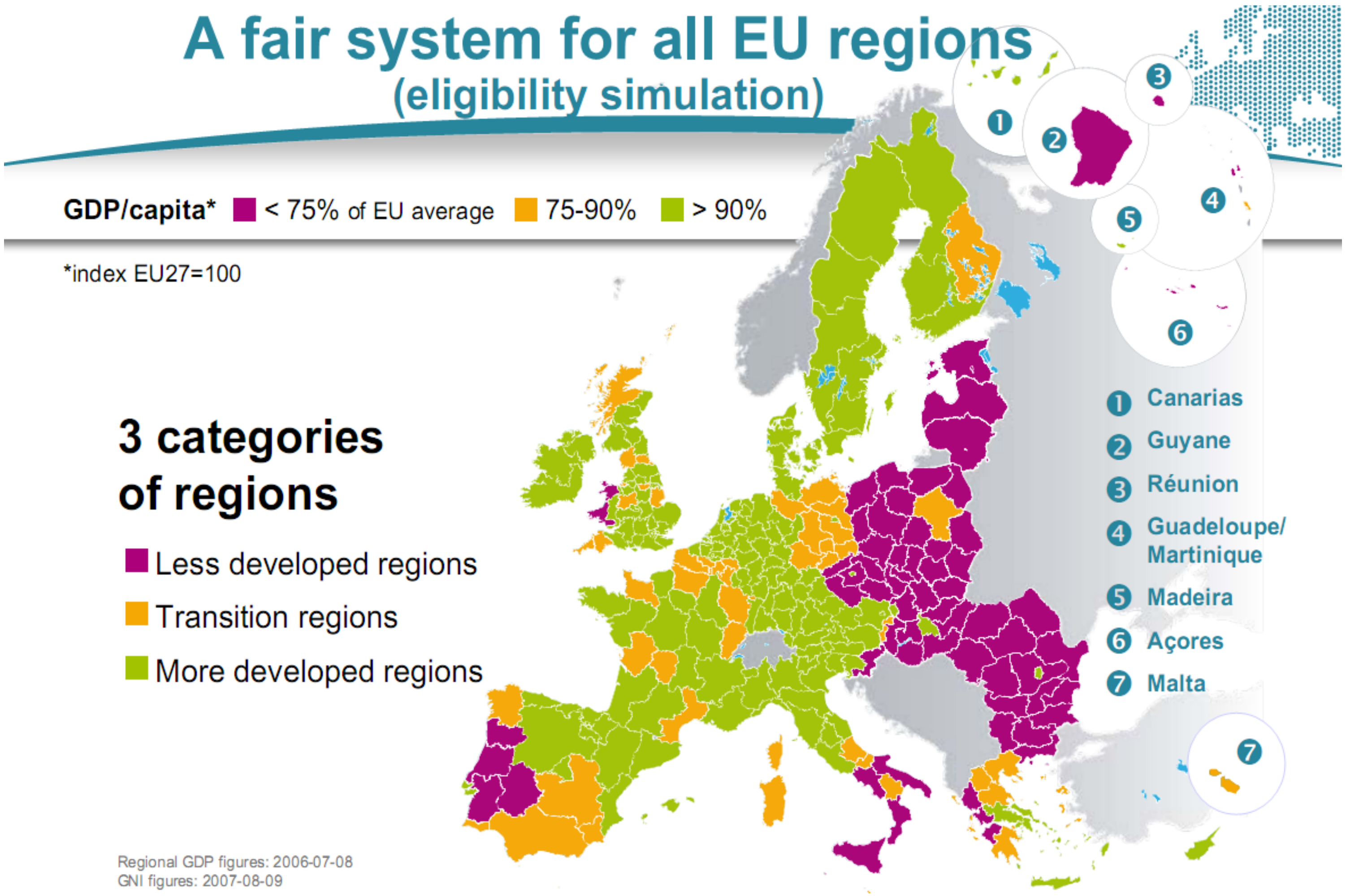
[15] European Commission - Q&A on the legislative package of EU regional, employment and social policy for 2014-2020 http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/663 (accessed 11/10/11)

Structural Funds 2007-13: Convergence and Regional Competitiveness Objectives



Source: House of Lords European Union Committee – Session 2007/08 Nineteenth Report http://www.publications.parliament.uk/pa/ld200708/ldselect/ldeucom/141/14105.htm (Accessed 13/10/11)

Simulated Regional Eligibility Structural Funds 2014-20



Source: EU Cohesion Policy 2014-20 European Commission Proposals
http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/presentation_en.pdf (Accessed 13/10/11)

Northern Ireland GDP data and comparison with other regions

As the figures in the table below show, whilst Northern Ireland's GDP has been falling relative to the EU average in recent years. The latest figures available from Eurostat (2008) put it at 91% of the EU average, just outside the 75-90% band for transition regions under the Commission's proposals. During consultation on the future of cohesion policy, the Northern Ireland Executive questioned the reliance on GDP per capita as the measure of economic development to identify regions in greatest need. In response to the question posed by the Commission, as to how a new intermediate category of regions could be designed to accompany regions which have not completed their process of catching up, the Executive suggested that this could be achieved through the use of indicators other than GDP and that a wealth of statistics could be analysed to show where resources still need to be targeted especially in so called richer societies.

Northern Ireland - Gross Domestic Product (PPS per inhabitant in % of the EU-27 average)

	2006	2007	2008
Northern Ireland	96	93	91

Source: Eurostat – Regions and cities
http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/introduction

During the consultation on the future of cohesion policy both the Irish Government and Ireland's Regional Assemblies supported proposals for a more clearly defined and expanded transition category but considered that a mechanism should be developed to capture those regions the GDP of which will fall in the period 2010-2013 to 75-90% of the EU27 average, due to the current economic crisis. The most recent data available would indicate that if the recent downward trends in relative GDP continue, Northern Ireland and the Border, Midland and Western region may be in this position.

Irish regions (NUTS2) Gross Domestic Product (PPS per inhabitant in % of the EU-27 average)

	2006	2007	2008
Border, Midland and Western	102	102	93
Southern and Eastern	161	164	148

Source: Eurostat – Regions and cities
http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/introduction

The tables below identify those Scottish, Welsh and English Regions below 90% GDP threshold and a number of regions outside of the UK and Ireland with relative GDP close to this threshold.

Scottish, Welsh and English Regions (NUTS2) below 90% Gross Domestic Product (PPS per inhabitant in % of the EU-27 average)

	2006	2007	2008
Cumbria	91	90	89
*East Yorkshire and Northern Lincolnshire	94	91	88
Shropshire and Staffordshire	92	88	87
Devon	94	88	87
Highlands and Islands	89	87	87
South Yorkshire	91	90	86
Lincolnshire	84	82	82
Tees Valley and Durham	84	82	81
Merseyside	85	83	81
Cornwall and Isles of Scilly	78	75	75
West Wales and The Valleys	77	73	71

Source: Eurostat – Regions and cities
http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/introduction
* Does to appear to be included on Simulated Regional Eligibility Structural Funds 2014-20 Map above

Selected regions NUTS 2 Gross Domestic Product (PPS per inhabitant in % of the EU-27 average) close to 90% threshold for transition regions

	2006	2007	2008
Denmark			
Sjælland	93	92	92
Spain			
Comunidad Valenciana	96	95	93
Ciudad Autónoma de Melilla (ES)	94	93	93
Canarias (ES)	93	92	90
France			
Centre (FR)	96	95	93
Bourgogne	94	95	93
Bretagne	96	94	93

Source: Eurostat – Regions and cities
http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/introduction

Next Steps

Current regional funding programmes will run until 2013. This means that a new regulatory framework must be in place for the next phase of cohesion programmes beginning in 2014. It is therefore up to both the European Parliament and the Council to examine the Commission's proposals and find agreement on the new texts by then. In the European Parliament, six different rapporteurs have been appointed to lead its work on different aspects of the legislation.

Appendix 1

Great Britain – Regions (NUTS 2) Gross Domestic Product (PPS per inhabitant in % of the EU-27 average) at or above 90% threshold for transition regions

	2006	2007	2008
Inner London	339	333	343
North Eastern Scotland	155	151	157
Berkshire, Buckinghamshire and Oxfordshire	164	155	154
Bedfordshire and Hertfordshire	130	126	126
Gloucestershire, Wiltshire and Bristol/Bath area	131	127	125
Cheshire	129	124	124
Surrey, East and West Sussex	126	121	117
Eastern Scotland	122	120	116
Hampshire and Isle of Wight	120	116	115
Leicestershire, Rutland and Northamptonshire	117	114	113
East Wales	113	110	108
East Anglia	114	109	106
South Western Scotland	107	103	104
North Yorkshire	104	104	103
Greater Manchester	109	105	102
West Yorkshire	109	103	102
Herefordshire, Worcestershire and Warwickshire	107	100	101
Outer London	109	105	101
West Midlands	107	104	100
Derbyshire and Nottinghamshire	105	99	96
Essex	102	98	96
Dorset and Somerset	103	97	96
Northumberland and Tyne and Wear	102	97	95
Kent	97	93	93
Lancashire	95	91	90

Source: Eurostat – Regions and cities
http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/introduction

Appendix 2

Poland – Regions (NUTS 2) Gross Domestic Product (PPS per inhabitant in % of the EU-27 average)

	2006	2007	2008
Lódzkie	48	50	52
Mazowieckie	83	87	89
Malopolskie	45	47	49
Slaskie	55	58	61
Lubelskie	35	37	39
Podkarpackie	35	37	39
Swietokrzyskie	39	42	45
Podlaskie	38	40	41
Wielkopolskie	55	57	59
Zachodniopomorskie	47	49	51
Lubuskie	46	48	48
Dolnoslaskie	55	59	60
Opolskie	42	45	48
Kujawsko-Pomorskie	45	47	49
Warminsko-Mazurskie	39	41	42
Pomorskie	51	54	53

Included to support engagement with representatives from Poland which currently holds the Presidency of the Council of the European Union (EU Presidency)