'Cohesion policy and the Economic Crisis'

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Structure of the presentation

• Financial and economic crisis – Facts and figures
• Impact of the crisis on EU regions
• The EU policy response – European Economic Recovery Plan
• Cohesion Policy - a key element of the European Recovery Plan
• Conclusions
EU27 - GDP in billions of euro, (at 2000 exchange rates) - seasonally adjusted

Quarter: I, II, III, IV

GDP levels (at 2000 exchange rates): 2.450, 2.500, 2.550, 2.600, 2.650, 2.700, 2.750
Growth rate of GDP in volume - Percentage change on previous period
- seasonally adjusted data

-3.0
-2.5
-2.0
-1.5
-1.0
-0.5
0.0
0.5
1.0
1.5

I II III IV
2007 2008 2009 2010

forecast
EU27 - Unemployment rate, quarterly average, (%)
Unemployment rate in February 2010 and increase in the rate since the start of the crisis in the EU27 by Member State, seasonally adjusted

<table>
<thead>
<tr>
<th>Unemployment rate</th>
<th>Change in unemployment rate</th>
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</thead>
<tbody>
<tr>
<td>&lt;= 6 %</td>
<td>1 pp</td>
</tr>
<tr>
<td>&gt; 6 - &lt;= 8 %</td>
<td>5 pp</td>
</tr>
<tr>
<td>&gt; 8 - &lt;= 10 %</td>
<td>10 pp</td>
</tr>
<tr>
<td>&gt; 10 - &lt;= 12 %</td>
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<tr>
<td>&gt; 12 %</td>
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General government deficit in percentage of GDP - 2009
Projected regional GDP growth, 2007-2011
Annual average % change

Source: Oxford econometrics
The European Economic Recovery Plan

<table>
<thead>
<tr>
<th>EER = €200 bn</th>
<th>EU = €30 bn</th>
<th>EC = €15 bn</th>
<th>CP = €6.3 bn</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>MS = €170 bn</td>
<td>EIB = €15 bn</td>
<td>EIB = €15 bn</td>
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Cohesion Policy: response to the economic crisis

Main objectives:

1. Greater flexibility

- Possibility to modify Cohesion Policy programmes towards greater focus on jobs, business, infrastructure, and research and innovation.
- Frontloading the proportion of EU contribution for individual projects.
- Extension of the final date of eligibility for the 2000-2006 operational programmes.
- Simplification of the financial management of Cohesion Policy programmes.

- Many OPs already flexible enough to accommodate specific new measures to combat the crisis.
- Seventeen Member States have amended their operational programmes in response to the economic crisis.
- Frontloading of Community expenditure has been adopted in several countries.
Cohesion Policy: response to the economic crisis

Main objectives:

2. Head start

- Increasing the advance payments to provide an additional cash injection of €6.3 billion in 2009 within the financial envelope for the 2007-2013 period.

- Measures to help Member States accelerate the development of major projects:
  - resources available to JASPERS to help Member States fasten the preparation and implementation of major projects;
  - acceleration of intermediate payments for major projects.

- Easing conditions allowing for additional aid, notably in the areas of State aid, State guarantees for loans and risk capital aid.

- These measures had a clear impact on the structure and pace of cohesion policy spending. Interim payments per month since 1 January 2009 show a marked increase in the 2007-13 period from September 2009.
Absorption of cohesion funding 2007-2013

Initial slow take-up of funds BUT spending is accelerating
Cohesion Policy: response to the economic crisis

Main objectives:

3. Target Cohesion Policy programmes on smart investment
   • Modify programmes to put greater emphasis on smart investment.
   • Investment in areas such as energy efficiency, clean technologies, renewable energy, broadband networks, matching skills with future labour market needs or opening up new finance for research-intensive and innovative SMEs.
   • Encourages Member States and regions get the most out of the JEREMIE and JASMINE initiatives.

   • Fourteen Member States reported having action in smart investment, with or without modification of the Operational Programmes.
   • Twelve Member States have accelerated or expanded their use of JEREMIE, in order to support SMEs
   • Fourteen JESSICA funds have been established in nine Member States.
Conclusions

- Cohesion policy provides powerful support for budgetary stability and public investment in the EU.

- Cohesion policy has a key role to play in the European Economic Recovery Plan to help the Member States counter the effects of the crisis.

- With its strong emphasis on innovation, knowledge, human capital and green economies, Cohesion Policy will contribute to enhance sustainable growth in the future.

- This will even be reinforced with the alignment of the future policy to the Europe 2020 strategy.
A look into the future...

- Align more firmly Cohesion Policy and its delivery mechanisms with the priorities of Europe 2020
- Concentrate financial resources on a limited number of priorities
- Introduce stronger incentives and conditionality
- Strengthen accountability and transparency