



Cohesion Policy in Central and Eastern Europe

Is it fit for purpose?

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Aim: examine record of CP in CEE

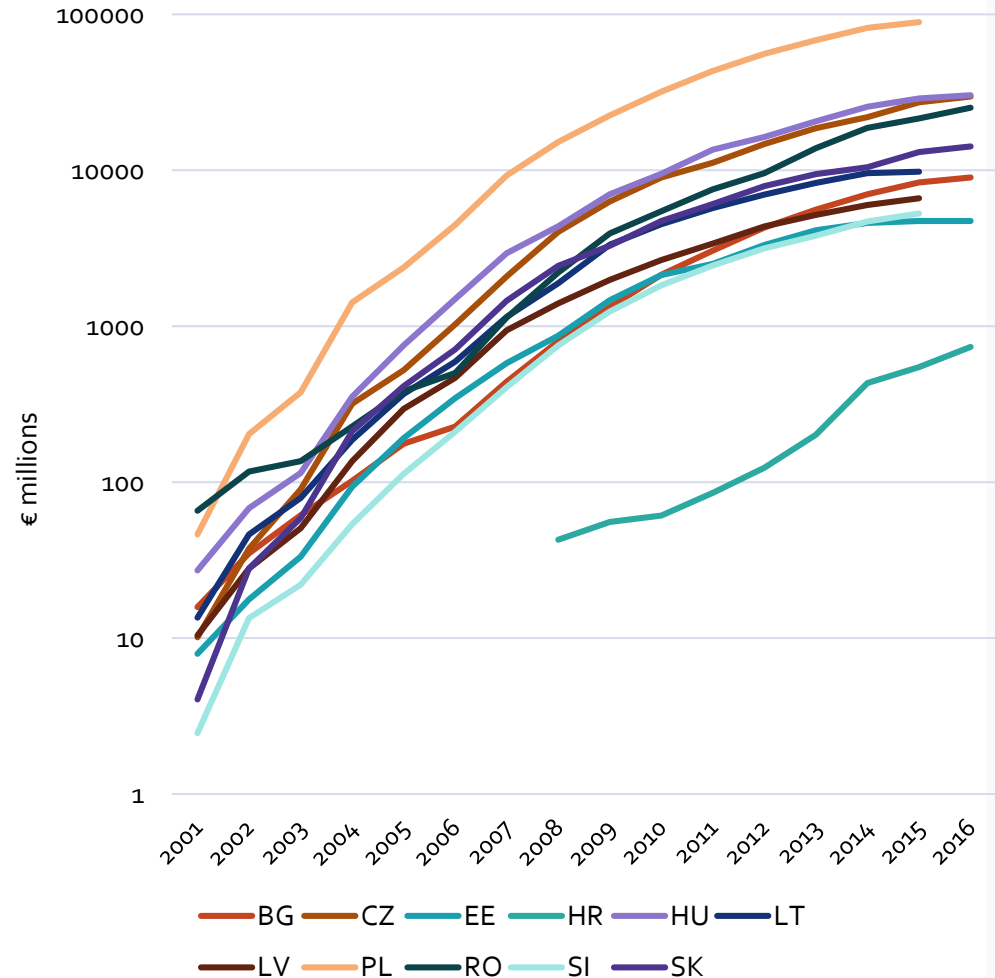
- Chart EU funding through MFF periods
- Role & ‘added value’
- Lessons learned & looking forward

Evolution of EU funding



How much? CP allocations in CEE

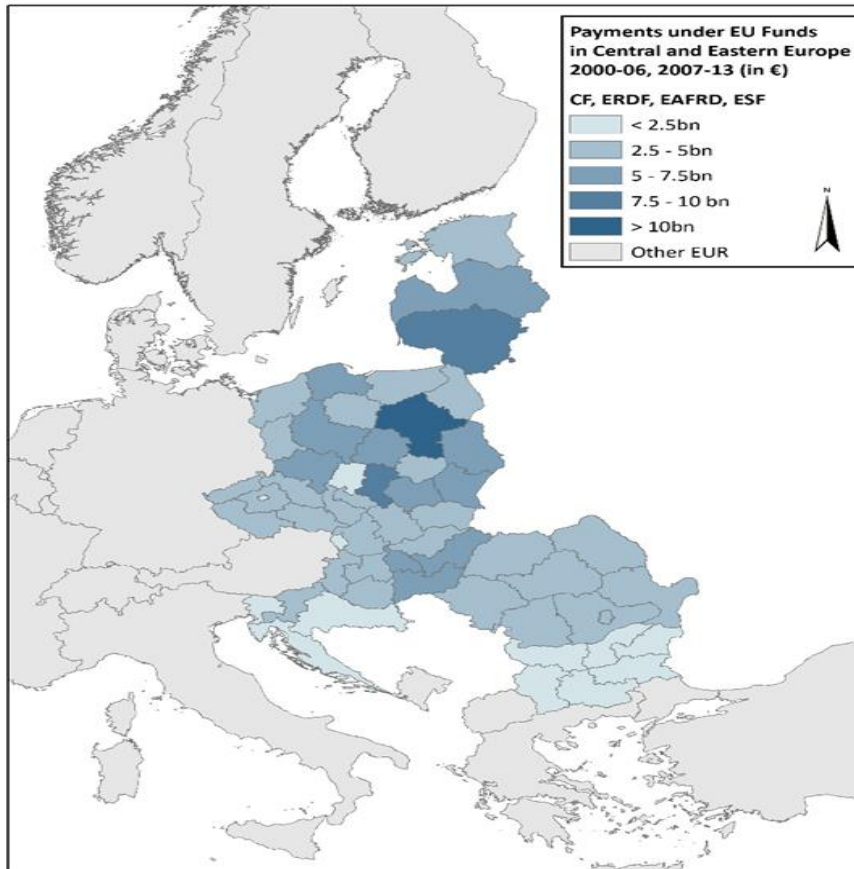
- Estimated €550 billion 2000-2020
- Small pre-accession allocations
- Rising allocations, 2004-06
- Steep increase, 2007-13
- Rate of increase slowing (except for HR), 2014-20



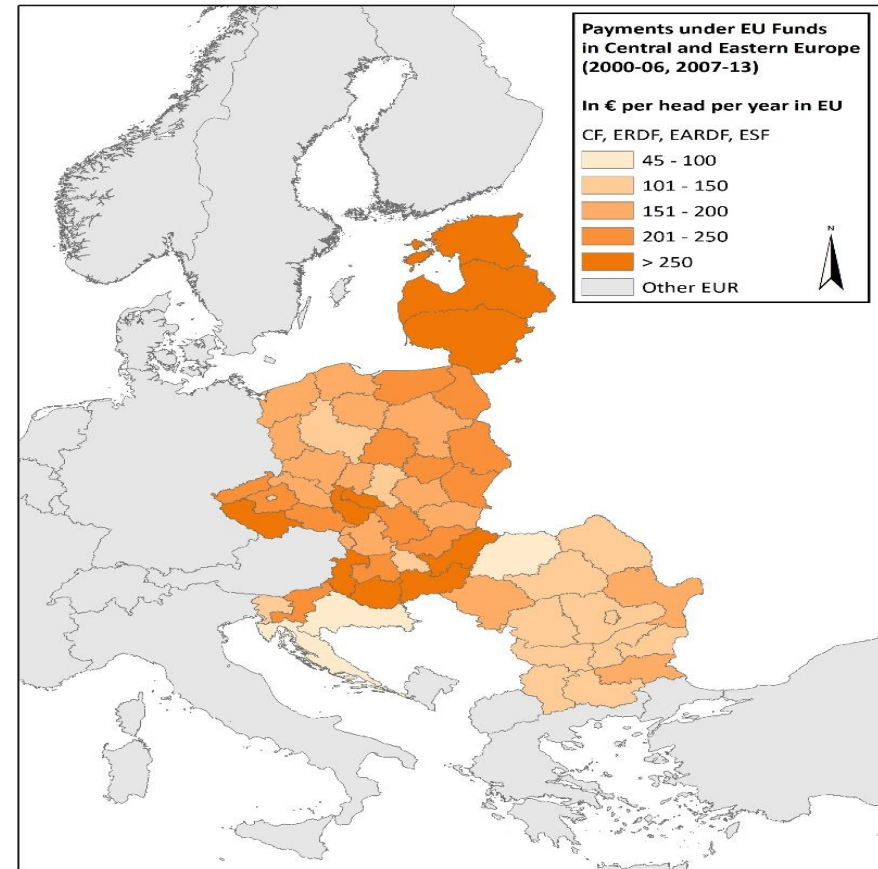


Where was it spent?

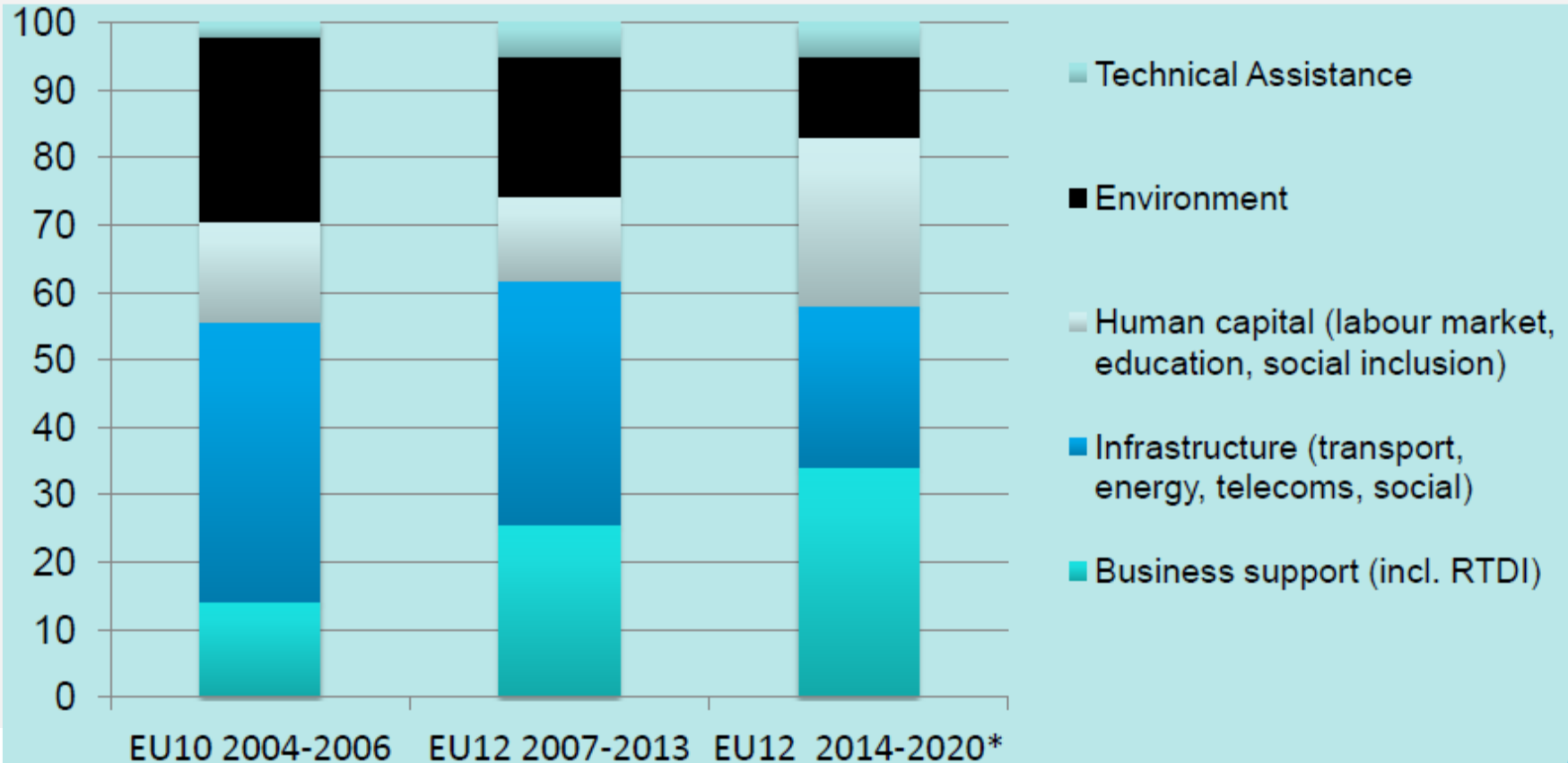
EU funding paid out in CEE by
NUTS 2 region, 2000-13



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



What was it spent on?



Role & added value



CP impact in CEE

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

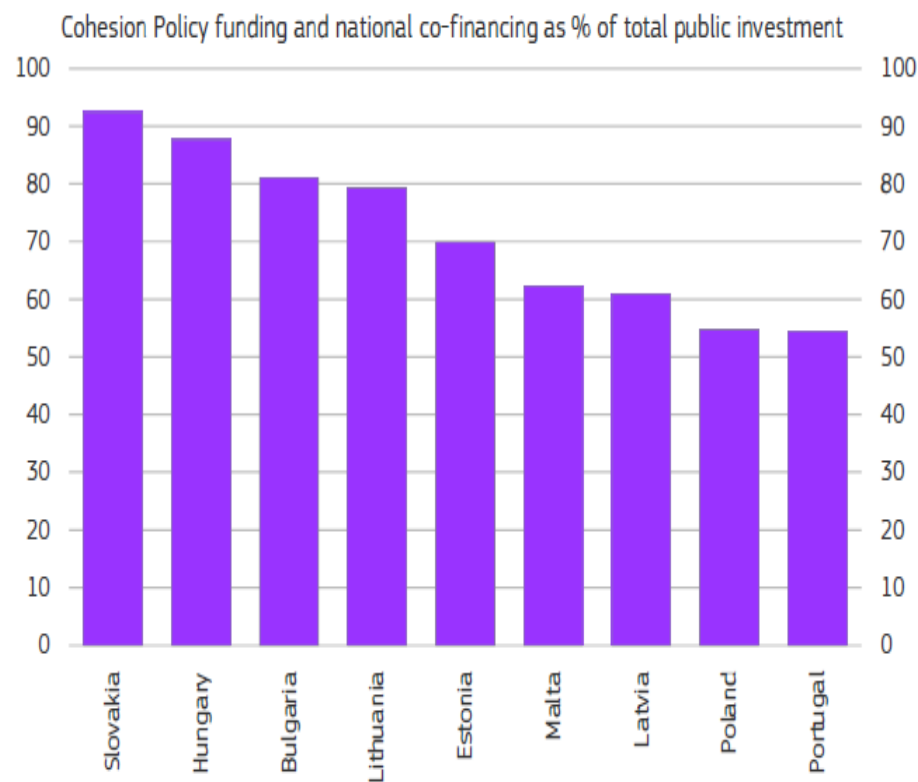
Convergence - reducing disparities, 'catching up' between regions and MS

- 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?

CP allocations 2007-13 (% of GDP)

	2007-13
3.5-4.0%	Hungary
3.0-3.5%	Estonia, Latvia, Lithuania
2.5-3.0%	Bulgaria, Poland
2.0-2.5%	Czech Republic, Romania, Slovakia
1.5-2.0%	Malta, Portugal, Slovenia
1.0-1.5%	Greece
0.5-1.0%	Cyprus
0.1-0.5%	Finland, France, Germany, Italy, Spain
<0.1%	Austria, Belgium, Denmark, Ireland, Luxembourg, Netherlands, Sweden, United Kingdom

Part of CP in public investment, average 2010-2012



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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)

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



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?

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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

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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'

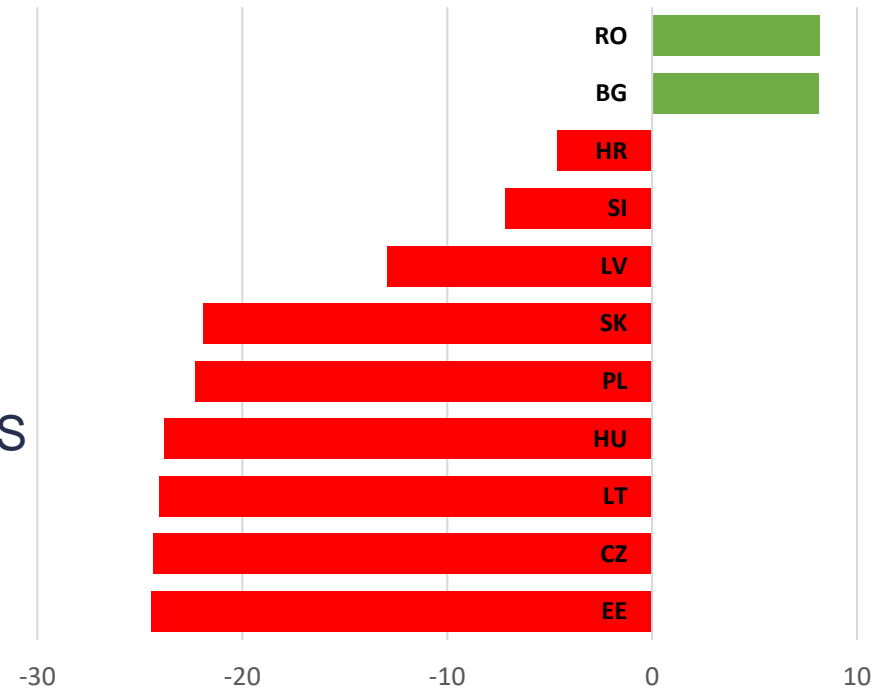
Looking forward



Budget negotiations 2021-2027

- Proposed 10% cut to CP
- Shift to centrally-managed headings
- Berlin formula, 'adjustments' see decrease in most CEE MS

Change in allocations as a percentage of initial allocations for 2014-20



Refocused objectives & thematic concentration

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?

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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
 - territorial disparities, the 'left behind'
 - socio-economic tensions, populism, euroscepticism
- High point of CP has passed for most CEE MS
 - other spending priorities in EU budget.
- Emphasis on 'own' policy and 'territorialised' approach
 - 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

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