

New category of transition regions

By Isabelle Smets - *Europolitics*

A new category of regions shall emerge on the European scene after 2013, namely 'transition' regions with GDP per capita between 75% and 90% of the EU27 average. The European Commission confirmed the creation of this new category. It also set a figure for its allocation: €39 billion, just over 10% of the total budget to be reserved for the future cohesion policy. Based on GDP data available as this is written, 51 regions would be concerned (see box).

In practical terms, the category of transition regions will replace the current phasing-out and phasing-in system. The phasing-out mechanism serves around 15 regions that would have been eligible under the convergence objective in 2007 if the threshold had remained at 75% of the EU15 average, ie excluding enlargement. Phasing-in also concerns around 15 regions previously covered by objective one, but whose GDP now exceeds 75% of the EU15 GDP. The new category would therefore encompass the regions currently

eligible under the convergence objective but whose GDP will be greater than 75% of the EU27 average in the new regional statistics. These regions will apparently nevertheless be given special treatment since the Commission proposes a safety net, allowing them to keep two thirds of their current allocation (the regions concerned are those underlined in the box). For the other transition regions, which are therefore not presently eligible under the convergence objective, the level of aid will vary in terms of GDP, such that those with GDP close to 90% of the EU average will receive aid intensity similar to that of regions above 90%.

Those in favour of an intermediate category say this is simply a question of fairness. Placing these regions in the same category suggests that they will be given virtually identical treatment, even with the adjustments announced by the Commission. Today, a region with GDP of 77% of the EU average, and which formerly came under the convergence objective, receives much more money than a region with identical GDP that

was never eligible under convergence. Similarly, a region whose GDP has slipped from 78% to 76% receives much less money than another region whose GDP rises from 74% to 77%.

WHO IN FAVOUR?

A large majority of the Committee of the Regions and of the European Parliament support this category of transition regions. In the Parliament, the subject nevertheless sparked heated debate, particularly because the rapporteur on the future cohesion policy, Markus Pieper (EPP, Germany), opposed the measure. The adoption of a report, on 8 June 2011, on the future EU budget (drafted by Salvador Garriga Polledo, EPP, Spain) nevertheless helped to clear up all doubts: during the vote, amendments that would have deleted a paragraph asking the Commission to create this category of transition regions were rejected by 411 to 222 (40 abstentions). So almost twice as many MEPs are in favour of a category of transition regions as those opposed. This level of support was confirmed a few weeks later, on 5 July, with the adoption of the Pieper report.

Among member states, the battle may turn out to be tougher. Countries like the United Kingdom, Sweden, the Netherlands, Italy, Germany and France are opposed or have serious misgivings about creating a new category of regions, sometimes in line with the views of the regional authorities in their country (Germany), sometimes in opposition (France). The United Kingdom and Germany would prefer to see a system of transitional support clearly limited to regions that will no longer be eligible under the convergence objective in 2014. "It is important that any arrangements for the future are fair and do not result in increasing the amount of funding going to richer regions and member states to the detriment of the less developed," reads the United Kingdom's contribution to the 'Fifth report on economic and social cohesion'. Germany says the same thing, warning against financial support for "relatively wealthy" regions ("this would not be compatible with the principles of concentrating the funding on the neediest regions and of degressive support"). What Germany and other

List of transition regions

(GDP based on 2006-2008 average – The regions underlined will keep two-thirds of their current allocation because they are presently convergence regions)

Austria: Burgenland (81.3)

Belgium: Province of Hainaut (76.1), Province of Liege (85.8), Province of Luxembourg (78.5), Province of Namur (80.5)

Germany: Brandenburg-Nordost (75.5), Brandenburg-Südwest (87.4), Mecklenburg-Vorpommern (80.7), Lüneburg (83.4), Chemnitz (82.7), Dresden (87.8), Leipzig (88.8), Sachsen-Anhalt (83.6), Thüringen (83.5)

Spain: Galicia (88.1), Castilla-La Mancha (80.9), Andalucía (80.6), Murcia Region (86.6)

Finland: Itä-Suomi (87.2)

France: Picardie (84.7), Basse-Normandie (87.4), Nord-Pas-de-Calais (87.3), Lorraine (87.7), Franche-Comté (89.5), Poitou-Charentes (89.2), Limousin (87.1), Languedoc-Roussillon (84.8), Corsica (83.6), Martinique (76.3)

Greece: Kentriki Makedonia (81.5), Dytiki Makedonia (86.4), Thessalia (77.4), Ionía Nisia (89.8), Peloponnisos (84.4), Voreio Aigaio (79.7)

Italy: Abruzzo (85.4), Molise (78.8), Basilicata (75.6), Sardegna (78.8)

Malta: (77.8)

Poland: Mazowieckie (86.3)

Portugal: Algarve (87.1)

United Kingdom: Tees Valley and Durham (82.1), Cumbria (90), Mersyside (82.9), South Yorkshire (88.9), Lincolnshire (82.6), Shropshire and Staffordshire (88.8), Cornwall and Isles of Scilly (75.7), Devon (89.4), Highlands and Islands (87.7)

countries prefer to stress are “appropriate” transition mechanisms for regions currently eligible under the convergence objective but that will lose this eligibility in 2014. The idea is to avoid a sudden loss of financing in the regions concerned (Germany is the state most concerned, with Brandenburg-Nordost, Mecklenburg-Vorpommern, Chemnitz, Dresden Sachsen-Anhalt and Thüringen expected to lose their eligibility under convergence).

The same concern exists in Spain, which insists that the case of regions emerging from the convergence objective must not be confused with those that have been above the 75% level for a long time (Galicia, Andalucía and Castilla-La Mancha are expected to become ineligible for convergence for the first time). The idea of the safety net proposed by the Commission, limited to regions becoming ineligible for convergence, aims to convince them. ■

Reactions

Michel Delebarre, rapporteur for the Committee of Regions on the ‘Fifth report on economic and social cohesion’:

“The creation of a new intermediate category would enable around 50 regions to continue their restructuring efforts with European support. It is important not to punish either the regions that have had an early but unconsolidated spurt of growth or those that have stagnated in relative terms compared with the rest of Europe. This is a question of principle but also of good economic sense. This category will help cohesion policy to match local needs and economic and social realities more closely rather than responding to a logic of historic exclusive preserves and so-called fair national returns.”

Elzbieta Bienkowska, Polish minister for regional development:

“We initially challenged this approach because it did not differentiate between emerging regions – such as the capital regions of the new member states– and Western European regions that have remained below the EU average for decades. Our opinion changed, however. The Commission convinced us that there would not be a uniform objective but that these regions would be differentiated.”

For a different view, see the **interview with Markus Pieper see page 30.**