EU-China Information and Training Sessions on Regional Policy

Twinning Nº1:
Regional development and innovation

Opening Session:
Introduction to EU Regional and Innovation Policy

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Source: European Commission
Contents

1. Basics about the EU
2. Basics about EU Regional Policy
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4. The CETREGIO Programme
A Union of 28 countries
508 million people
A Union of Countries: Eight enlargements

1952

1973

1981

1986

1990

1995

2004

2007-13

Source: European Commission
EU population in the world

Population in millions, 2012

- EU: 508
- China: 1343
- Japan: 127
- Russia: 143
- United States: 314

Source: European Commission
The area of the EU compared to the rest of the world

<table>
<thead>
<tr>
<th>Country</th>
<th>Surface area, 1,000 km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>4234</td>
</tr>
<tr>
<td>China</td>
<td>9327</td>
</tr>
<tr>
<td>Japan</td>
<td>365</td>
</tr>
<tr>
<td>Russia</td>
<td>16,889</td>
</tr>
<tr>
<td>United States</td>
<td>9,159</td>
</tr>
</tbody>
</table>

Source: European Commission
Major territorial imbalances…

7% lives in agglomerations over 5 million

Source: European Commission
In China, 14.4% live in agglomerations over 5 million
How many people live in the EU countries?

Population in millions, 2012
508 million total

Source: European Commission
How does the EU spend its money?

2014 EU budget: €142.6 billion
= 1.06% of gross national income

- Natural resources: agriculture, environment 42%
- The EU as a global player: including development aid 6%
- Other, administration 6%
- Citizens, freedom, security and justice 2%
- Sustainable growth: jobs, competitiveness, regional development 45%

Source: European Commission
Financing the EU Policy

To fund its policies, the European Union has an annual budget of more than €130 billion.

This budget is financed by the EU’s ‘own resources’, which cannot exceed an amount equivalent to 1.24% of the total gross national income of all the member states.

These resources are mainly drawn from:
1. Customs duties on products imported from outside the EU, including farm levies;
2. A percentage of the value-added tax applied to goods and services throughout the EU;
3. Contributions from the member states in line with their respective wealth (all countries contribute – some are however net contributors or net recipients).

Each annual budget is part of a seven-year budget cycle known as the ‘financial perspective’. The financial perspectives are drawn up by the European Commission and require unanimous approval from the member states and negotiation and agreement with the European Parliament. Under the 2014–20 financial perspective, the total budget for this period is €959.9 billion.

Source: European Commission
What does the EU do?

PRINCIPLES OF SUBSIDIARITY AND PROPORTIONALITY

EU’S EXCLUSIVE COMPETENCES

THE EU ALONE MAY LEGISLATE

Legally binding acts

THE EU MAY NOT HARMONISE NATIONAL LEGISLATION

Shared competences

THE EU OR THE MS LEGISLATE

Legally binding acts

Coordinating actions

Supporting actions

Source: European Commission
The euro – a single currency for Europeans

- Can be used everywhere in the euro area
  - **Coins**: one side with national symbols, one side common
  - **Notes**: no national side

EU countries using the euro
EU countries not using the euro

Source: European Commission
The EU institutions
Three key players

The European Parliament
- voice of the people
  Martin Schulz, President of the European Parliament

The council of Ministers
- voice of the Member States
  Herman Van Rompuy, President of the European Council

The European Commission
- promoting the common interest
  José Manuel Barroso, President of the European Commission

Source: European Commission
The European Parliament – voice of the people

- Decides EU laws and budget together with Council of Ministers
- Democratic supervision of all the EU’s work
- Election of the President of the European Commission
- Motion of censure against the Commission
- Currently 754 Members (elections starting this Thursday!!)

Number of members elected in each country

<table>
<thead>
<tr>
<th>Country</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>18</td>
</tr>
<tr>
<td>Belgium</td>
<td>24</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>18</td>
</tr>
<tr>
<td>Cyprus</td>
<td>6</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>24</td>
</tr>
<tr>
<td>Denmark</td>
<td>14</td>
</tr>
<tr>
<td>Estonia</td>
<td>6</td>
</tr>
<tr>
<td>Finland</td>
<td>14</td>
</tr>
<tr>
<td>France</td>
<td>78</td>
</tr>
<tr>
<td>Germany</td>
<td>99</td>
</tr>
<tr>
<td>Greece</td>
<td>24</td>
</tr>
<tr>
<td>Hungary</td>
<td>24</td>
</tr>
<tr>
<td>Ireland</td>
<td>13</td>
</tr>
<tr>
<td>Italy</td>
<td>78</td>
</tr>
<tr>
<td>Latvia</td>
<td>9</td>
</tr>
<tr>
<td>Lithuania</td>
<td>13</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>6</td>
</tr>
<tr>
<td>Malta</td>
<td>5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>27</td>
</tr>
<tr>
<td>Poland</td>
<td>54</td>
</tr>
<tr>
<td>Portugal</td>
<td>24</td>
</tr>
<tr>
<td>Romania</td>
<td>35</td>
</tr>
<tr>
<td>Slovakia</td>
<td>14</td>
</tr>
<tr>
<td>Slovenia</td>
<td>7</td>
</tr>
<tr>
<td>Spain</td>
<td>54</td>
</tr>
<tr>
<td>Sweden</td>
<td>19</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>78</td>
</tr>
<tr>
<td>Total</td>
<td>785</td>
</tr>
</tbody>
</table>

Source: European Commission
The European political parties

Number of seats in the European Parliament per political group (January 2012)

- Greens/European Free Alliance: 58
- Alliance of Liberals and Democrats for Europe: 84
- Progressive Alliance of Socialists and Democrats: 190
- European People’s Party (Christian Democrats): 271
- European Conservatives and Reformists: 53
- Europe of Freedom and Democracy: 33
- European United Left - Nordic Green Left: 34
- Non-attached members: 30

Total: 753

Source: European Commission
The European Commission – promoting the common interest

27 independent members, one from each EU country

- Proposes new legislation
- Executive organ
- Guardian of the treaties
- Represents the EU on the international stage
Composition

27 Commissioners
+- 25 000 officials

Powers

Right of initiative
Power of execution
Monitoring of compliance with Community legislation
International negotiations

Organisation

40 Directorates-General:
Horizontal Directorates
(Legal service, Statistical Office ...)
Sectoral Directorates
(ECFIN, REGIO etc...)

Source: European Commission
Summit at the European Council

Summit of heads of state and government of all EU countries

- Held at least 3 times a year
- Sets the overall guidelines for EU policies

Source: European Commission
Council of Ministers – voice of the member states

- One minister from each EU country
- Presidency: rotates every six months
- Decides EU laws and budget together with Parliament
- Manages the Common Foreign and Security Policy
Council of Ministers – number of votes per country

<table>
<thead>
<tr>
<th>Group</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany, France, Italy and the United Kingdom</td>
<td>29</td>
</tr>
<tr>
<td>Spain and Poland</td>
<td>27</td>
</tr>
<tr>
<td>Romania</td>
<td>14</td>
</tr>
<tr>
<td>Netherlands</td>
<td>13</td>
</tr>
<tr>
<td>Belgium, Czech Republic, Greece, Hungary and Portugal</td>
<td>12</td>
</tr>
<tr>
<td>Austria, Bulgaria and Sweden</td>
<td>10</td>
</tr>
<tr>
<td>Denmark, Ireland, Lithuania, Slovakia and Finland</td>
<td>7</td>
</tr>
<tr>
<td>Estonia, Cyprus, Latvia, Luxembourg and Slovenia</td>
<td>4</td>
</tr>
<tr>
<td>Malta</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>345</strong></td>
</tr>
</tbody>
</table>

“Qualified (double) majority” needed for many decisions: 255 votes and a majority of member states

Source: European Commission
Part 2: EU Regional Policy
Deep Regional Disparities

2012 GDP per inhabitant
Index where the average of the 27 EU-countries is 100

Source: European Commission
The context of regional disparities in Europe

- 10% of EU27 population living in the most prosperous regions (19% of total EU-27 GDP)

- 1.5% of GDP for the 10% of population living in the least wealthy regions

- Convergence regions: 12.5% total share in EU27 GDP with 35% population share

- several regions in Romania and Bulgaria with GDP per head below 25% of the EU average GDP

Source: European Commission
Large economic disparities remain...

- Regional disparities are smaller in the US, but bigger in NAFTA
- Brazil, Russia, India and China have bigger disparities
- Reducing disparities requires investing in
  - infrastructure
  - innovation
  - institutions

Source: European Commission
...but convergence is taking place

Less developed countries are growing faster and are likely to recover faster from the crisis

Less developed regions in the EU are growing faster, reducing regional economic disparities

Source: European Commission
Solidarity in practice: the EU cohesion policy

2007-2013: €347bn invested for infrastructure, business, environment and training. This will unlock up to €700bn.

> Regional fund

> Social fund

> Cohesion fund

Convergence objective: regions with GDP per capita under 75% of the EU average. 81.5% of the funds are spent on this objective.

Regional competitiveness and employment objective. (16.5%)

Source: European Commission
2014 + 2020: New Categories

A fair system for all EU regions (eligibility simulation)

GDP/capita*  < 75 % of EU average  75-90 %  > 90 %

*index EU27=100

3 categories of regions

- Less developed regions
- Transition regions
- More developed regions

Source: European Commission
How will funding be allocated?

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget allocation (in %)</th>
<th>Population covered (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less developed regions/MS</td>
<td>68.7</td>
<td>307.1</td>
</tr>
<tr>
<td>Transition regions</td>
<td>15.8</td>
<td>72.4</td>
</tr>
<tr>
<td>More developed regions</td>
<td>11.6</td>
<td>119.2</td>
</tr>
<tr>
<td>Cohesion Fund*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less developed regions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transition regions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More developed regions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Territorial Cooperation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outermost regions and sparsely populated areas</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>336.0</td>
<td><strong>1922.7</strong></td>
</tr>
</tbody>
</table>

* €10 billion from the Cohesion Fund will be allocated to the Connecting Europe Facility

Source: European Commission
Concentration on Europe 2020 (2014-2020)

- **Employment** - 75% of the population aged 20-64 should be employed
- **Innovation** - 3% of the EU's GDP should be invested in Research & Development
- **Climate change** - The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right)
- **Education** - The share of early school leavers should be under 10% and at least 40% of 30-34 years old should have completed a tertiary or equivalent education
- **Poverty - Reduction** of poverty by aiming to lift at least 20 million people out of the risk of poverty or exclusion

Source: European Commission
What are the objectives of Cohesion policy?

1) **“Convergence”**: to stimulate the growth potential & employment of the least-developed Member States & regions

2) **“Regional competitiveness & employment”**, outside the least developed regions: to strengthen regions' competitiveness, attractiveness & employment by anticipating economic & social changes

3) **“European territorial cooperation”**: to strengthen cross-border (and transnational) cooperation through joint local initiatives

Source: European Commission
What are the main financial instruments?

- **EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF € 196 billion):**
  - Direct aid for investments in companies, infrastructure & financial instruments
  - Eligibility at regional level ("NUTS II")
  - Supports physical investment *programmes*

- **EUROPEAN SOCIAL FUND (ESF € 76 billion):**
  - Supports national programmes to improve skills and access to employment
  - Supports human capital investment *programmes*

- **COHESION FUND (€ 70 billion):**
  - Eligibility at national level (MS with GNI/head < 90% of the EU average)
  - Transport/Energy TENs & environmental *projects*

455 programmes national and regional level for 2007-13

*Source: European Commission*
### Population thresholds for allocating EU funds

<table>
<thead>
<tr>
<th>Level</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUTS 1</td>
<td>3 million</td>
<td>7 million</td>
</tr>
<tr>
<td>NUTS 2</td>
<td>800 000</td>
<td>3 million</td>
</tr>
<tr>
<td>NUTS 3</td>
<td>150 000</td>
<td>800 000</td>
</tr>
</tbody>
</table>

Source: European Commission
NUTS levels
Objectives, Structural Funds and Instruments

2007-2013

Convergence
Regional Competitiveness and Employment
European territorial Cooperation

Structural Funds and instruments

- Cohesion Fund
  - ERDF
  - ESF

- Environmental and transport infrastructure, renewable energy
- Member States with a GNI/head below 90%

- Infrastructure, innovation, investments etc.
- Vocational training, employment aids etc.

all Member States and regions

Source: European Commission
What is uniquely European?
The Principles

- 7 year financial perspective (2014-2020)
- Multi level governance
- Decentralised approach, maximising local responsibility (design and implementation of programmes, financial control etc.)
- Commission determines the priorities, negotiates and approves the strategies and operational programmes proposed by the Member States, and allocates resources
  - Co-Financing:
    - Member states have to co-finance programs with their own funds
    - Own funds lie between 15 and 50 %, positive incentive effects

Source: European Commission
An investment-oriented policy

Promoting the use of innovative financing instruments
• Extending scope to all areas of investment
• Clearer regulatory framework
• 10 % bonus for innovative financing instruments & community-led development
• A range of options offering flexibility to programme managers

Maximum co-financing rates
• 75-85 % in less developed and outermost regions
• 60 % in transition regions
• 50 % in more developed regions

Source: European Commission
Who can apply for funds?

Huge range of potential recipients:
- Businesses including SMEs
- Public bodies
- Associations
- Voluntary groups

All projects considered if meet selection criteria of managing authority of relevant programme

Compulsory publication of beneficiary lists

Source: European Commission
The method

The main tools and principles

Programme cycle

1. National / Regional Plan
2. Specific EU Programme
3. Day-to-day management
4. Project execution
5. Monitoring/Reporting
[6. Evaluation]

Source: European Commission
How does it work? How does the Commission choose projects?

(It doesn’t…) “Shared” responsibility between the European Commission and Member State authorities

- Commission determines the priorities, negotiates and approves the strategies and operational programmes proposed by the Member States, and allocates resources

- Member States are responsible for designing operational programmes, implementing them (decentralising where possible) and monitoring

- Economic and social partners as well as civil society bodies (environment, equal opportunities, sport etc.) participate in design programming and management.

- Commission is involved in programme monitoring, commits and pays out approved expenditure and verifies the control systems

Source: European Commission
Allocation of structural funds
(Source: ZEW)

Source: European Commission
What do we spend the money on? (2012)

European Regional Development Fund (ERDF) and Cohesion Fund (€271 billion)

- Transport
- Environment
- Research/Innovation
- Information society
- Tourism
- Social infrastructure
- Energy
- Institutional capacity
- Culture

European Social Fund (€76 billion)

- Employment
- Human capital
- Adaptability of workers and firms
- Social inclusion
- Capacity building
- Technical assistance

Source: European Commission
Results of EU Cohesion Policy (figures from 2000-2006 period)

- 8400 km of rail built or improved
- 5100 km of road built or improved
- Access to clean drinking water for 20 million more people
- Training for 10 million people each year
- Over 1 million jobs created
- GDP/capita up 5 % in newer Member States

Source: European Commission
A success story? Tram system in Athens
The Guggenheim effect in Bilbao
Innovation centre in Czech Republic

Source: European Commission
Motorway near San Sebastian

Source: European Commission
Centre for renewable energies in Burgenland
Part 3: Regional Innovation

- **Employment** - 75% of the population aged 20-64 should be employed
- **Innovation** - 3% of the EU's GDP should be invested in Research & Development – Innovation Union
- **Climate change** - The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right)
- **Education** - The share of early school leavers should be under 10% and at least 40% of 30-34 years old should have completed a tertiary or equivalent education
- **Poverty** - Reduction of poverty by aiming to lift at least 20 million people out of the risk of poverty or exclusion

Source: European Commission
The focus should be

- **In less developed regions:**
  - Institutions
  - Quality of basic education
  - Basic infrastructure and
  - Health

- **In highly developed regions:**
  - Business sophistication
  - Technology and innovation

- **In all regions**
  - Higher education & training
  - Labour market efficiency
  - Equal opportunities
  - Access to markets

Source: European Commission
EU Cohesion Policy: Innovation and Entrepreneurship

- Results of 5th Cohesion Report (2011) – EU Regional Policy:
  - Targets mostly small and medium sized enterprises and start-ups
  - At least 1 million gross jobs were created in supported companies
  - Increased private investments and R&D activity in firms
  - But support for large firms may not be necessary
  - Bigger role of loans?
Innovation Scoreboard 2013, the EU27 is performing better than China in most indicators, but Catching-Up:

1. China’s lead in R&D expenditure in the business sector has increased.

2. China has decreased its gap most strongly for international co-publications, public-private co-publications, PCT patents and PCT patents in societal challenges.
1. Fragmentation and a technological and organisational mismatch between its main domestic players

2. Partly different than in Europe, innovation is highly concentrated in certain provinces like Beijing, Tianjin, Jiansu and Shanghai.
Innovation Union – what does it mean?

• For entrepreneurs:
  – Improved access to finance
  – Innovation-friendly rules and regulations
  – Accelerated interoperable standard-setting
  – Cheaper patenting
  – Innovation supported by the public sector
  – Innovation Partnerships to give EU businesses a competitive edge
  – Easier participation in EU research and innovation programmes

• And for researchers:
  – Attractive careers for researchers
  – High-standard training
  – Improved cross-border mobility
  – A more open access to research results
  – Enhanced public-private collaboration
  – Easier participation in EU research and innovation programmes

Source: European Commission
Generators should promote global cutting edge research

Weak diffusers should invest in access to knowledge and technology

Weak absorbers need to improve secondary and tertiary educations (both quality and quantity)
Smart Specialisation – A Prerequisite to Receiving EU-Funding 2014-2020

- policy should **focus** on fields that will complement the [region’s] productive assets, to increase existing comparative advantage,

- identify **complementary** investments to create comprehensive areas of strength,

- not focus on industry or public research alone but on both, and on framework conditions

- **policy makers** should not play the only or even dominant role in the process of ‘selecting the right areas for specialisation’

- finding the right areas of specialisation should be a **learning process** involving stakeholders from regional industry & public research

Source: European Commission
"Europe does not lack clusters, but it lacks world-class clusters"

European Commission
Part 4: China - EU Regional Policy Cooperation
The international dimension of EU regional policy: EU-China regional policy cooperation

- First dialogue with a non-EU country on regional policy
- MoU with NDRC (Beijing, May 2006), addendum to MoU in 2009 on regional innovation; annual high-level meetings and seminars
- Joint study on regional policies (practical aspects of policy-making)
- Study visits (innovation, clusters)
- Chinese European Training on Regional Policy (CETREGIO): training and information sessions, field visits providing highly practical exposure to regional development challenges and solutions for Chinese participants

Source: European Commission
EU-China regional policy dialogue: the joint study (2008-2010), topics

- definition and economic classification of regions in the EU and China,
- the role of governance,
- the role of financial transfers,
- innovation,
- rural development and urban-rural integration,
- urban development and urbanisation, migration,
- sustainable development and climate change.

Source: European Commission
EU-China regional policy dialogue: the joint study (2008-2010), some results

• The importance of a clear objective, in China reduction of poverty; similarities bloc ares – convergence regions

• **Target regions**: Chinese system (using a range of economic, resource-endowment and environmental factors) versus EU binary system

• **Decentralisation** and visibility, delivery mechanisms

• **Cooperation schemes** between regions

Source: European Commission
Vice Premier LI Keqiang and President Barroso
Signature of the Joint Declaration on Urbanisation,
3 May 2012, Brussels
The countries involved since 2011 are marked in red. The countries marked in grey are not members of the European Union.

Source: European Commission
Rural-Urban Linkages - Visit of Zuidas in Amsterdam, March 2011

Source: European Commission
Follow-Up in Tianjin, April 2012
Wroclaw, July 2012

Meeting with Representatives of the Lower Silesia Regional Government

Field visit of the Centennial Hall

Source: European Commission
Press Coverage: Vitoria-Gasteiz, November 2012

Title page of newspaper El Correo, explaining Vitoria-Gasteiz’s green development model, 20.11.12. © El Correo.


Story of newspaper Diario de Noticias de Álava about Chinese visit to Vitoria-Gasteiz, 19.11.12. © Diario de Noticias de Álava.

Source: European Commission
Urban-Rural Linkages, West Midlands and Hamburg, May 2013

NDRC delegates at the i54 in the West Midlands

BBC Radio Reporter Mr James Bond interviewing NDRC delegates

Visit of the Energy Bunker in Hamburg

Alan Moseley, Friends of Flaxmill Maltings Chairman, explaining malting process
Follow-Up Seminar in Guangxi, June 2013

Source: European Commission
Feedback report by NDRC

- Not more than 15 pages
- Principles to be retained
- Main Learning Results
- Relevance of the European experience to Chinese challenges in the respective thematic areas. Proposals on how to strengthen decentralised cooperation between regions and cities
- Preparatory Trip for EU Mission to Chengdu and Guangzhou in September 2014

Source: European Commission
Thank you!
感谢您们！