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Regional Policy and Cohesion
Update to Chapter 10
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With a new financial perspective covering the years 2014 to 2020, it was only logical, that the member states and the Commission embarked on a reorganisation of the EU's regional policy. Ever since the big bang enlargement of 2004/2007, some new entrants, such as Poland, Slovenia or Slovakia made remarkable economic transitions, while others, most notably Bulgaria and Romania continued to struggle. As shown in Table 10.2 the overall budget increased from 865 billion€ (2007 – 2013) to the current 987 billion€ (or around 140 billion€ annually).

Table 10.2 The EU's Budget, (in billion€)

Budget Heading	Purpose	2014 - 2020
1A: Competitiveness for Growth and Jobs	Research, education, training, energy, telecommunications, Social policy, transport	125
1B: Economic, Social and Territorial Cohesion	Regional policy	325
2. Sustainable Growth	Natural resources including agriculture, fisheries, rural development, environment	373
3. Security and Citizenship	Justice and home affairs, border protection, immigration and asylum, public health, consumer protection, culture, youth, dialogue with citizens	16
4. Global Europe	All external action, humanitarian aid	59
5. Administration		62
6. Compensations	A concession to Croatia, so that this new member state does not contribute more to the EU budget than it benefits in the first post accession years	27
Total		987

Source:
European Commission, DG Financial Programming and Budget, December 2013

In addition to the largely unchanged budgets heading, the character of two of the three key funds also continues along established lines. As such, the Cohesion Fund's focus remains on trans-European transport links and environmental infrastructure. The European Social Fund (ESF) still contributes to projects that are designed to improve professional training, life-long learning or social inclusion. Only the European Regional Development Fund (ERDF) now has a slightly changed agenda, given that it prioritizes projects related to innovation and research, a digital agenda, support for small and medium-sized enterprises (SMEs), as well as a low-carbon economy.

Table 10.5. Total Allocation of Cohesion Policy 2014 – 2020 (million€, 2011 prices)

	Cohesion Fund	ERDF and ESF				Territorial cooperation	Total
		Less developed regions	Transition regions	Sparsely populated regions	More developed regions		
Austria			66		823	226	1114
Belgium			962		868	231	2061
Bulgaria	2384	4623				145	7153
Croatia	2676	5225				128	8029
Cyprus	286				388	29	703
Czech Republic	6562	13646			79	298	20585
Denmark			64		230	199	494
Estonia	1123	2198				49	3369
Finland				272	911	142	1325
France		3147	3927	395	5862	956	14288
Germany			8750		7609	847	17207
Greece	3407	6420	2105		2307	203	14443
Hungary	6313	13452			416	318	20498
Ireland					869	148	1017
Italy		20333	1004		7006	998	29341
Latvia	1412	2742				82	4236
Lithuania	2145	4189				100	6434
Luxembourg					39	18	57
Malta	228		441			15	684
Netherlands					908	342	1250
Poland	24274	45917			2017	615	72823
Romania	7251	13773			405	397	21826
Slovakia	4361	8489			40	196	13086
Slovenia	939	1134			763	55	2891
Spain		1858	12201	432	10084	542	25116
Sweden				184	1355	300	1840
UK		2126	2355		5144	760	10364
International cooperation						500	500
Total	66362	1645279	32085	1387	49271	8948	322332

Less developed regions: < 75 per cent of EU average GDP
Transition regions: 75 – 90 per cent of EU average GDP
More developed regions: > 90 per cent of EU average GDP
Source: DG Commission, Regional Policy, December 2013

Still, some working mechanisms of the EU's regional policy underwent significant changes:

- First, a new category for so-called 'transition regions' was introcued, where despite significant prosperity advances, pockets of deprivation can still be found.
- Second, the commission announced that funding will concentrate on a smaller number of priorities, which are linked to the five headlines of the Europe 2020 strategy. These five headings are employment rate, investment in research and development, climate change, the reduction in early school leavers, as well as an envisaged decrease in the number of people below the poverty line.
- Third, and most strikingly, upon the insistence of Germany, so called 'macro-conditionality' was introduced, which allows the commission to suspend payments should a particular member state fail to correct macro-economic imbalances. This policy innovation is a direct consequence of the sovereign debt crises and the message is obvious: If you do not manage to establish stable financial and economic conditions, do not expect the EU Regional Policy to bail you

Table 10.5 lists the individual cohesion allocations for each member state. Despite its economic advances, Poland – as the largest of the new member states – receives the biggest slize of the budge cake with around 23 per cent. On the other hand, established member states such as Italy ((per cent) and Spain (8 per cent) continue to receive substantial contributions. One can also see that the biggest budget allocation is for less developed regions (164 billion€ or 51 per cent overall), followed by the Cohesion Fund (21 per cent), the more developed regions (15 per cent), and the transition regions (10 per cent). Funding for sparsely populated regions (0.4 per cent) and territorial cooperation (2.8 per cent) remains statistically almost insignificant.

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