Cohesion Policy in Central and Eastern Europe

Is it fit for purpose?

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Aim: examine record of CP in CEE

• Chart EU funding through MFF periods
• Role & ‘added value’
• Lessons learned & looking forward
Evolution of EU funding
How much? CP allocations in CEE

- Estimated €550 billion 2000-2020
- Small pre-accession allocations
- Rising allocations, 2004-06
- Steep increase, 2007-13
- Rate of increase slowing (except for HR), 2014-20
Where was it spent?

EU funding paid out in CEE by NUTS 2 region, 2000-13

EU funding paid out per head in CEE by NUTS 2 region, 2000-13
What was it spent on?

- **Technical Assistance**
- **Environment**
- **Human capital (labour market, education, social inclusion)**
- **Infrastructure (transport, energy, telecoms, social)**
- **Business support (incl. RTDI)**
Role & added value
Growth - ex-ante, models, econometric research

- CP has impact on output and income of lagging regions and countries
- QUEST, HERMIN indicate positive effect of CP in raising CEE GDP
- Conclusions vary depending on time period or countries/regions analysed

Convergence - reducing disparities, ‘catching up’ between regions and MS

- Increased convergence at national level, but divergence within countries
- Economic integration favours dynamic, innovative territories
- No consensus on the causal impact of Cohesion policy on these trends – mitigating or exacerbating process?
<table>
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<tr>
<th>2007-13</th>
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<tbody>
<tr>
<td>3.5-4.0%</td>
<td>Hungary</td>
</tr>
<tr>
<td>3.0-3.5%</td>
<td>Estonia, Latvia, Lithuania</td>
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<tr>
<td>2.5-3.0%</td>
<td>Bulgaria, Poland</td>
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<tr>
<td>2.0-2.5%</td>
<td>Czech Republic, Romania, Slovakia</td>
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<tr>
<td>1.5-2.0%</td>
<td>Malta, Portugal, Slovenia</td>
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<tr>
<td>1.0-1.5%</td>
<td>Greece</td>
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<tr>
<td>0.5-1.0%</td>
<td>Cyprus</td>
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<tr>
<td>0.1-0.5%</td>
<td>Finland, France, Germany, Italy, Spain</td>
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<tr>
<td>&lt;0.1%</td>
<td>Austria, Belgium, Denmark, Ireland, Luxembourg, Netherlands, Sweden, United Kingdom</td>
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Part of CP in public investment, average 2010-2012
CP setting strategic objectives

Long-term strategic perspective
• 7-year periods provides stable policy environment

Shifting strategic focus
• Lisbon agenda, thematic concentration
• Broadening of regional policy agenda
• Prominence given to innovation, energy, climate change
### ‘Headline’ achievements (V4+4, 2007-2013)

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<tr>
<th>Policy field</th>
<th>‘Headline’ results</th>
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<tr>
<td>Competitiveness &amp; innovativeness support to 143,000 SMEs (3.2% of SMEs used CP)</td>
<td>Stimulated innovation, increased R&amp;D in enterprises, helped firms access funding.</td>
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<td>13.8% of CP for human capital, labour market, ca. €24.5 bn</td>
<td>1.5 mln participants found employment, 1 in 5 in human capital projects acquired or certified their qualifications</td>
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<td>€52 bn in transport. 64% of this for road transport</td>
<td>Marked improvement compared to 2007; but not to the EU-15 level</td>
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<td>€23.6 bn in environmental projects, €6 bn in energy</td>
<td>Major support to environmental investments, minor results in energy.</td>
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CP achievements under RTDI

- Improvement of business environment – industrial zones, technology parks
- Major business investment, especially SMEs: e.g. renewal of equipment
- Significant increase in RTDI investment

Examples highlighted in evaluations (2007-13)

- 87% of projects promoting innovative performance of firms would not have been implemented without grants.
- Macroeconomic study found more than half of growth in R&D expenditure as a share of GDP driven by the Structural Funds
CP Resource allocation under RTDI, 2007-2013

Difficulties in implementing RTDI, business support.

- Mainly supporting ‘hard’ capital investments (infrastructure, purchase of technology, new machines etc.)
- Performance on innovation ‘activities’ (e.g. business-science collaboration) low.
- Changes to the distribution of funding across programmes, often away from RTDI

Is growth being driven by CP support on ‘demand side’?
- Immediate boost from infrastructure investment, higher consumption, but transitory?

What about ‘supply side’ contribution to long-term dev’t?
- Stocks of human capital, innovation, R&D, embed long-term capacity?
Governance & admin. capacity

Strengthening admin. capacities (esp. sub-national)

- Rules, procedures (procurement, impact assessment etc.)
- Programme design (strategic analysis, consultation etc)
- ‘Partnership-working’ (usually not in funding decisions)
- Investment in strategic project generation
- Monitoring, evaluation for accountability, transparency
Governance & capacity: issues

- Capacity for compliance not strategic thinking
- Progress depends on wider institutional context
- Centralisation, staff turnover, institutional flux, political patronage
- Need for structural reforms, but contested role of EU economic governance
- Tensions between EU and some MS on ‘rule of law’
Looking forward
Proposed 10% cut to CP
Shift to centrally-managed headings
Berlin formula, ‘adjustments’
see decrease in most CEE MS
### 2021-27 Policy objectives

1. Smarter Europe
2. Greener Europe
3. A more connected Europe
4. A more social Europe
5. A Europe closer to citizens

- Concentration would see doubling of spending under POs 1-2 (BG, CZ, LT, RO, SK)

- Use of enabling conditions – institutional, regulatory, strategic, link to payments?

- N+3 to N+2 – efficiency, effectiveness?
Conclusions

- CP important part in CEE economic transformation
- Significant funding contributed to economic growth, convergence (although conclusions on scope of this mixed)
- Gradual broadening in investment focus:
  - From infrastructure to diverse priorities
  - But projects in RTDI, entrepreneurship often difficult.
- Reflects gaps in administrative capacity (despite progress), and broader institutional issues
CONCLUSIONS (cont’d)

• Challenges facing CEE countries
  o territorial disparities, the ‘left behind’
  o socio-economic tensions, populism, euroscepticism

• High point of CP has passed for most CEE MS
  o other spending priorities in EU budget.

• Emphasis on ‘own’ policy and ‘territorialised’ approach
  o National strategies reflecting specific needs, place-based

• Maximise strategic use of (declining) CP – do more with less.

• Focus on admin capacity (central coordination, sub-national mobilisation) & institutional setting