Subject : European Investment Policy 2020

Europe desperate for powerful and simple investment policy 2020

The European project is under pressure. More than ever before, the European Union is expected to deliver results, to confirm and justify its existence. At the heart of the debate is the question of ‘European added value’. The calls to subject all European expenditure to the same subsidiarity test are being heard ever more clearly. Because the current cohesion policy (Esif: erfd, pop, interreg) represents the greatest budgetary expenditure in the multiyear financial framework of the European Commission, this discussion is also impacting on the justification for this policy. Another element placing further pressure on the policy is that its goals have become blurred, over the years. Cohesion policy was originally designed to eradicate deprivation in Europe’s poorer regions. Following a number of reforms, the policy is now also aimed at promoting territorial and social cohesion, as well as being an innovation programme and a means of achieving climate and energy targets.

No one doubts the need for European investments. Research undertaken by leading institutions such as the Friendrich Ebert Stiftung and Bruegel estimate Europe’s investment shortfall at between 260 and 400 billion euro per year, as compared to the level of pre-crisis growth. As a result, vital infrastructure knowledge and innovation programmes and business developments are no longer being financed. All in all, Europe is desperate for investments. The European Strategic Investment Fund is a move in the right direction, but set against the overall task and the emerging investment backlog, it is a mere drop in the ocean.

**The Dutch provinces are therefore calling for a stronger European investment policy, solidly anchored in the regions**

The Dutch provinces believe that a European investment policy offers added value over and above local, regional and national investment policies. This added value lies in the mass, transnational cooperation and successful methods employed by that policy. It is essential that in designing, programming and implementing the European investment policy, the central focus is placed on the regions.

*European challenges and strength through mass*

The cohesion policy is worth roughly 320 billion euro. Because it is an issue of co-financing, it generates a multiplier effect which means that even more is invested, on top of the resources shared out via Brussels. This leverage effect means that greater mass is created for financing objectives, programmes and projects that are too large for an individual region or Member State to finance. The impact also occurs on a European scale allowing far more to be achieved than is possible for a single country or region. As a result, Europe is only required to invest in programmes and projects that contribute to solving a problem or challenge facing the whole of the continent. Examples of such problems about which the Dutch provinces believe there can be no doubt are improving the competitiveness of Europe in respect of the rest of the world, dealing with global climate change and the energy challenges facing the whole of Europe.

**The opportunities of transnational investment**

In addition, EU makes transnational investment possible. Member States and regions are cautious in making investments that do not end up in their own area. However, there are cases in which joint transnational investment delivers more economic and social benefits than an investment exclusively within a country’s own national boundaries. Think of the energy connections between Member States or the investments in joint hospitals. European investments are an excellent means of bringing together players from several countries to achieve a shared goal. The Dutch provinces are therefore arguing that it should be possible for transnational cooperation to take place in all programmes and funds, without implying the existence of an obligation. Wherever a task requires it, transnational investment should be possible, without this leading to more administrative burdens.

*A proven investment policy that can be further improved*

Finally, the European investment policy has an excellent history of success. It links European objectives to regional tasks and for example helps implement the agreements reached in Paris during the climate conference in December 2015. In recent times, greater focus has been placed on innovation thanks to the so-called Smart Specialisation Strategies. These strategies force countries and regions to make choices, as well as generating mass and focus. The multiyear character of the European investment policy also ensures a calm approach and facilitates structural change. National and regional investments are much too susceptible to change and lack the necessary mass. Furthermore, the European investment policy brings together governments, knowledge institutions and private parties in a way that no other investment policy does. For those reasons, the provinces are not in favour of reducing the term of the national budget. On the other hand, they are in favour of greater flexibility within the programmes. These must be made more easily adjustable in response to the latest developments. The provinces emphasise that the European investment policy is not the best means of tackling crises. The ad hoc application of investment programmes for solving acute problems merely leads to confusion in carefully chosen investment priorities. Emergency measures of this kind also expose the fact that Europe is not prepared for urgent challenges. It would be far better if crisis funds such as the European Solidarity Fund and the European Globalisation Fund were used for tackling crisis situations.

Although the methods employed by the European investment funds have proven their value, there are also areas for possible improvement. All too often, the implementing bodies and the end beneficiaries experience problems from the administrative burdens brought about by European projects. The complexity of the funds is an obstacle to their success. The confusing array of regulations, strategic documents and guidelines leads to greater confusion rather than a clear direction. It would therefore be worthwhile if a single approach were to be implemented for all European Structural and Investment funds. In real terms, this would mean that all funds are placed within a single regulation, rather than a separate regulation for each fund. As a consequence, control and accountability would be identical for all funds. A situation in which there are different government support regimes for different funds is also unacceptable.

**In summary, the provinces are calling for a strong European investment policy for 2020, solidly anchored in the regions, targeted on challenges facing the whole of Europe, with a multiyear character, flexibility within programmes and a single uniform and simple application and accounting regime for all funds (a single regulation).**