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# COMMISSION STAFF WORKING PAPER

## The added value of the EU budget

*Accompanying the document*

## COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

## A budget for Europe 2020

{COM(2011) 500 final}

## 1. INTRODUCTION

Belonging to the EU is of inestimable value to the Member States of the Union and their citizens. This unique construction has brought peace and stability and helped to reunite a continent divided by the second World War. Over fifty years of working together Europeans have created a Single Market, a common currency and an area of internal mobility unhindered by border controls. Belonging to the EU helps Member States solve problems that go beyond national borders, whether in the area of climate change or dealing with illegal migration. Working together in a European regulatory framework EU members can exploit the economies of scale of an internal market of 500 million people and ensure fair play between all Member States, big and small, old and new, rich and poor.

Much of what the EU does for its members is done through political processes of coming together to share ideas and good practices, through legislation and through international agreements and programmes. Most of the EU's policies are implemented by its Member States, using their own budgets and civil servants to bring commonly agreed policies to life on the ground in their territories. However, there are some things that can only be done by having an EU budget – to finance the actions that Member States cannot fund on their own or which they can fund more economically by pooling their resources through the EU budget.

The EU budget is small (1.01% of EU gross national income[1]) because it does not need to mirror national budgets. The EU budget does not fund direct health care for citizens, it does not pay for the running of schools or the work of the police as national budgets do. It is an investment budget – 94.3% is spent in the Member States. It is an expression of the added value of funding some actions through the EU.

This Commission staff working paper accompanies the Commission's proposals for the next Multiannual Financial Framework (MFF). It explains the added value of having an EU budget and presents many examples of how this works in practice in our Member States. This staff working document is not about the overall value of EU membership – that cannot be reduced to a simple calculation of financial benefit and many of the benefits of the EU cannot be quantified or are so huge as to make quantification meaningless. This staff working document has a very modest purpose: it is presented as part of a budget proposal and it focuses on the added value of that budget for Member States and EU citizens.

### 1.1. What is EU added value?

On a general level, European added value is the value resulting from an EU intervention which is additional to the value that would have been otherwise created by Member State action alone.

Even under a budgetary angle, the concept of European added value has been used in **many different contexts**, such as in academic reflections on the EU budget, for

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[1] 2011 budget, PA payment appropriations.

defining goals and/or criteria for project selection in specific EU programmes, in provisions of the Financial Regulations and in evaluation of existing programmes. Most recently the Commission's Communication on the EU Budget Review[2] contained a section on EU added value (see section 1.2).

The sources and nature of this additional value vary from intervention to intervention. It is, in particular, useful to distinguish the European added value of an EU policy measure in general (like an EU regulation to foster the single market) and that of an EU spending programme per se. In both cases, European added value may be the results of different factors: coordination gains, legal certainty, greater effectiveness, complementarities etc. In both cases, measurement is a challenge although in the case of EU expenditures, it should usually be easier to monetise European added value compared to those cases where value may be added due to more intangible contributions to the attainment of common European objectives.

In all cases, however, the final judgement on whether expected added value would justify an EU programme is ultimately the result of a political process. This point has been stressed on several occasions by the European Institutions.

In a letter of 26 November 2010 to the President of the European Parliament and the President in office of the Council, the **Commission** indicated that it considers that

*"European added value is a key test to justify spending at EU level even if the added value of a political project cannot be reduced to a balance sheet".*

The same perspective was already voiced by the two arms of the budgetary authority during the negotiations accompanying the adoption of the current financial perspective 2007-2013.

The **European Parliament** expressed its concern about a strictly economic interpretation of the European added value:[3]

*"the concept of European added value must not be limited to advanced cooperation between Members States but should also contain a visionary' aspect".*

Similarly, while recognising the importance of the concept, the **Council** also introduced an important caveat:

*"whereas examination of the European added value of proposed expenditure is accepted as an essential part of the evaluation exercise, it was pointed out that this concept could not be based on entirely objective criteria; it is also generally recognised that the concept of added value should serve not to call into question Union policies which are based on fundamental agreed principles laid down in the Treaty but simply to evaluate the best means of achieving a given objective"*[4].

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2 COM(2010)700 final

3 European Parliament resolution on building our common future: policy challenges and budgetary means of the enlarged Union 2007-2013 – OJ, C104 of 30 April 2004, p. 991.

4 Council progress report on financial perspectives 2007-2013 : Doc. 16105/04

Hence, while the assessment of the European added value is ultimately always the result of a political process, what has changed over time is the nature and the extent of the information available to support this process. The following section looks at the way this process is being managed in the Commission with a particular focus on spending programmes.

## 1.2. European added value and the Budgetary Process

In its October 2010 Communication on the budget review, the Commission stressed the fact that the EU budget should be grounded in a series of core principles through which, European citizens should be able to have a better view of what the EU budget is for, and how the key choices have been made.

Whilst the added value of a political project cannot be reduced to a balance sheet, it is nevertheless a key test to justify spending at the EU level: whether spending at EU level means a better deal for citizens than spending at national level. The European dimension can maximise the efficiency of Member States' finances and help to reduce total expenditure, by pooling common services and resources to benefit from economies of scale. As a consequence, the EU budget should be used to finance EU public goods, actions that Member States and regions cannot finance themselves, or where it can secure better results.

The Commission has already tested the added value of proposed expenditure in all policy areas when making its proposals for the EU budget for the period 2007-2013.

To perform this test, the Commission used the following criteria:

- **Effectiveness**: where EU action is the only way to get results to create missing links, avoid fragmentation, and realise the potential of a border-free Europe.

- **Efficiency**: where the EU offers better value for money, because externalities can be addressed, resources or expertise can be pooled, an action can be better coordinated.

- **Synergy**: where EU action is necessary to complement, stimulate, and leverage action to reduce disparities, raise standards, and create synergies[5].

At that time it was already clear that Union’s common objectives could only be met through a partnership between the national and European levels. National public spending obviously brings huge benefits to citizens, increasing the vitality and durability of national economies through public services, education and infrastructure; offering internal and external security; and responding to society’s needs across a wide range of policies. But there were limits to the effectiveness of national action. There are gaps which only the EU could fill.

EU action can also be justified on value for money grounds. In many cases, as illustrated in this paper, one euro spent at EU level can deliver more than one euro at national level. Uncoordinated spending at national level cannot reach common

5 COM(2004)487

objectives. In many cases, pooling resources and expertise is an efficient way to make savings, and at the same time to reach the critical mass required to deliver certain key objectives.

The EU budget should focus on EU added value, meaning the delivery of objectives that can be achieved better through spending at EU level rather than at the level of the individual Member States. The design of both the multiannual financial framework and the sectoral instruments and programmes should be such that the contribution of the expenditure at EU level is made obvious.

EU added value should be prominent in areas of spending linked to the EU core competences (for example, agriculture, where more than 70% of total spending is at the EU level), or closing missing links (for example, key cross border infrastructures in energy, transport and ICT) or because the issues at stake are of such a magnitude that individual actions by the Member States would not reach the objectives (for example, large-scale research infrastructures or the combatting the consequences of climate change).

Pooling resources at EU level should also generate economies of scale and better results than the same amounts separately spent at national levels (for example, in the areas of research or eduction mobility).

## 2. EUROPEAN ADDED VALUE IN THE CONTEXT OF THE EUROPEAN ECONOMIC RECOVERY PLAN

The Commission launched the European Economic Recovery Plan (EERP) in November 2008. The objective of the EERP was to drive a coordinated EU response to the economic crisis. The EERP combined coordinated national action with EU policy measures specifically applied in 2009 and 2010 in a mutually reinforcing way and it was based on two mutually reinforcing main elements: firstly, short-term measures to boost demand, to save jobs and help restore confidence; secondly, "smart investment" to yield higher growth and sustainable prosperity in the longer-term.

The Commission co-ordinated and monitored the implementation of the EERP while Member States followed a differentiated approach, as they needed different kinds of fiscal stimulus depending on their economic situation. The EERP included timely, temporary and targeted actions to help households and industry, to support employment and stimulate growth. It put forward concrete steps to promote e.g. entrepreneurship and research and innovation. The EERP aimed to boost efforts to tackle climate change while creating much-needed jobs at the same time, through for example strategic investment in energy efficient buildings and technologies.

In figures, the EERP included a fiscal stimulus of around 1.5% of EU GDP or € 200 billion, within both national budgets (around €170 billion, 1.2% of GDP) and EU and European Investment Bank budgets (around €30 billion, 0.3% of GDP). As part of the EU's contribution to this stimulus, the EERP proposed accelerating payments of up to €6.3 billion under the structural and social funds. The EERP also supported projects in the field of energy and broadband internet in rural areas as well as activities related to 'new challenges' identified in the Common Agricultural Policy's Health Check.

The share of the EU budget devoted to the EERP amounted to €5 billion. In addition to the EU budget actions, the European Investment Bank increased its yearly interventions in the EU by some €15 billion in 2009 with a similar figure in 2010.

***East West electricity interconnector (Ireland / UK)***

Under the EERP the Commission proposed grant funding of €110 million for the East West electricity interconnector between Ireland and the UK. The funding provided from the EU budget enabled the company to get a €300 m loan from the EIB and to get attractive loan terms from the banking sector for the remainder of the financing (€200 million). This is an excellent example of the added value of the EU budget because:

- The EU funding gave the project the EU seal of approval and underscored the political significance of the project as part of connecting the EU's energy islands. This political and financial backing enabled the operator to attract the remaining loan finance needed to ensure that the project goes ahead.
- Ireland has the capacity to generate considerable amounts of electricity from renewable wind energy. The surplus can be exported to the UK via the interconnector but the project would not have happened without the stimulus of EU funding. This will be the first ever electricity interconnector between Ireland and mainland UK.
- The project is on target for completion in 2012, helping to link Ireland to the wider EU electricity grid well ahead of the EU's 2014 target for connecting all energy islands together.

***Estlink-2 electricity interconnection between Finland and Estonia***

Under the EEPR, the Commission granted funding of €100 million in March 2010 to support the construction of the Estlink-2 electricity cable with a capacity of 650 megawatts between Estonia and Finland, which should become operational by 2014.

The Estlink-2 connection is the largest ever investment in the Estonian electricity network, with a total estimated cost of €320 million. The project is being built jointly by the Estonian electricity transmission system operator, and its Finnish counterpart. Following the Commission's decision and thanks to its endorsement as an EU priority project, the Estonian company and the European Investment Bank agreed reached an agreement in November 2010 on a €75 million loan to provide further part-financing of the project. In the same month, the operators signed an agreement on the construction of EstLink-2.

Without EU financial support, the project would not have been implemented by 2017-2020. Furthermore, the EIB loan for the project would have been much lower.

The project will contribute significantly to the further integration of the Baltic and Nordic energy markets by tripling transmission capacity between the two countries. It will also contribute to the wider objectives of EU energy policy, for example through the increased security of supply in the Baltic region and reduced congestion on transmission between Estonia and Finland. Estlink-2 will give market participants the opportunity to act on a larger regional market and will improve the interconnection capacity between the Baltic States with the rest of the EU, increasing the security of supply of countries which are still considered as an energy island.

The EERP also played an important role in supporting the development of state of the art technologies.

***Offshore wind energy projects***

The EERP funded six offshore wind projects which are forerunners in the offshore wind sector. The technologies that will be demonstrated and deployed on a large-scale – innovative foundation structures (gravity, jackets, tripods, tri-piles), multi-MW offshore turbines, modular based grid integration technology – are indispensable in order to achieve the ambitious EU goals of offshore wind penetration in 2020 and beyond. The EEPR grants will secure the installation of the first large size (400 MW) offshore wind farms and are expected to result directly in additional carbon-free electricity production capacity of about 1500 MW. They play a crucial role in helping EU Member States achieve the binding targets for renewable electricity in 2020. The grants will pave the way for the first steps towards a European offshore grid, enhancing the flow of electricity in the internal energy market. On average the EU grants for Offshore Wind Energy projects (€565 million) have a leveraging ratio of 1 to 6 (total investment cost estimated at €3.5 billion).

## 3. EUROPEAN ADDED VALUE IN THE AREA OF RESEARCH

### 3.1. The notion of EU added value in research

In the economic literature, there is strong support for the idea that European collaborative programmes contribute to reducing the uncertainties, the risks and the costs deriving from undertaking advanced technological projects. It is accepted that the creation of the Framework Programmes accelerated the international dimension of collaborative research[6] in the EU. The multi-annual Framework Programmes (FPs) have become the medium-term planning instrument for Research and Technological Development (RTD) across the EU based on the rationale that international research programmes are deemed to ‘add value’ which cannot be obtained through national programmes[7].

[6] Kuhlmann and Edler, 2003

[7] Fahrenkrog, 2002; Georghiou 2001; Georghiou et al., 2002; PREST et al., 2002

*"EU funded research is found to have high added value by encouraging researchers to cooperate across national boundaries and to share complementary skills and knowledge, to promotes competition in research, leading to higher quality and excellence and to make possible projects that, because of their complexity and scale, go beyond what is possible at national level."*[8]

Research on the scale of the EU can offer better value for money than nationally-funded research, and has a powerful leverage effect on private funding, stimulating large technological initiatives and the development of European poles of excellence in highly competitive fields such as information and communication technology, biotechnology and aeronautics. As the complexity of research and the capital investments required increases, no Member State acting in isolation can create the minimal, critical mass. The economies of scale offered at EU level become a necessity and the benefits of linking specialists across borders helps to ensure robust and complementary approaches to innovation.

## 3.2. The economic impact of EU research

EU research generates high European added value, which in turn produces excellent value for money for the European taxpayer. Different studies and external evaluations show that EU funding produces the following economic impacts:

- €1 of Framework Programme (FP) funding leads to an increase in industry added value of between €7 and €14.
- Member States evaluations demonstrate the high impact of the FP: e.g. the EU Framework Programme's annual contribution to UK industrial output exceeds € 3.4 billion (£3 billion).
- The long-term macro-economic impact of the Seventh Framework Programme amounts to 900,000 jobs, of which 300,000 in the field of research; an extra 0.96 percent of GDP; an extra 1.57 percent of exports; and a reduction by 0.88 percent of imports.
- EU funded collaborative research reduces risk and enables the achievement of pan-European standards. Standards and technologies developed by EU-funded researchers are found today in over 600 million 3G mobile phones, generating more than € 250 billion of revenues every year to EU companies in products and services.
- EU funded collaborative research facilitates the growth of innovative SMEs. In 2006, two small research-based companies from Sweden and Belgium, BioInvent and Thrombogenics and their academic and clinical partners received a €1.9 million grant to develop an innovative form of treatment for cancer. In 2009, the companies secured a €50 million investment from global pharmaceutical giant Roche, with the possibility of increasing this amount to € 450 million in the future.

[8] G. Cipriani: Rethinking the EU budget. CEPS, 2007

- EU funding leverages private investment. In the case of the EU's RSFF (Risk Sharing Finance Facility), the volume of loans is 12 times the EU contribution, and the additional leveraged investment in research, development and innovation is 30 times the EU contribution.

- As a result of targeted research from the Commission's Joint Research Center costing about € 1 million, the cost of tests for BSE were reduced and the direct EC subsidy per test could be scaled back from €20 to €7 resulting in cumulative savings for the Community budget of about €250 million over the period 2002-2006.

## 3.3. Different aspects of EU added value

European added value of EU research activities can take different forms:

### *3.3.1. Critical mass*

The critical mass made possible by actions at EU level promotes cooperation amongst different types of organisations such as universities, research centres, small and medium enterprises (SMEs), large companies, foundations, etc. With its increased focus on translating basic discoveries into prototype applications, European research has successfully promoted cooperation amongst scientific disciplines, bringing together researchers, engineers, clinicians and industrialists.

***The NANOCMOS project***

European engineers receiving EU collaborative research support were able to develop the first chip in the world to go below the 45 nanometer limit in 2004. The momentum generated by this project and subsequent ones has put EU industry in pole position in this field opening the door to a wide range of innovations in products and services ranging from communications to embedded electronics where Europe has a world leading share (40% of total market worth more than € 100 billion per year).

### *3.3.2. Bringing barriers down*

Another effect of European collaborative research has been the overcoming of barriers between countries, by means of multinational consortia as well as coordination of national funding programmes.

***Fight against alpha-mannosidosis***

There are at least 6000 to 7000 rare diseases, which taken together affect some 43 million European citizens. Research at national level is often hampered by a thin distribution of patients, few specialised research groups, and a lack of standardisation of available data and material collections.

Alpha-mannosidosis is a dangerous genetically inherited disease caused by an enzyme deficiency, affecting 500,000 people in the EU for which no treatment is currently available. Only through EU funded collaborative research can the necessary critical mass of patients, expertise, and facilities be brought together. In terms of treatment, EU funding promotes the development of so called "Orphan drugs" because market incentives alone are insufficient to promote their development.

Since 2001, the EU has invested close to € 10 million through three consecutive research projects (FP5-FP6-FP7) to study this disease with the ultimate goal of making a therapy available for all alpha-mannosidosis patients. As a result, the biotechnologically derived human enzyme product rhLAMAN (LamazymTM), has officially been designated in both Europe and the US as a potential "orphan drug" to treat alpha-mannosidosis.

***The REDICT and AMI4EUROPE projects***

REDICT is a project coordinated by the City of Amsterdam, bringing together 6 regions and 17 partners which share a strong R&D experience in the field of ICT and new media. The project has mapped and analysed the critical issues of the sector, providing a survey of mechanisms with which the different regions stimulate innovation, in particular for SMEs. A Joint Action Plan was set up among the regions, implementing new business support measures packages. It has stimulated a sustainable partnership between European metropolitan areas in this field.

AMI4EUROPE is a project involvings 22 partner institutions from 6 different countries coordinated by Asociación Madrid Network (Spain). It coordinates and integrates Research-Driven Clusters in the field of health in order to meet the opportunities that Advanced Medical Imaging brings to the European society. Integrating and using cross-disciplinary NanoMedicine, Pharmacological breakthroughs, Biotechnologies for healthcare and ICT combined with standard Medical Imaging, significant improvements of diagnostics and treatment for various diseases will be possible.

***Joint Programming Initiatives (JPIs)***

A first pilot initiative to advance research in neurodegenerative diseases, in particular Alzheimer’s, was launched in 2009 with, to date, 23 countries participating. In 2010, several other health-related JPIs were developed, on Healthy Diet for a Healthy Life, Healthy Ageing, and Anti-Microbial Resistance. The Commission assisted in their identification and preparation and supports their implementation. Better coordination of the research efforts in the EU will lead to more efficiency for Europe in tackling societal challenges related to these issues.

### *3.3.3. Dialogue between researchers and industry*

With the Seventh Framework Programme European research addresses broad societal issues such as the Innovative Medicine Initiative, which helps the EU health industry to accelerate the development of new drugs and treatments. Such transnational and cross-sectorial partnerships between the public and private sectors make it possible for the EU and the industry to implement a common agenda and speak with one voice, preventing fragmentation and duplication of efforts.

***Safety technology for planes, cars and trains***

Groundbreaking safety technology in airplanes and cars has been developed by EU researchers. The Airbus A380, for instance, has already flown more than 5 million passengers across the world using EU-funded ICT technology that has developed a new control system for cabin pressure.

This is one of the successes of more than twenty years of EU-funded research which has led to the development and commercialisation of Time Triggered Architecture (TTA). This is an innovative technology applied to the design of safety-critical systems that activate and control safety solutions such as railway signalling, real-time adjustment of speed and route in trains and aircraft, or keep the pressure in the cabin of airplanes constant.

These systems need to guarantee their functioning with extreme precision and speed even in the presence of faulty software or damaged hardware components. In that sense, it can be said that TTA has revolutionised safety technology.

Time-Triggered Architecture has the potential to become the world-wide standard for many embedded computer applications. Safety systems for embedded computer control systems in aeroplanes, cars and trains are the first applications of this technology. Prototypes for renewable energy generation and medical systems have been built successfully. Other applications are anticipated for industrial control and automation.

### 3.3.4. *Worldwide excellence*

Alongside cooperation, EU funding also helps to promote more intense competition in research leading to higher quality and excellence. The European Research Council (ERC)[9] is a good example in that regard.

***ERC - the European Research Council***

Under the Seventh Framework Programme, the European Commission created the European Research Council, and established an Executive Agency to manage Europe's first large-scale competition for funding frontier research open to individual researchers. The long-term funding provided by the ERC schemes provides the conditions under which researchers can carry out high risk/high gain projects in areas of their own choosing at the frontiers of knowledge. By the end of 2013 more than 4,000 Principal Investigators will have received grant support.

The ERC's international peer review process has become a "gold standard", and several countries have introduced reforms to their own national systems based on the ERC model and even provide funding to their national runners-up in the ERC calls

9 http://erc.europa.eu/

for proposals. The prestige of hosting ERC Principal Investigators is also leading to intensified competition between Europe's universities and other research organisations to offer the most attractive conditions to top researchers. In this way the ERC provides a powerful dynamic for driving up the quality of the overall European research system and raising its status, visibility and attractiveness, well beyond the individual researchers it funds.

There is evidence that the ERC is already helping to retain in the EU and attract to the EU leading European researchers who might otherwise have pursued their careers in the US in certain fields. For example, two-thirds of the ERC's grantees in neurosciences have had post-doctoral experience in the US; and, half of the ERC's grantees in economics completed their PhD in the US. In 2010, a young ERC grant-holder, Professor Novoselov, received the Nobel Prize for Physics for his work on graphene.

### 3.3.5. *Powerful infrastructures*

Research infrastructures are another case for which co-ordination and pooling resources across Member States - and sharing access – is paramount.

***GEANT***

GEANT is the pan-European data network dedicated to the research and education community. Together with Europe's national research networks, GÉANT operates 50.000 kilometres of optical fibre and connects 40 million users in over 8,000 institutions across 40 countries. Current distributed computing infrastructures enable over 13.000 researchers, representing over 200 different scientific user communities (Virtual Organisations), to have shared access to unprecedented computing and data resources and to build collaborations across disciplines and geographical boundaries.

### 3.3.6. *Leverage funding*

European added value is also generated through reducing research risk as well as leveraging private investment, and the Risk Sharing Finance Facility (RSFF) is a particularly compelling case.

***RSFF - Risk-Sharing Finance Facility***

The project, launched in mid-2007, was co-developed by the European Commission and the European Investment Bank (EIB). The EU supports the EIB in its activities by providing partial risk coverage from the Seventh Frameowk Programme for loans which meet the programme's strategic objectives. The RSFF portfolio over the period 2007-2009 covered 137 projects: 46 signed operations, 16 approved operations awaiting signature and 75 other projects under appraisal/cancelled. The 62 signed and/or approved projects make up a total of € 6.3 bn in 20 countries (18 EU Member States and 2 Associated Countries).

An example of such support is the project Alphasat, a joint undertaking between Inmarsat PLC, a private company, and the European Space Agency (ESA): this will be the first satellite to use a new European high-power telecommunications platform. It will accommodate four technological demonstration payloads (TDPs) developed by several European universities, industry and space organisations. This research infrastructure will support a new generation of mobile technologies and enable robust communications across Europe, Asia, Africa and the Middle East.

As of 2010 its leverage effect in terms of comparison between EU investment and total investment by beneficiaries reached a ratio of 1 to 30 (€0.5 million vs. €15 billion leveraged).

# 4. EUROPEAN ADDED VALUE IN COHESION POLICY

## 4.1. Overall effects of cohesion policy

Cohesion policy has both redistributive and allocative effects:

– It transfers resources to the poorest regions (81.5% of total means available for cohesion policy are allocated to convergence regions)[10].

– It supports new actions in favour of growth, jobs and sustainable development across Europe, both inside and outside the convergence regions[11]. There is therefore a clear contribution to EU priorities.

– It produces spillover effects from convergence regions to the rest of Europe, via increased trade flows.

– It induces – through its delivery system – institutional and administrative change, promoting long-term planning, mobilising a wide range of partners, diffusing a culture of evaluation and monitoring of public policies, and reinforcing control and audit capacities.

Analysis of the performance of cohesion policy in 2007-2013 shows that the policy has an even stronger added value in many Member States in the current economic crisis[12]. The policy provides resources to maintain public investment in the context of pressures on domestic budgets.

In some cases (e.g. Poland), cohesion policy has helped to protect against economic upheaval through maintaining domestic demand and high levels of investment, while in Latvia and Bulgaria the policy represents the only anti-cyclical measure in place. France has used EU cohesion funding to accelerate implementation in such areas as sustainable development, digital infrastructure and energy efficiency for housing.

Cohesion policy is also instrumental in the establishment of a dialogue among the partners (EU/Member tate/region/local) on development strategies and their implementation, which otherwise would most likely not take place.

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10 As a result, for each euro the EU invests in the more developed regions more than 9 euro are invested in the less developed ones.

11 The 2007-2013 programmes were designed to support the delivery of the Lisbon and Gothenburg priorities in all regions of the EU, supported by a process of setting targets for the share of resources to be "earmarked" for these priorities.

12 Applica sprl & Ismeri Europe, Expert Evaluation Network delivering Policy Analysis on the Performance of Cohesion Policy 2007-2013, Country Reports (forthcoming)

As outlined in the report from Professor Monti on the single market[13], all EU regions will continue to experience a mix of opportunities and adjustment needs with the expansion of the single market. Cohesion policy has stimulated trade flows, upgraded infrastructure and enhanced mobility of goods and services, has influenced the choice of location for economic activities, and has ensured that environmental standards enjoyed by European citizens are applied, contributing thus to reduce the development gaps between economies.

Trade between the EU12 countries and the rest of the Union has experienced a dynamic development over the course of the last decade. Part of this growth reflects the gains which other countries have drawn from the structural support allocated to poorer regions.

According to the macro economic model designed to estimate the combined effect of levying taxes to raise the necessary revenue as well as of the expenditure[14], the Structural and Cohesion Funds are estimated to have increased economic growth across the EU27 as a whole. The GDP of EU27 is predicted to increase by about 0.2% at the end of the current programming period.

***Cohesion spending benefits several Member States***

In 2009, Poland, the biggest recipient of cohesion policy funding in the current programming period, undertook a study[15] of the benefits for EU15 countries as a result of cohesion policy in Poland. Based on a survey of contracts won by enterprises from the EU15 countries, the study shows that around 8% of the total contract volume in Poland went to EU15 companies, enterprises from Germany being the by far most important group. These companies were typically successful in larger Polish projects.

### 4.2. Contributing to growth in convergence regions

The results of two macro economic models (Hermin and Quest)[16] find that the **Structural and Cohesion Funds have had a substantial effect on economic growth in convergence regions**. This is the case in Greece, Portugal, Spain and, to a lesser extent, Ireland, as well as in Southern Italy and Eastern Germany and in all of the EU10 countries.

– In the EU10 countries taken together, the models estimate that GDP in 2009 was almost 5% higher than it would have been without Structural and Cohesion Fund support, despite the short 2004-2006 programming period in these Member States.

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[13] Mario Monti, "A New Strategy for the Single Market", Report to the President of the European Commission, 9 May 2010

[14] Quest – see footnote 16.

[15] Instytut Badan Strukturnalnych, Assessment of the benefits drawn by EU15 countries as a result of Cohesion Policy Implementation in Poland (2009)

[16] Bradley & Untiedt, Analysis of Cohesion Policy 2000-2006 using the Cohesion System of Hermin Models (November 2009); and Varga and in't Veld, A model based analysis of the impact of Cohesion Policy Expenditure 2000-2006 using the QUEST III endogenous R&D model (October 2009); both documents forming Work Package 3 of the ex post evaluation of 2000-2006.

– A recent academic study of the dynamics of regional GDP growth in the EU15 between 1995 and 2006[17] found a sharp discontinuity between those regions in receipt of Objective 1 funding at the beginning of the period and the other regions. Comparing regions near the eligibility cut-off, per capita GDP of Objective 1 regions grew an average of 0.8-0.9 percentage points more than similar regions on the other side of the cut-off. This implies an extra 10-12% on GDP over the two programming periods.

– In Eastern Germany, an innovative study compared enterprises assisted to similar non-assisted enterprises. An average grant of €8,000 per employee generated around €11-12,000 of additional investment, demonstrating the clear leverage effect[18].

Closing of the gap has been achieved also by improving connections between the more less and more developed parts of the Union via the upgrading of the motorway and railway systems, notably the transport networks:

– In 2007-13, cohesion policy is investing €75 billion in improving transport systems in convergence regions.

– In the 2000-2006 period, 60% of the existing and new motorway network in the EU12 was co-financed by the funds, but needs remain significant, as illustrated by the fact that the density of the network in the EU10 was at just 34% of the EU25 average in 2006, up from 31% in 2000.

– The rail network has been improved significantly as a result of investments co-financed by cohesion policy. The funds contributed to the construction and upgrade of 7,260 km of rail in 2000-2006. For high speed rail, by 2006, 56% of all network increase was co-financed by the funds, while in some cases, like Spain, all the total increase in network was supported.

– Reduced journey times have been important, for example, between Rome and Naples (from 114 minutes to 65 minutes), as well as between Madrid and Andalucia (Madrid-Malaga from 240 minutes to 160 minutes).

In short, cohesion policy has strengthened the overall level of investment, growth and economic, social and territorial convergence to an extent which would not have occurred without EU transfers. This has had the effect of strengthening the long term growth potential of the Union, since convergence regions are using the factors of production more efficiently.

17 Busillo, Muccigrosso, Pellegrini, Tarola, Terribile: "Measuring the Effects of European Regional Policy on Economic Growth: a Regression Discontinuity Approach" (2010)

18 Gefra & IAB, Work Package 6c: Enterprise Support – an exploratory study using counterfactual methods on available data in Germany (July 2010)

## 4.3. Supporting smart, green and inclusive growth across Europe

### *4.3.1. Smart Growth*

Some €80 billion is being invested in support for enterprise and innovation in 2007-2013, the largest field of expenditure in most regions. This includes direct financial aid to investment and R&D, but also, increasingly, non-financial assistance, in the form of networking and innovation systems, business advice and incubators, all of which have been proved to increase the knowledge content of support. Evaluations for the 2000-2006 period recorded:

– At least 1 million jobs estimated created in supported projects[19].

– An estimated 230,000 enterprises (mainly SMEs) received direct financial support - mainly grants but also loans or venture capital.

– An estimated 1.7 million enterprises ( mainly SMEs) received advice, expertise and support for networking

***Lahti Clean-tech cluster (Finland)***

The EU's intervention in this project had a catalyst effect: it encouraged innovation and development of environmental technologies by bringing together small and large enterprises, educational organisations and regional authorities. The cluster provides services which make it easier for its 200 participating businesses to network and branch out into the international market.

The Lahti Science and Business Park which coordinates the cluster has become the leading environmental technology centre in Finland. Between 2005 and 2007, some 20 clean-tech companies and organisations were relocated to the region. The EU budget contributed €1.5 million to this project. The business development and relocation services of the park have attracted investment worth more than €30 million and some 170 new jobs to the region.

***Competence Centre for Cancer Research (CCCR), Estonia***

The aim of the CCCR, established in 2005, was to establish a strong long-term private-public partnership in top-level cancer research, based on the common vision of SME entrepreneurs and scientists. It supports, in particular, the access of Estonian biotechnology SMEs to hospitals and global markets. New jobs have been provided for top-level scientific staff - CCCR staff increased from 30 in 2005 to 71 in 2010.

The EU intervention helped develop new expertise that was not previously available in Estonia: new start-ups in biotechnology and in certain high-tech services needed for the CCCR projects with more graduate students specialised in applied cancer

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19 This happened in the context of an increase in employment in the EU27 of 13.8 million over the period 2000-2007. However, it should be noted that the 1 million figure represents jobs reported created in supported firms and does not take account of displacement or substitution effects. In addition, not all Member States or regions reported against this indicator.

research. CCCR now has a funding agreement until 2015 and its activities are on a sustainable path. It has been successful in several projects supported by other EU funding sources. Moreover, the financial resources secured by the commercialisation of the results are reinvested by the partners in new R&D projects.

The EU budget contributed €1.16 million to this project.

***Nanoscience and nanotechnology centre, Ljubljana (Slovenia)***

Innovation pushes ahead in Slovenia as researchers come together from the public and private sector to form a centre of excellence in nano-science and nanotechnology (CE NS&NT). Six research institutes and 26 businesses came together for six major research projects. The projects are coordinated by the research institutes and the businesses involved as potential end-users provide funding. In some cases, the businesses also participate in the research.

The six projects cover: nanoelectronics and equipment for nanotechnology; synthesis of nano-particles and nano-composites; nano-materials in electrochemical systems; nano-structured surfaces and layers; synthesis of 1D inorganic nanostructures and bio-nano-structures; characterisation on nano-metric scale.

The ability to share the modern testing equipment has increased the motivation of industry partners, who previously viewed cooperation as a burden rather than a benefit. The project is also raising the skills among industry researchers and providing grounds for participation in research for postgraduate students and young researchers.

The contribution from the European Regional Development Fund (ERDF) to this project was €829.000.

#### 4.3.2. *Green Growth*

Even before combating climate change was embraced as a central objective of the EU, cohesion policy started to put in place measures to improve energy efficiency of enterprises (example: Czech Republic) or set up renewable energy production facilities (example: the Azores, Portugal). Future interventions to tackle climate change can benefit from the experience accumulated during the implementation of these investments, even if they do not receive financial assistance from cohesion policy.

– Half of the Member States have included indicators for the reduction of greenhouse gas emissions in their cohesion policy programmes for the 2007-2013 period. Austria, Germany, France and Italy have reported a reduction of over 27,000 kilotonne equivalents.

– Close to 20 million people now have access to improved water supply as a result of cohesion policy assistance in 2000-2006. Out of the estimated 40 million people whose wastewater has begun to receive appropriate treatment in this period, 23.5 million people are connected to investments financed by cohesion policy. There are numerous examples not only for improved water infrastructure like the drinking water and sewage in the Torysa river basin in Eastern Slovakia or the Dublin wastewater treatment plant, but also establishing specialised systems for animal waste in Hungary or closing hundreds of illegal waste disposal sites all over Europe.

***New approach to renewables in Güssing (Austria)***

Güssing (a small town in the southeast of Austria) is a model for the forward-looking renewable energy policy at local level that is driving the economic development of the whole region. Using wood from local forests in its biomass heating plant, the town produces more electricity than it consumes and is able to provide power for the entire region. Over 50 companies have been created in the renewable energy sector alone and since 1995 Güssing has reduced its carbon dioxide emissions by 100%.

The availability of cheap heat (30% cheaper) has led to over 1 000 new jobs being created in and around the town, including 100 in a new office building on an industrial estate which houses the European Centre for Renewable Energy. In order to facilitate the dissemination of experience in the field of renewable energy sources, a network including regional, national, and international partners has been founded.

The EU budget contributed €461.000 to this project.

#### 4.3.3. *Inclusive growth*

The European Social Fund (ESF) supports the development of human resources and facilitates a better response to local labour market needs and, together with the ERDF, employment possibilities.

– One third of the unemployed in the EU participated in ESF supported programmes each year.

– The ESF supports gender equality, by helping women into employment, promoting their lifelong learning, supporting their participation in science and technology as well as assisting them to start up businesses. In 2000-2006, €4.5 billion ESF, went on measures to promote gender equality and gender mainstreaming. The largest expenditure on gender-related measures was in Germany, accounting for 25% of the total across the EU.

### 4.4. Cooperation across the EU

Cohesion policy promotes exchanges and joint programmes between countries and regions. Cohesion policy fosters territorial cooperation in its three dimensions (cross-border, transnational, and interregional). Addressing common problems together allows for a more efficient use of public resources and circulation of ideas and good practices.

The **added value** of European territorial cooperation lies in the fact that if offers possibilities for joint action which are needed to address challenges that increasingly cut across national/regional boundaries. Territorial cooperation can also provide important contributions to achieving the Europe 2020 strategy by addressing challenges that increasingly cut across national boundaries. In addition, co-operation programmes play an important role in bringing Europe closer to the citizen, given that they allows for regional and local actors across Europe to engage in joint projects and thus in a "European experience".

***FLAPP - turning back the tide in flood-threatened regions***

Strength in numbers and multiple disciplines reflect the approach taken in the FLAPP project where the combined efforts of 15 countries resulted in practical ways to deal with flood danger. FLAPP (FLood Awareness & Prevention Policy in border areas) enabled partnerships to be formed that otherwise would not have taken place. FLAPP introduced measures including flood forecasting and river basin management to protect people, nature and economic development in at-risk border areas.

Residents in the areas covered by FLAPP are no strangers to flooding, hence the positive input from 37 partners who brought their water management experience from 12 river basin areas. From Ireland to Greece, and from Estonia to Spain, experiences are being shared and put to practical use.

The EU budget contributed €1.1 million to this project.

***Ships set sail for greener cargo transportation***

Shifting cargo from road to sea to reduce energy consumption, carbon emissions and pollution is at the heart of the Northern Maritime Corridor (NMC) project. This transnational project which covers 20 regions in 9 countries (including Russia) bordering the North Sea and Europe's northern periphery has led to improved short sea shipping services and greater accessibility to the regions concerned. In terms of innovation, the NMC project developed models and concrete ICT tools for the intermodal transport industry. In particular NMC brought in the use of radio-frequency identification for tracking cargo.

The innovative character of the project was also pursued in other ways. Many regions set up maritime clusters with as many as 10-20 partners. The NMC project had an important impact on the expansion of maritime services in the North Sea regions. The most significant achievement was the European Commission's approval to extend the motorways of the sea layout towards the Barents region.

The EU budget contributed € 2.6 million to this project.

***Regional Early Warning System (EWS) on water scarcity in the Alps***

'Alp-Water-Scarce' (Water Management Strategies against Water Scarcity in the Alps) is a three year project funded by the "Alpine Space programme" under the European Territorial Cooperation 2007-2013. The project started in October 2008, involves 17 partners from five countries in the Alps and is coordinated by the Mountain Institute, University of Savoy, France. It deals with developing water management strategies and especially the deployment of an early warning system (based on mobile phone supported hydro-climatological monitoring, hydrological models and GIS) to predict water scarcity at the seasonal and multiannual level in the

Eastern Alps (Regions of Veneto and Styria). Several universities, federal research institutes, regional provinces, local governments, regional agencies, alpine economical societies, geological surveys as well as chambers of agriculture and forestry participate in the project.

***Øresund Science Region: Cross-Border Triple Helix Collaboration (Sweden/Denmark)***

The Øresund Science Region (ÖSR) is a cross-border initiative that brings together regional authorities, businesses and universities. This 'triple-helix' model is a focused approach to cooperation between universities and the surrounding society. The ÖSR uses and develops the Region's unique strengths: a highly educated population and market-leading technology, 12 universities, 6 science parks, 2000 companies and some 12,000 researchers. These strengths are reflected by the region's large number of researchers and high-technology companies. A €1.9 million investment from the ERDF was matched with a similar amount of Swedish and Danish co-financing, both public and private.

ÖSR is a regional development project with innovation and research platforms and projects as tools to create linkages between authorities, industry and universities across the Swedish-Danish border, in identified core competencies: Medicon Valley Academy (health / pharma); Øresund IT Academy; Øresund Environment Academy; Øresund Food Network; Øresund Logistics; Diginet Øresund (digital entertainment); Nano Øresund.

The existence of cross-border support from the EU was one of the main catalysts for taking the project forward – without EU support the challenge of accessing different national funding would have been too complex. The project also demonstrates how the EU can encourage and assist developed border regions in increasingly sophisticated co-operation, in fields directly linked to the Europe 2020 Strategy. It has galvanised the public, private and education sectors to work together for the common good of the wider region, through this individual project, and by placing this project at the heart of a longer, multi-annual programme approach.

### 4.5. Social Cohesion

Investing in people is not only a core EU policy but also makes economic sense. According to OECD data, the average private and public rate of return on education and training is between 8% and 11.5%, well above most other public investments.

Financial support at EU level through the European Social Fund spurs national reforms towards common employment objectives.

***Job-brokering service in Hungary***

In Hungary, the European Social Fund has helped the employment services to enhance short-term matching between the needs of the labour market and the skills available. The new job-brokering system provides better knowledge of instant and short-term variations on the local labour market. A number of measures have been introduced, including the provision of regional and local labour market information to employers and employees and the development of an internet based-system that helps employers give quick, practise oriented feedback to the PES about the labour market demand'. This service provides quicker answers to stakeholders, leading to better adapted training for unemployed people and other jobseekers, considerably increasing their prospects on the labour market.

EU spending in employment, education and social inclusion has helped its capacity to leverage additional public and private funding, which would otherwise not have been channelled to these areas. By concentrating on the modernisation of labour market and education institutions in a systematic way, EU programmes allow every euro spent to support on the employability of a higher number of people.

- Over the period 2000-2008[20], the ESF supported approximately 76 million people and 1.7 million organisations. ESF participants have been recruited into one in four of all new jobs created and the ESF was directly responsible for half the progress made on the EU-level life-long learning benchmarks.

- Each year over the 2007-13 programming period, projects funded by the ESF are estimated to help 1.7 million people into employment (two-thirds of people supported by the ESF are unemployed or inactive; 10% are long-term unemployed; more than half are women and about a quarter are under 25.

Under the 2007-2013 programming period, young people are supported in all Member States and in 91% of the ESF Operational Programmes, accounting for 68% of the budget. Between 2007 and 2009, 5.8 million young people have benefitted from the ESF through training or mentoring.

***ESF support in West Wales***

In rural West Wales (UK), the ESF supported a € 4.5 million project to assist young people most at risk of dropping out of school. Teachers and youth leaders co-operate to offer guidance and emotional intelligence support to 11-13 year olds. The project has helped over 7 000 young people.

The benefits of building the human capital of future generations of workers are usually felt in the long run and are often are difficult to estimate. The stability of the EU programming periods offers all actors a *stable environment* to undertake the necessary long-term strategic planning required in employment policy, often compensating for the fact that domestic funding tends to be more vulnerable to short-term shifts.

***Social Integration of people through the ESF (Spain)***

In Spain's Castilla y León's region, the ESF co-financed the "Access" programme to improve the social integration of Roma people. In 2010, 208 women and 220 men were helped to find employment. The programme works in several Roma

[20] The data presented in this section comes from the ESF ex-post evaluation as well as 2009 data from MS provided in annual implementation reports.

communities in the region and targets those who are furthest from the labour market. Participants receive tailored training and job-search assistance.

## 5. ADDED VALUE THROUGH SOLIDARITY ACROSS THE EU

Different EU policies are an expression of solidarity across Europe, helping to remedy consequences of the economic crisis or of natural or man-made disasters.

### 5.1. Solidarity through cohesion policy

***The MG Rover case (United Kingdom)***

The package of support offered by the Better West Midlands project in England delivers a bespoke service tailored to the needs of both employers and individuals. It includes individual advice and support and access to skills and training provision. This project builds on previous successful programmes which were developed as a response to the closure of MG Rover. Funding from the European Social Fund helped to provide an extended range of support and training to workers under threat or notice of redundancy, prior to their current employment ending. The aim is to maximise their capability to move directly into new employment. The project will help about 14 500 people from companies across the West Midlands in manufacturing and other sectors.

Cohesion policy can help develop prevention measures, building synergies between different EU policies.

***Flood management along the Tisza river, Hungary***

The Tisza river basin in eastern Hungary is a flood-prone area that has had several major disasters in the past. Flood reservoirs have been created on some of the original flood plains of the river which were curtailed by dikes over the centuries. The ERDF and Cohesion Fund is investing €290 million of a total of €400 million for the construction of six reservoirs and the relocation of several dikes. These investments started in 2000-06 and will continue over 2007-13.

A fully integrated approach was developed, involving the Ministries of Agriculture and Environment, the research and scientific community as well as local authorities and the general public, enhancing the governance approach.

The first reservoir was completed in 2008. In addition to helping to adapt to climate change, natural flood reservoirs have several co-benefits and are the typical win-win investments on ecosystem services such as an efficient solution to significantly reduce flooding risks (buffer role of nature); providing storage water for irrigation, thus offering a solution to ease droughts; restoring space to river and nature thus protecting biodiversity (creation of wetlands); addressing problem of decreasing groundwater level (regular flooding of the reservoirs); offering new potential for eco-friendly agriculture, nature tourism and leisure activities.

This is a good example of the added value of the EU assistance as the use of EU funding resulted in an integrated and cross-cutting approach, building synergies between cohesion policy and CAP. The use of cohesion policy funding ensured a reinforced governance by involving local communities, civil society and socio-economic partners. Finally, funding from cohesion policy also benefits the neighbouring countries (mitigation of flood risk).

### 5.2. Solidarity through the EU civil protection mechanism

The EU civil protection activity is focused on adding value to Member States efforts by providing effective systems for preventing and protecting against man or natural disasters. In supporting and supplementing national policies in the field of civil protection the EU contributes to make them more effective through the pooling of experience, assets and mutual assistance which helps to reduce the loss of human life, injuries, material damage and economic and environmental damage, When disaster strikes within the EU or in third countries, the authorities of the affected Member States can benefit from immediate and tangible assistance through the EU Civil Protection Mechanism.

***Response to floods in Poland***

In May 2010 Poland experienced the worst flooding in 250 years. Over 2,000 $km^2$ were flooded, which corresponds to 0.8% of Poland's territory. Participating States to the EU Civil Protection Mechanism had been pre-alerted on 17 May. Two days later, Poland issued a formal request for assistance which triggered a very generous response by several countries via the Mechanism. The MIC coordinated teams and pumps sent by CZ, DE, DK, FR and NL and also mobilized the EU co-financed High Capacity Pumping module of Estonia, Latvia, and Lithuania in the framework of the Preparatory Action on an EU Rapid Response Capability. A Liaison Officer was dispatched to Poland who followed the Balt Flood Combat module and contributed to the preparation of flood forecast maps. Overall, this joint effort greatly helped Poland to deal with the floods and get back to normalcy as quickly as possible.

***Combatting forest fires in Portugal***

In July 2010, the Portuguese authorities requested assistance through the European Civil Protection Mechanism following a critical and aggravated forest fire situation which included 350 forest fires and all national available means were in incessant use. Portugal requested heavy aerial means for forest fire combat operations consisting of two water bomber planes. The request immediately triggered several offers of assistance by Italy, Greece and France. Spain had already assisted Portugal in fighting fires in the Viseu and Braga region. The Italian, Greek and French offer consisted of two water bomber planes each. Portugal accepted the Italian offer and these planes were in action by the afternoon of the request and based at the Ovar airbase in the North of Portugal.

## 5.3. Solidarity through the European Globalisation adjustment Fund

The European Globalisation adjustment Fund (EGF) was established in 2006 [21] to support workers made redundant as a result of major structural changes in world trade patterns due to globalisation.

The EGF has a budget of up to €500 million, and supports active labour market policy measures to help redundant workers find new employment. The EGF intervenes in case of mass redundancies (more than 500 workers) or in small labour markets.

The EGF was revised in 2009[22] to extend its scope to support to workers made redundant as a consequence of the global financial and economic crisis and to increase the EGF co-funding rate from 50 to 65 %.

Between 1 January 2007 and 31 December 2010, Member States submitted 71 applications for EGF support, covering more than 72 000 workers in some 6 000 enterprises, both large and small, operating in various economic sectors. The total amount of EGF support requested amounted to €337 million. Without it, support to workers would have been less extensive or less efficient, particularly in (small) regions with high numbers of redundancies. The EGF has also been useful in terms of helping workers to upgrade their qualification level. Of all workers targeted for assistance so far, 46.3 % had low levels of qualification, 42.3 % medium levels of qualification and 11.4 % higher qualification levels.

***EGF supports more than 3000 workers in Germany***

In June 2007 Germany applied for EGF support following 3 303 job losses when the Taiwanese mobile phone manufacturer BenQ withdrew all financial support from its two German based subsidiaries, causing their insolvency. These subsidiaries were located in Munich, (Bavaria), Kamp-Lintfort and Bocholt (North Rhine Westphalia). 2 528 of the dismissed workers decided to enter into a transfer company to benefit from active labour market policy measures. The EGF made it possible to extend the period from 12 to 17 months and to increase the quality of the support measures. Ultimately,
1 879 (or 74 %) of the EGF beneficiaries were reintegrated into the labour market.

## 5.4. Solidarity through the European Union Solidarity Fund

The EU Solidarity Fund (EUSF) enables the EU to give financial assistance to Member States and countries negotiating their accession to the EU in the event of major natural disasters. The EUSF is financed with appropriations over and above the normal EU budget, to be approved by the European Parliament and the Council on a case by case basis. The maximum annual amount that can be mobilised is €1 billion.

Since its creation in 2002, the EUSF has been used to provide support for those suffering from 45 disasters covering a range of different catastrophic events

21 OJ L 48, 22.2.2008, p. 82
22 OJ L 167, 29.6.2009, p. 26

including floods, forest fires, earthquakes, storms and drought. 23 different European countries have received more than €2.4 billion. Assistance from the EUSF may be used to supplement national public expenditure for essential emergency operations such as the restoration of essential infrastructures and securing protective infrastructures, for rescue services, provisional housing, cleaning up and the protection of cultural heritage.

***Support from the EU Solidarity Fund for the L'Aquila earthquake***

In April 2009, an 5.8 magnitude earthquake devastated the Italian region of Abruzzo claiming the lives of 300 people and causing severe destruction of basic infrastructure, private homes, public buildings, businesses and the region's impressive cultural heritage. With total direct damages exceeding €10 billion the disaster qualified as a "major natural disaster". Following an Italian request for support, the Commission proposed granting assistance amounting to €493.8 million. The amount was approved by the EP and the Council and subsequently used for first emergency operations, two housing projects creating accommodation for over 20 000 people, and a project for the creation of temporary schools. The L'Aquila earthquake was the biggest disaster since the creation of the Solidarity Fund.

# 6. EUROPEAN ADDED VALUE IN THE COMMON AGRICULTURAL POLICY

## 6.1. The notion of EU added value in the CAP

The CAP is a fully common policy of the EU. It provides European added value by supplying European citizens with safe and high quality food in a competitive market, maintains the wide variety of landscapes throughout Europe through sustainable land management and helps rural areas to remain viable and attractive.

The CAP helps the EU to respond effectively to transnational goals and cross-border challenges such as mitigating climate change, enhancing biodiversity and contributing to economic and social cohesion, the development of the Single Market and the EU trade policy, through a common set of rules, principles and objectives;

The CAP also ensures a more efficient use of the budgetary resources of the Member States vis-à-vis the coexistence of national policies. In the absence of a single common policy, 27 different national policies would be more costly and certainly less effective, inducing different levels of intervention and trigger a major risk of distortion of competition;

## 6.2. Synergies with other EU policies

### *6.2.1. Ensuring a positive contribution to the environment*

Through its design and implementation as a common policy the CAP helps EU farmers to respect environmental legislation and requirements because its decoupled direct payments are subject to compliance with environmental laws ( non-respect for these laws is followed by a reduction in support payments to farmers) and through more targeted rural development measures (like agri-environment schemes). By ensuring the development of a sustainable agriculture across the EU territory and encouraging farmers to adopt agricultural practices that preserve the environment, safeguard the countryside and mitigate the impact of climate change, these instruments have allowed considerable achievements in the field of environment and climate change.

***Climate change mitigation and provision of environmental public goods***

The introduction of decoupled direct income support combined with the implementation of specific and targeted agri-environmental measures have contributed significantly to climate change mitigation across the EU through the reduction in the EU beef herd while ensuring the provision of environmental public goods through the support to environmentally-friendly agricultural practices.

Today, while agriculture and forests cover 47% and 37% of the EU territory respectively, approximately one third of agricultural land has high nature value where valuable habitats have developed in interaction with farming practices. Policy indicators reflecting the path of CAP reform show that agricultural and forestry areas under successful land management would contribute over the 2007-2013 period 57 million hectares to biodiversity, 38 million hectares to water quality, 26 million hectares to climate change and 37 million hectares to soil quality. The protection of permanent grassland which is important for carbon sequestration has allowed the stabilisation of this type of land use in spite of the decline in beef production triggered by the introduction of decoupling.

Further achievements have taken place such as the substantial decline in the use of fertilizers since the late 1980s, estimated to reach -28% for nitrogen, -67% for phosphorus and -61% for potassium by 2017 compared to 1988 levels. In a similar way the reduction in greenhouse gas (GHG) emissions from the agricultural sector have outperformed other economic sectors and reached 20% between 1990 and 2005 for non-CO2 (more than twice the rate of the EU commitment required by the Kyoto Protocol). The agricultural sector now accounts for around 9% of total EU GHG emissions.

### *6.2.2. Ensuring the well functioning of the EU market*

A Community approach allows the application of common rules in the single market and therefore provides fair conditions and a level playing field for all the Member States. In this respect, the CAP, which definition and implementation stems from the Treaty on the Functioning of the European Union (see notably Article 38), has proved its value in ensuring the functioning of the single market in the field of the agro-food sector while applying agreed European common standards such as food safety and animal welfare within a context of increasing competitive pressure.

A common policy and the reforms it has undergone have led to increased competitiveness and sustainability of European agriculture.

***Market measures in the management of the dairy crisis***

The global dairy crisis, which generated a sharp drop in dairy commodity prices in 2008 and early 2009, affected very significantly farmers' income across the whole EU. The efficient and targeted use of CAP market measures (EUR 371 million for the 2009 budget year), prevented EU commodity prices from falling below the reference price levels, thus shielding the EU dairy sector from the more pronounced price drop on the world market.

The timely and flexible implementation of the common market measures - including the extension of the intervention buying in period for butter and skimmed milk powder as well as advanced and extended period for granting private storage aid for butter - proved to be an effective tool to stabilise EU dairy markets and contributed to reducing the impact of the dairy crisis on farmers` revenue. Overall, seventeen[23] Member States were involved in the various storage schemes that reduced supply pressure on EU markets, contributing to the stabilisation of commodity prices. In the absence of a common policy toolkit, the diverging response of different national polices would have aggravated the situation, causing disproportionate market disturbances and distortions across Member States and potentially on the world market.

#### 6.2.3. *Ensuring trade compatibility*

The CAP helps the EU to pursue a consistent trade policy vis-à-vis our global trading partners, most notably by enhancing its bargaining power.

The common set of rules for CAP support, in particular through the granting of non-trade distorting decoupled direct payments which represents the bulk of public support, enables the EU to strengthen and consolidate its position in its negotiations with its trading partners. The progress that has been made at international level through the conclusion of trade agreements could have been jeopardised if, in the absence of a common EU policy, diverging national policies had prevented compliance and compatibility with the required rules and criteria (e.g. Member States might have opted for the continuation of a considerable amount of coupled support at national level).

#### 6.2.4. *Ensuring cohesion and solidarity*

The combination of the CAP instruments (both EU-wide support instruments and targeted rural development policy measures) provides a significant contribution to cohesion and solidarity between Member States and regions. This was particularly evident during the EU enlargement phase and is still valid today.

The instruments of the CAP in general, and rural development policy in particular, offer a wide range of types of support designed to help unlock the potential vitality of the farm sector and rural areas across the EU: economically, environmentally and socially.

For example, support is available for training, for investments in farm modernisation – including for semi-subsistence farms in the new Member States – product development, preservation of landscapes and ecosystems, tourism, business development, village renewal, cultural heritage and the provision of essential services. These types of support work in combination to enable rural areas to develop

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23 Belgium, Czech republic, Denmark, Germany, Estonia, Ireland, Spain, France, Lithuania, Luxemburg, Netherlands, Austria Poland, Finland, Sweden, United Kingdom.

in a balanced fashion – a need which is especially clear in various regions which are lagging behind.

The added value of the CAP comes partly from the fact that it provides one common legal reference and policy framework. This places a vast reserve of experience and tested policy approaches at the disposal of all Member States and regions. It also helps to ensure that, to a large extent, Member States follow common aims with regard to farming and rural areas, instead of implementing separate national policies which could compete with and partially nullify each other.

The added value of the CAP in this context also lies in financial solidarity. A common policy has provided the funding necessary to implement valuable policy measures across the EU. If Member States were thrown back on their own financial resources, many of them would not be in a position to help their farm sectors and rural economies along the path of sustainable development. This problem would have been especially acute after EU enlargement, and there would have been a significant danger of over-rapid and poorly managed restructuring (e.g. with a rural exodus and serious damage to the environment).

### 6.3. Bringing the barriers down

Some of the challenges which face rural areas are intrinsically cross-border in nature, especially environmental challenges. As has already been mentioned, the CAP helps to address these challenges at the most efficient level – which is the level of the EU.

This support comes especially through the "Leader approach", which focuses on innovative solutions designed by a wide range of people who perceive that they have a common interest.

***Transnational Cooperation in the Wine Sector: promoting local wine products and businesses (Luxembourg, France, Germany)***

High quality wine has been produced in the Moselle valley for some 2 000 years. The valley covers 3 countries and local producers all face similar problems: unpredictable climate, difficult terrain and a challenging market for wines. Realising their mutual interests are based on strengthening competitiveness in their local wine sectors, producers from Leader territories supported under the rural development policy (local action groups) located on the Luxembourg, German and French banks of the River Moselle decided to set-up a TNC (transnational cooperation) project to work on the topic.

Core objectives are: 1) Initiate and sustain transnational collaboration between local vintners and wine-growers; 2) Increase the value-added of local products through cross-border actions (evaluation, processing, presentation and marketing) in support of Moselle wine from this unique landscape; 3) Maintain a European wine cultural landscape, and; 4) Create a cross-border identity for vintners and wine producers in this famous European valley.

Early business development outcomes from the Leader initiative identified opportunities for making use of the Moselle wines' distinctive international identity. Results are helping the Terroir Moselle partners to promote their products as "the most European of all wines" – so called because of their tri-country characteristics.

This unique selling point is now being used as an advertising tool and special attention is given to markets outside the Moselle region.

The EU budget contributes €137500 to this project out of a total cost of €250000.

### 6.4. Critical mass

The creation of quality labels such as geographical indications and the EU organic farming logo has helped generate a critical mass of quality and safe products all across the EU. The harmonised legal framework and incentives have motivated farmers to develop a common type of market, which shares similar characteristics and standards demanded by EU consumers. The role of the CAP in supporting local farmers to create quality and environmentally friendly products (e.g. organic products) and develop a market for them was crucial, and now many other farmers have been encouraged to follow this kind type of production.

## 7. EUROPEAN ADDED VALUE IN EDUCATION

Different strengths and different traditions give Europe an opportunity to harvest real gains from pooled experience in **education and training**. But this potential is best unlocked through mobility and mobility can only be effectively handled at EU level. It cannot be delivered unless there is an EU-wide network capable of turning the strong demand for student mobility into reality.

The **added value of Union level** support comes from the **transnational character** of the activities in the field of education and training that are additional to national or regional support structures.

- Offering individuals the opportunity to experience other countries and cultures not only improves their employability but also promotes a more European-minded, flexible and mobile workforce that improves Europe's competitiveness and innovation potential.

- Increasing the mobility capacity of workers across fragmented labour markets has an impact on the structural employment rates in an area of free movement of capital.

Only EU programmes can guarantee that all Member States can benefit from mobility and exchanges of good practices in this field. In addition, the European action ensures optimal dissemination of results.

***The Erasmus Programme***

Erasmus devotes €500 million annually to part-funding the transnational learning mobility of university students and staff. Since 1987, with very low administrative costs, the programme has provided grants to more than 2 million students; today it supports over 200 000 Erasmus students every year, and the 3 million mark should be achieved by 2013. Erasmus also support over 40 000 members of university staff every year. The programme enhances the skills, adaptability and employability of students, strengthening the openness and efficiency of labour markets; it enhances professional development for staff members, improving the effectiveness of European higher education.

Beyond promoting personal development, Erasmus represents strong European added value: it has triggered systemic changes in European higher education institutions. The programme has led universities to strengthen and systematise their management of international cooperation, which in turn has led to the creation of the European Higher Education Area (EHEA) via the Bologna Process. With 47 participating countries, the EHEA now stretches far beyond Europe's borders, enhances the convergence of degree structures (Bachelor-Master-Doctorate), and facilitates the mutual recognition of studies carried out abroad (ECTS credit transfer system). Erasmus also contributes directly to the consolidation of mobility infrastructure for the 1.5 million young Europeans who study outside their home country, who represent over half the number of foreign students worldwide whereas the EU represents less than 10% of the world population.

***E-Twinning***

This is an excellent example of strong EU added value and impact combined with cost-effectiveness. With a small annual budget of around €10 million, eTwinning has successfully brought together 33 participating countries and created an active and constantly growing community of over 130 000 teachers. With eTwinning, teachers from across the EU and beyond communicate, share resources, experience and good practice, and set up projects with their pupils in a safe internet environment. More than 5000 eTwinning projects, involving over 12 500 schools and around 225 000 pupils are currently running.

Rather than directly financing individual projects, eTwinning provides a virtual infrastructure for transnational networking, training and support, which has two key impacts. Firstly, costs are kept to a minimum (€76 per teacher, €44 per pupil), as eTwinning is a catalyst for developing European cooperation projects which are funded nationally. These projects often receive media attention and recognition and are thus highly visible; value-for-money increases yearly, as an increase in the number of projects and activities does not require an increase in the EU budget contribution. Secondly, with its very large participation, eTwinning provides strong EU added value by contributing to objectives shared by all Member States, including ICT uptake and pedagogical innovation. The eTwinning platform also ensures systemic impact as it facilitates institutional modernisation and transnational partnerships between education providers. The scope of the eTwinning platform could be extended beyond the schools sector in the next generation of EU education programmes.

***The Baculit project (reading literacy)***

The level of reading literacy skills among school students across the EU is not improving, and in some cases is even declining. At a very small cost of €300 000, the Baculit pilot project of the Comenius Programme brings together partners from 8 Member States to promote reading literacy.

The project has significant potential to foster transnational cooperation and impact, at a very low cost: every year, on a very conservative estimate, the project's teachers training module will reach an average of 700 subject teachers in each participant country; more importantly: since teachers are multipliers, at a cost of only €1.5 per student, the Baculit project will change the way in which 70 000 pupils in the eight countries get support to meet the reading challenges of secondary education. Beyond this, the project will have strong EU added value, by leading to the establishment, for the first time ever, of an overall curriculum and a minimal standard for in-service training in reading skills for teachers.

## 8. EUROPEAN ADDED VALUE IN CULTURE AND MEDIA

### 8.1. Notion of EU added value in culture and media

Cultural cooperation at EU level seeks to ensure that culture makes its full contribution to both a competitive economy and an inclusive society. As provided in the Treaties, action by the EU shall be aimed at encouraging the cooperation between its Member States so that it contributes to the flowering of their cultures while respecting their national and regional diversity, and at the same time bringing their common cultural heritage to the fore. The action by the Union is therefore complementary to, supporting of and supplementing action by the Member States. At the international level, the Union plays the role of partner in the preservation and promotion of cultural diversity as well as in the development of dialogue between peoples and cultures.

The essential **added value** of the Culture Programme is its contribution to a greater awareness of the existence of a common European heritage, to intercultural dialogue, to awareness of the diversity and richness of European cultures, the promotion of the transnational mobility of artists/cultural professional and of their works. In line with the Europe 2020 strategy, creative industries supported by EU action (e.g. European Capitals of Culture, translation of fiction, EU Prizes, etc) contribute to innovation, to jobs creation and to local and regional development.

The main community instrument in this domain is **the MEDIA 2007 programme** (2007-2013), the objectives of which are to strengthen the competitiveness of the European audiovisual industry, to encourage the transnational circulation of European audiovisual works and to reduce imbalances between European countries to preserve and enhance cultural diversity. The audiovisual sector is rapidly growing under the influence of new technologies, new players and an increasing number of participating countries. The programme supports training for professionals, the development and the cross-border circulation of European audiovisual works (e.g. 300 new films representing 50% of European films displayed on screen every year) in highly fragmented national markets that suffer from the lack of financing and capitalisation.

***Support to films***

**"The King's Speech":** the film received four Oscars at the 83rd Academy Awards ceremony in Hollywood. It scooped the big prizes for Best Picture, Best Director (Tom Hooper), Best Actor (Colin Firth) and best original screenplay (David

Seidler).The project received €562 000 in distribution support from the EU MEDIA fund for cinema. Tom Hooper made 'The King's Speech' on a shoe-string budget by Hollywood standards, for less than €11 million. The funding the film received from MEDIA aims to encourage distribution outside the country where it was made – in this case, outside the UK.

**"In a Better World":** this is the third Danish film to win the best foreign language category after 'Babette's Feast' (1987) and 'Pelle the Conqueror' (1988), received €540 000 from MEDIA for distribution support. Two other EU-backed films were also nominated for Oscars – 'Dogtooth' (Yorgos Lanthimos, Greece, best foreign film category) was awarded €21 000, and 'The Illusionist' (director: Sylvain Chomet, UK/France, best animation category) received €126,000

The new **Media Mundus programme** supports cooperation between professionals from the EU and from third countries. It will provide consumers with a larger choice by bringing more culturally diverse products to European and international markets and will create new business opportunities.

As from 2011 the new **MEDIA Production Guarantee Fund** is operational. This is an instrument aimed at supporting and facilitating the access of the professionals of European audiovisual companies to bank credits.

## 8.2. The economic impact of EU action in this field

The added value of action at EU level measured throughout the leverage effect of the MEDIA 2007 programme is very significant. Despite a limited annual budget of €100 million i.e. around 0,1% of the size of the market, MEDIA has achieved significant results by targeting its actions on specific areas.

One can estimate that one euro from the Media Programme invested in the distribution of a project triggers the generation of €6 from private financing sources. Without the EU intervention, neither the decreasing market share of the European cinema (30% worldwide) nor the still modest distribution of non-national European films (9% EU-wide) would resist global competition and both would be considerably lower.

– For example through the network Europa Cinema, MEDIA supports the programming of European films in European cinemas. The network includes 1813 screens across the 32 countries members of the MEDIA Programme, representing 20% of first-run screens available in Europe. Their quality programming has attracted 59 million admissions (against 30 million in 2000) representing 5.6% of total admissions in Europe (2,8% in 2000) and 11% of admissions to European films.

– The proportion of non-national European films programmed in the network reaches 36%), against an average of 7-8% in Europe. European films account for 57% of admissions to Europa Cinema screenings, against a European average of 21.1% . On the basis of that difference, it can be estimated that without MEDIA support, admissions to European films would decrease from 33 million to 16 million, representing a € 100 million loss for the European film industry as a whole.

The multiplier effect of the MEDIA support in the cinema theatres sector can be estimated at € 13 revenue generated for each euro invested.

## 9. EUROPEAN ADDED VALUE IN ENVIRONEMENT AND CLIMATE ACTION

Most environmental problems have a cross-border or transnational nature and cannot be solved by Member States acting alone without international cooperation. Member States need to join forces and create partnerships with stakeholders to tackle these problems which, if not solved, may later come at a great cost for the EU as whole. The LIFE programme attracts partnerships that otherwise would be difficult to set up ensuring a more effective intervention than Member States individual action by an increased pooling of resources and expertise.

Some EU environmental problems are better addressed at regional or local level, also because some EU environmental assets are much more localised while other issues, such as climate changes, are global by nature. Local solutions can be replicated in other areas or transferred to sectors facing similar problems. LIFE provides the platform for development and exchange of best practices and knowledge-sharing allowing Member States and stakeholders to learn from each other and address the environmental problem more efficiently.

Environmental assets are unevenly distributed across the EU but benefit the whole of the EU. The EU level the legal obligation to preserve them calls for a consistent application of the principle of responsibility sharing and solidarity.

LIFE helps Member States and stakeholders to accelerate and improve the implementation of EU legislation by finding more cost-effective ways to address environmental problems and by creating synergies across EU funds and national funds while levering in additional national and private sector funds to ensure the continuation of activities financed under LIFE or expanding their results. LIFE has created partnerships between different Member States' authorities and specialists in communication to develop campaigns that raise awareness among authorities, citizens and the private sector on the need to adopt more sustainable practices. Without LIFE, the geographical impact of such campaigns would have been much more limited.

***The PERBIOF project***

Wastewater treatment plants face recurrent problems such as sludge production and toxicity of treated effluents in the tannery sector. The PERBIOF project developed at demonstration scale an innovative technology for treating municipal and/or industrial wastewater. The high compactness of the plant in comparison with traditional plants meant the footprint is only 25% of that of a standard plant and sludge production is about one thirtieth of the amount produced by a traditional plant. Although investment costs are 10% higher than for a standard plant, operating costs are one-third of those of a standard plant.

With a contribution of €625.000 over 3 years from the LIFE programme, this project is due to generate €72 million per year in cost savings by the tannery industry. The project yields a Net Present Value (NPV) over 10 years, discounted at 4%, of €655 million. This is equivalent to over €1,000 in benefits generated for every €1 spent in the LIFE programme.

*Changing behaviours*

**European day 'In town, without my car?'** (subsequently becoming the **European Mobility Week):** In 2002, the campaign succeeded in establishing a truly European initiative with 320 cities from 21 countries taking part in European Mobility Week. A second event held in September 2003 consisted of a week-long series of awareness-raising events focusing on various aspects of sustainable mobility. Mobility Week succesfully continues taking place in Europe and is now spreading to the rest of the world via grassroots networks.

**The European Week of Waste Reduction.** The LIFE project *EWWR* aims to reduce the amount of waste generated in the EU by mobilising all relevant actors in a EU-wide awareness-raising campaign and changing behaviours of different stakeholders in their waste generation. Five Member States have joined together to develop a common strategy as well as tools to carry out awareness-raising activities on recycling around the EU over one week every year. In 2009, 2,672 initiatives were carried out, in 2010 there were 4,346 in 24 countries reflecting the success of the event. In 2011 expectations are even higher.

## 10. EUROPEAN ADDED VALUE IN HEALTH AND CONSUMERS

### 10.1. Health

The value of investing in preparedness, prevention and coordination of measures on health threats and communicable diseases at EU level was clearly demonstrated in the H1N1 outbreak in 2009. Strengthening the capacity to manage serious cross border health threats, as well as the joint procurement of pandemic vaccines is also an area where significant EU added value can be obtained. The EU can also deliver significant benefits on cross-border issues such as cross border healthcare, health inequalities and from developing strategies to counter growing anti microbial resistance, development of cost-effective health technologies and innovative healthcare, and the promotion of healthy ageing through an European Innovation Partnership.

Actions under the Public Health programme complement and add value to Member States' actions in the area of health promotion and prevention of illness (including work e.g. on nutrition and smoking; reduction of inequalities in health care), protection of citizens against health threats, in particular pandemic preparedness, the safety of medical products, blood, tissues, cells and organs) and co-operation between health systems.

**Rare diseases** are diseases with a particularly low prevalence affecting not more than 5 out of 10 000 persons in the European Union. This means that between 5.000 and 8.000 different rare diseases affect or will affect an estimated 6-8% of the EU population which translates into 29-36 million people in the European Union. The specificities of rare diseases - limited number of patients and scarcity of relevant knowledge and expertise - single them out as a unique domain of very high European added-value.

***The ORPHANET data base***

The Orphanet database, funded by the European Commission (€6 million) allows access to information about 5.868 rare diseases. Any patient or health professional can receive information about all the clinics, hospitals and specialists able to treat the disease throughout Europe as well as information on available orphan drugs, ongoing clinical trials, best practices sheets, patient's associations, registers, etc. This type of effort is impossible to do at national level and permits sharing knowledge and best practices for every rare disease. European cooperation can help to ensure that scarce knowledge can be shared and resources combined as efficiently as possible, in order to tackle rare diseases effectively across the EU as a whole.

The creation and operation of the data base cost €6 million. For a cost of €0.20 for each of the 30 million EU citizens suffering from a rare disease, this enables access to the data base allowing for better information on management and cure of the disease.

**Cooperating on cross-border diseases** such as H1N1 flu also cannot be undertaken by individual Member States, and depends on initiatives and funding at EU level. In the area of health threats, EU's role, beyond the coordination of the answers to theses threats, is also to enhance the capacities of the Member States and of third countries to answer these threats. The rapid and coordinated answer to global health threats is also EU's role.

The Public Health Programme has developed and strengthened **networks** among European health specialists, national and regional health authorities and other stakeholders that greatly contribute to knowledge sharing and building health capacity in the EU. It also builds consortia, partnerships and other forms of interchange of information and practices across Europe, thus boosting cooperation and the pace of research. The outcomes of the projects and actions funded by the Public Health Programme constitute the most effective, if not the only way to build the evidence base for defining much broader regulatory policies (for instance on cancer, Alzheimer, rare diseases and health inequalities).

***The cancer screening guidelines***

Cancer screening guidelines were developed through EU level cooperation between highly qualified experts across the EU. This could not have been achieved by Member States operating separately and individually without substantial financial and human resources inputs. The guidelines now represent the official health care quality standard at European level. By implementing the Guidelines Member States have the potential to organize their health systems more effectively and efficiently.

The guidelines have been implemented in the Member States to mandate population-based screening programmes thus improving the diagnosis and management of cancer. Early detection can save billions of euros in subsequent care.

The cost of development at EU level of the guidelines on breast and cervical cancer screening was €21 million. Had the guidelines been developed at the level of the 27 Member States it would have cost significantly more and resulted in 27 different guidelines in the 27 Member States. For a cost of less than €0.05 each EU citizen has the comfort of knowing there is a standard for early screening and detection of cancer.

In the area of **animal health**, major animal diseases can have a devastating economic impact, and can also impact on public health. Diseases do not stop at borders. The EU allocates around €300 million per year to co-finance annual or multi-annual programmes to control and eradicate a number of diseases. Despite the emergence of new diseases such as bluetongue, the EU health status has continuously improved, also in the new Member States, with a positive impact on the functioning of the internal market in live animals and food of animal origin, on EU export possibilities and on consumer confidence. Support at EU level is important as the impact is cross-border whereas the costs are to be shouldered generally by one Member State alone.

***Fighting swine fewer***

Classical swine fever is a major disease of pigs and wild boar which caused devastating outbreaks in the 1990s in several EU Member States. The direct and indirect losses from the outbreak in the Netherlands in 1997-1998 were estimated at around €2 billion. Since the mid-1990s the EU allocated around €218 million for emergency eradication and surveillance. The disease situation has improved considerably, with no major outbreak during the last ten years, leading to a virtual eradication of the disease in most of the EU, and a substantial improvement also in the new Member States. This intervention has led to major savings: each euro spent at EU level has a potential cost savings of at least €9 for the budgets of the Member States.

***The European Union Reference Laboratories (EU-RLs)***[24]

A network of European Union and National reference laboratories (EU-RLs) dealing with major animal diseases has been set up with scientific and technical expertise within the areas of animal health, public health and zootechnics. In order to protect public health, potentially hazardous residues and contaminants are put under vigorous scrutiny and strict authorisation procedures for new additives and crops for feed and food production are in place. The aim of EU-RLs is to guarantee uniform detection, quantification and authorisation procedures. The activities of EU-RLs cover all the areas of feed and food law and animal health. The main objective of the EU-RLs is to contribute to a high quality and uniformity of results obtained in the various official food and feed control laboratories throughout the European Union.

EU-RLs also represent a unique platform for information exchange on analytical methodology and quality assurance tools for control laboratories. Together with the network of NRLs, they provide a pool of knowledge and facilities that makes them best placed to handle emerging issues.

In the area of **plant health**, outbreaks of serious plant diseases may cause major losses to agriculture, the EU economy, environment and landscape. Such problems

[24] http://ec.europa.eu/food/animal/diseases/laboratories/index_en.htm#list

can rapidly spread between Member States with intra-EU trade and impact the entire EU market. A weakness in any part of the chain in the internal market may result in spread of harmful organisms in the entire internal market.

Member States may receive EU co-financing for expenditures relating to eradication and containment of regulated harmful organisms of plants. Large-scale eradication actions by Member States for outbreaks are very difficult without EU support as an individual Member State has to bear large costs the effect of which to much extent are in the benefit of other Member States and the Union as a whole.

***Pine wood nematode***

For plant pests of major importance to the Union such as pine wood nematode, the eradication costs of Member States are in the range of €1 to €10 million per outbreak. The EU contribution approved since the start (1999) is €27 million for assisting in the eradication of this pest. Studies show that 10-13 million ha of pine forest in the south of Europe is threatened with a mortality of 50-90% and an annual economic loss for the Union of up to €400 million and a cumulative loss over the life cycle of the endangered forest of up to €90 billion. These amounts do not include the effects on the related wood industry nor the effects of expected quarantine trade restrictions by third countries.

Inaction at EU level in animal and plant health would undermine the internal market for the most basic of consumer goods – food. Each Member State would have its own standards and control leading to a fragmentation in the free flow of food and animal products thus undermining the sustained growth and potential of the largest industry in the EU – the agro-food industry.

### 10.2. Consumer Policy

EU actions and coordination is essential to ensure that products in the Single Market are safe, that consumers are provided with the right information, can get access to redress when things go wrong and have their rights enforced when buying cross-border. The essential coordinating role of the EU in consumer policy depends on initiatives and funding at EU level. Without this coordinating role, Member States' actions would naturally be confined to their national borders and the single market for consumers and businesses that the EU is aimed at strengthening would be undermined. Moreover the high level of consumer protection in Union policies that is advocated by the Charter of Fundamental Rights would not be assured.

The European added value of consumer policy spending is particularly visible in terms of increasing consumer safety, providing consumers with information and education on their rights, ensuring redress and enforcement of consumer rights through coordinated actions throughout the EU. For example, the financing of European consumer organisations representing consumer interests at EU level and the gathering of evidence through scoreboards and in-depth market studies ensures that consumer interests and consumer protection requirements are known and are taken into account in defining and implementing EU policies and activities as prescribed by the Lisbon Treaty.

Through the EU budget the Commission supports the coordination of actions in the Member States in the field of **consumer product safety** and runs an EU database for rapid alert on dangerous consumer products (RAPEX). Coordinated actions for ensuring safety at source are also undertaken in cooperation with the main world trading partners, notably China and the US. The enforcement of product safety by Member States requires coordination at the EU level to ensure effectiveness in ever more complex markets and supply chains across Europe and the world. Compared to a series of individual actions by the Member States, EU action allows filling in information gaps and avoiding disparities in the Single Market.

***RAPEX***

The number of measures taken against dangerous products and reported through RAPEX by Member States is constantly increasing; in 2010, in total 2,244 notifications were sent (a 13% increase compared to 2009). Main product categories for notifications were in 2010: clothing and textiles, toys and motor vehicles. Most common risks: injuries, chemical and strangulation.

RAPEX also enables the EU to support with good data the requests made to China to improve the quality and safety of Chinese origin products placed on the EU market. This is important knowing that China is the country of origin in approximately 60 % of the RAPEX notifications and in some categories (e.g. toys) the figure is even higher. Up to day, in total 5469 RAPEX notifications were submitted to Chinese authorities for a follow-up. So far, Chinese authorities have reported conclusions of their investigations carried out with regard to 1,386 notifications; in 795 investigated cases, Chinese authorities decided to take restrictive measures, including an export ban.

Regarding information to consumers on their EU rights across the Single Market the network of European Consumer Centres has proven particularly effective.

***The network of European Consumer Centres***

The ECC-Net was established and is co-financed at 50% by the Commission at an annual cost of around 3.5 million Euros. It provides a unique European network to inform citizens about their rights when shopping across-borders; and to support them in seeking redress with a trader in another EU Member State (plus Iceland and Norway) when something goes wrong. Governmental structures and national civil associations do not help consumers in cross-border cases. The system works because the network covers all Member States (EU dimension). Considering that the Member States' actions normally target the national market only, there would be no similar support to consumers shopping cross-border without action at EU level.

In 2009, cross-border expenditure amounted to 175 billion euros in the EU. The amount spent by consumers on cross-border internet shopping is estimated at 30 billion euros for the same year. In total, these expenditures represent 1.75% of EU GDP. As the total detriment suffered by EU consumers amounts to 0.4%, the detriment related to cross border shopping (including internet) can be estimated between 500 million and 1 billion euros.

In 2010, ECCs helped consumers clarify their claims for an amount of 14 million euros, and the volume of cases handled by the network has increased by more than 25% over the last 5 years. The services of the ECCs present a positive cost-benefit balance. Every Euro invested helped consumers to settle 1.77 Euro worth of complaints and contributed also to the establishment of a level playing field for business operators.

## 11. EUROPEAN ADDED VALUE IN TRANSPORT

Trans-European networks in transport are some of the best examples of the value the EU can bring to its citizens and its Member States. The Trans-European Transport Network (TEN-T) covers road, rail and inland waterway networks, seaports and inland waterway ports, airports and other interconnection points between modal networks. As the full functioning of the internal market and the achievement of the Europe 2020 strategy depend on access to transport infrastructure for individuals and companies, EU funding helps to join up missing links and remove bottlenecks.

TEN-T complements national funding: in transport, the EU budget finances EU public goods with strong interdependencies that Member States and regions could or would otherwise not finance themselves, or where it can secure better results. The TEN-T Programme has a budget of €8 billion for the current financial framework (2007-2013). Cross-border infrastructure links up Member States' networks and complete connections that would not otherwise exist. The European dimension of TEN-T policy can maximise the efficiency and effectiveness of Member States' finances and help reduce their total expenditure.

The development of effective transport networks is central to a successful economy. Competitiveness gains in other sectors can be squandered if infrastructure is dogged by problems like congestion. As the European economy has become more integrated, the costs of poor infrastructure have grown and the cross-border deficiencies have become more obvious. Allocating resources at European level is the only way to redress the natural preference for directing national spending to schemes which start and finish within national boundaries. It also provides an opportunity to help the less-developed economies of Europe to develop infrastructure of benefit to all Member States.

TEN-T makes a **key contribution to growth and jobs**. Infrastructure investment spending creates about 18,000 jobs for every $ 1 billion in new investment spending (direct, indirect and induced jobs).

***The Oresund fixed link***

The Öresund bridge is a combined two track rail and four lane road bridge-tunnel across the Öresund straight. It is the longest combined road and rail bridge in Europe.

Works started in 1995 and the link was open to traffic on 1 July 2000. The project cost was €2.7 billion and there were no budget overruns. All funds for planning, designing, building and operating the Øresund link as a whole are covered by road and rail fees. The repayment period is approximately 30 years.

Rail travel has developed quickly with a growth of 230% since 2001 with 11.2 million passengers in 2009. The construction of Citybanan in Malmö and the perspective of the Swedish high-speed trains will greatly increase the connecting rail capacity.

In 2009, 7 million vehicles crossed the Øresund Bridge. The high increase in traffic is mainly a result of the increased integration between the areas in both sides of the link. The traffic across the bridge has increased 10 to 16 percent each year since the opening, although in last two years, the recession has had an impact on the growth rates in traffic.

An important aspect of the Øresund regionalisation is that an increasing number of businesses have activities on the other side of Øresund. 10 Nordic headquarters were located in Scania and 18 Nordic headquarters were located in Copenhagen. The most successful examples of cooperation are the Øresund University and the Øresund Science Region. The Øresund fixed link demonstrates at what point infrastructure is the basis for the good functioning of the Internal Market.

The EU budget contributed €127 million to this project.

TEN-T makes also a key contribution in the **fight against climate change**. A large share of TEN-T financed projects are in more environmentally-friendly modes of transport and therefore allow for a shift of passengers and freight away from the more CO2-producing modes.

***The high-speed railway axis Paris – Brussels – Cologne – Amstrerdam - London (PBCAL)***

This is Europe’s first cross-border high speed passenger rail project, linking major cities in France, Belgium, Germany, the Netherlands and the United Kingdom.

The PBKAL (Paris-Brussels-Köln-Amsterdam-London) network offers substantial reductions in journey times between the five countries and therefore provides passengers with a real alternative to air and road transport and will make a significant contribution to the promotion of intermodal air-rail journeys, in line with Community transport policy objectives. It enables improved connections between some of Europe’s key airports - Brussels, Frankfurt, Cologne/Bonn, Paris Charles de Gaulle and Amsterdam Schiphol. The PBKAL is a Priority Project which has been completed with no outstanding financial or environmental problems.

PBKAL is currently used by three international operators: Thalys, Eurostar and ICE trains, as well as fast internal intercity services. The completion of the section between London and the Channel Tunnel in 2007 has had a big impact on cross-border traffic and provided a real alternative to air travel between London and cities in continental Europe. Eurostar has become the dominant operator in cross-channel intercity passenger travel on the routes that it operates, carrying more passengers than all airlines combined. A large segment of Thalys's total sales and income comes from the connection between Paris and Brussels. Airline companies no longer provide this service, as taking the train is faster than flying. The number of Eurostar and Thalys passengers increased from 6.5 millions in 1995 to 15.3 millions in 2009.

The EU TEN-T provided €720 million in funding while the EIB lent €1.8 billion on a total project cost of €17.3 billion.

# 12. EUROPEAN ADDED-VALUE IN CUSTOMS AND TAXATION

## 12.1. Customs Union

The EU customs union has been in place for more than 40 years and has generated **added value** far beyond the remit of European customs policy. In addition to collecting customs and agricultural duties for EU Member States and the EU budget (exceeding €20 billion/year), it supports Member States in the collection of VAT, excise duties and other revenue and ensures the control of exports in order to avoid undue VAT or excise refunds. Furthermore, it directly controls and implements other EU policies such as transport, agriculture, sanitary or environmental measures. The customs union increasingly manages the growing task of ensuring that goods entering or leaving the EU territory are safe for consumers and the environment. The customs union is also the frontline for ensuring the security of the supply-chain, the fight against smuggling and fraud, and the enforcement of intellectual property rights (IPR) at the border.

In managing the flow of goods, Member States are subject to different levels of burden in implementing the customs union, depending on geographical and historical factors such as key trade routes, type and extent of external borders (maritime, land, air) or regional exposure to smuggling and fraud. In contrast to the unevenness of the burden of implementing the customs union, the benefits of the customs union, inside an internal market with fully free movement of goods, are common and shared among the people of Europe.

Taking account of the **considerable and unique value added** to the Member States and the EU that the customs union provides, there is a need for financial support from the EU budget. **Concretely, €1 euro invested centrally through the EU can generate a saving of € 4 for the Member States**.

***The Customs 2013 programme***

With a budget of €324 million over the period 2008-2013, the Customs programme is a key EU tool that enables the customs union to function seamlessly as one, instead of a patchwork of 27 implementing administrations. The Programme allows, among other things, the national administrations to handle 7 customs declarations every second, totalling 211 million per year, without disruptions for imports and exports. Over one billion information messages are exchanged every year between tax as well as between customs administrations via IT systems covered by the tax and customs programmes, with an average growth rate of 40% in the last 5 years. With the help of this programme, 10 million trucks carrying third country goods circulate in the EU territory annually with real-time customs control (from departure to arrival and clearance) via 47 million electronic information exchanges.

The European-wide secure computer network interconnecting all customs and tax administrations costs €11 million per year but generates annual savings of €35 million for Member States, because they do not need to establish bilateral networks.

The central IT system which ensures that the EU tariff rates and trade measures are available online on a daily basis (TARIC) is another example of the enormous economies of scale that can be achieved through EU management. Since 2007, the Commission has spent €3.7 million to develop this system. If all Member States had developed their own systems, costs would have totalled about € 80 million which gives an impressive ratio of 1 of 20, thanks to funding via the EU budget.

Another recent example is the economic operators system (EOS) which stores information on 2.5 million legal entities registered in the 27 EU Member States that come into contact with customs administrations. Sharing this information between Member States avoids the need for economic operators to register in each Member State to perform customs operations, significantly reducing red tape and the cost of doing business. Development of the system by the Commission cost the EU budget €5 million. Had it been developed by each Member State separately, an estimated investment of €25 million would have been needed. Entirely electronic handling (replacing paper for all dealings with customs in all EU) offers further savings potential.

## 12.2. Taxation

EU tax policy focuses on the elimination of tax obstacles to all forms of cross-border economic activity. It also supports Member States in their fight against tax fraud. The operational taxation work of administrations has evolved from being limited to control within a Member State before the internal market to cooperation between

Member States after the establishment of the internal market. Administrative cooperation between tax authorities plays a key role 'upstream' in detecting and preventing fraud.

Combating VAT fraud represents a major challenge for the EU. The overall annual VAT tax gap (difference between theoretical and current VAT revenue) for the EU was calculated at € 112 billion for the year 2006. From studies made within Germany and UK, it appears that cross border VAT fraud is about 25% of the total VAT gap (around € 25 billion). Cross-border VAT fraud would be much larger in the absence of massive electronic exchange of VAT information between the tax administrations[25]. This represents billions of Euros in fraud avoidance.

***Fraud avoidance – VAT***

Using a centralised IT system, tax officers across the EU exchange more than 400 million messages on VAT on cross border transactions within the EU every year. With EU annual operational overall costs of less than €20 million (€6 million from the FISCALIS programme) the EU budget facilitates the detection of billions of Euros in VAT avoidance

In the excise field, since 2010, Member States control on line[26] the more than 2.5 million annual movements of goods (cigarettes, alcohol, energy products) which circulate under temporary duty suspension. In many EU Member States, the sale of untaxed alcohol and cigarettes constitutes a major problem. For example, according to a study undertaken by the UK approximately 5% of sales of spirit drinks were sold untaxed in tax year 2007 - 2008, costing 171 million euro in lost revenue per year, in the same year untaxed cigarettes represented between 7 and 16 % of sales between 800 to 2 500 million euro.)

***Fraud avoidance –excise duties***

The FISCALIS programme acts as deterrent in the fight against excise fraud by making it much more difficult for goods under temporary suspension of duties to be diverted from their declared destination (about 97% of all excise movements in the EU are monitored). It is estimated that the benefits hugely outweigh the cost of the IT system (annual overall cost of €30 millions to which the EU budget contributes €4 million).

## 13. EUROPEAN ADDED VALUE IN ENLARGEMENT AND NEIGHBOURHOOD

The successive enlargement of the EU is by its very nature a **common task** which can be pursued only at EU level. Only the Member States acting together can decide on the accession requests by new candidates. The pre-accession assistance provided through the EU budget is designed to help candidate countries/potential candidates prepare for future membership: IPA (Instrument for Pre-Accession) is built to give countries a "test run" of obligations of membership before accession (such as put in

[25] thanks to the **VAT Information Exchange system (VIES)**
[26] EMCS (Electronic Movement Control System)

place institutions for managing structural and cohesion policies, or adopting the *acquis*). No other multilateral or bilateral instrument can provide such a comprehensive toolbox.

Pre-accession assistance and support in the Neighbourhood region is an investment in the future of the EU, supporting the stability and prosperity of neighbouring countries; ensuring the effective capacity of candidate countries to implement the *acquis* upon accession and help approximation and gradual integration in the Neighbourhood region. Technical and financial assistance speeds up the process of preparation and creates incentives for the necessary transformation of the society, the legal systems and the economy. Such assistance helps meet the objectives of the internal policies of the EU, creates opportunities for EU businesses and provides **tangible return on investment**.

Without the intensive involvement and closer partnership embodied in pre-accession assistance and support to the Neighbourhood, the EU would certainly have to spend more on combating illegal migration, securing the external borders of the EU, ensuring security of energy supply and combating the effects of climate change and pollution. In recent years EU member states have been reducing the level of their bilateral assistance to candidate and potential candidate countries, acknowledging that coordinated action at EU level is more effective. About half of the overall financial assistance of the EU to the enlargement countries in 2009 came from the EU budget. Multilateral donor organisations have largely phased out their support and those that remain have now aligned their programmes to the EU's priorities.

***Regional cooperation and reconciliation in the Western Balkans***

IPA funds have been the catalyst for Western Balkan countries to embark in cross–border cooperation with the EU and with their neighbours. IPA cross-border cooperation is helping Western Balkan countries to overcome the legacy of the conflict of the past.

Under IPA, Western Balkans authorities prepared 8 bilateral cross–border programmes 2007–2013 (e.g. Croatia–Serbia, Bosnia Herzegovina-Montenegro, etc.). Despite the lack of previous experience implementation of cross border programmes (€ 86 million in total for the 8 programmes for the period 2007–13), resulted in extensive cooperation between Western Balkans countries, in particular at local and regional level. In the first four years (2007–2010) of implementation:

- 13,000 people were informed/trained during awareness seminars and trainings on project preparation;
- calls for proposals (2007–2008 funds) were over subscribed by five times: 492 projects were submitted for a total value of € 97 million, out of which 86 could be financed;
- 1,800 institutions/organisations entered into partnership relations and submitted jointly prepared cross–border proposals;
- 984 cross–border partnerships have been created.

Two more programmes were recently initiated between Kosovo[27] and Albania and Kosovo and the former Yugoslav Republic of Macedonia. A third one between Kosovo and Montenegro is also in the pipeline.

At borders between potential candidate countries and member states, IPA provided the necessary funds (€276 million for 2007-2013) to match ERDF allocations on the EU side (€330 million) to support 9 bilateral (e.g. Slovenia – Croatia, Bulgaria – Turkey, etc.) and 1 multilateral (IPA Adriatic: Italy, Slovenia, Greece – Croatia, Bosnia Herzegovina, Montenegro, Albania) cross–border cooperation programmes.

***Neighbourhood Investment Facility (NIF)***

The use of innovative financial instruments was spearheaded in the Neighbourhood Region trough the creation of the Neighbourhood Investment Facility (NIF). The NIF is a blending instrument trough which EU budget grants leverage IFI loans to provide assistance in support of the ENP objectives and its regional initiatives (Union for the Mediterranean (UfM), the Eastern Partnership or the Black Sea Synergy). Since its inception in May 2008, the NIF has been funded with nearly €308 million grant resources (€245 million from the EU budget, €62.5 million from the Member States) and has approved grant contributions to 39 projects for a total amount of about €277 million, contributing to leverage over €5 billion loans from European Finance Institutions for a total investment cost exceeding €10 billion. The NIF has proven to be an effective tool for mobilizing extra support for ENP countries (East and South) and it has also helped promoting donor co-ordination in the Neighborhood region.

## 14. EUROPEAN ADDED VALUE IN THE AREA OF EXTERNAL ACTION AND DEVELOPMENT POLICY

The EU is in a uniquely neutral and impartial position to deliver assitance to thrid countries on behalf of and with Member States. The critical mass of EU assistance, combined with the capacity to coordinate with the Member States, puts the EU in a better position to conduct policy dialogue with partner governments and respond to global challenges. Thanks to the large scale of activities and worldwide presence, the EU can deliver help to the poor in some of the world's most remote areas; the EU has a network of international agreements all over the world, not matched by individual Member States, which gives them influence in almost all fields of international relations. The EU can do more than other organisations, because it do not just provide development assistance; it has a holistic approach to development and external relations, as well as large variety of instruments for e.g. the promotion of democracy, and mechanisms to respond to a crisis.

The EU is therefore best placed to take on the role of global leader on behalf of its citizens, in areas such as poverty reduction, and assistance to populations most in need following disasters; stability and prosperity in our neighbourhood; peace, security and crisis prevention and response, notably in most unstable countries; and EU values (human rights and democracy, multilateral governance system).

27 Under United Nations Security Council Resolution 1244/1999

Division of labour through the EU is a crucial component of its added value. With its network of international agreements with partners and organisations all over the world, the EU is a natural coordinator, and can influence almost all fields of international relations, that individual Member States cannot do alone. At a time of budgetary restrictions, a more coordinated and integrated approach between the EU and its Member States through joint programming is being pursued tobring about more added value, increased strength and legitimacy, and more impact and effectiveness.

As the world's largest donor, the EU and it's Member States provide more than half of total aid to developing countries. Working together as one is a priority.

Since 2004, thanks to the EU budget, in developing countries:

– More than 9 million pupils have been enrolled in primary education

– More than 720,000 primary school teachers have been trained.

– More than 85,000 new female students have been enrolled in secondary education

– More than five million children have been vaccinated against measles.

– More than 4 million births were attended by health personnel

– More than 5000 health centres and facilities have been built or renewed

– 750 000 people with HIV have received antiretroviral combination therapy

– 7.7 million people have been given insecticide-treated nets

– More than 31 million people have been connected to drinking water and 9 million to sanitation facilities

– 36 000 km of roads have been constructed or maintained

At last year' Millenium Development Goal Summit, the EU demonstrated once again that it is leading the way in helping to meet the Millennium Development Goals. The European Union confirmed its commitment to meet the 0.7 percent GNI (Gross National Income) target by 2015 and to assess progress on this every year.

**The African Peace Facility** (APF) is a prime example of how the EU can take the initiative on an issue, involving Member States as well. Most Member States do not work in this area, but through the EU they are able to channel their contributions in a simple and fast way. Since 2004, the EU has provided €740 million, helping to prevent conflicts and promote stability after they have taken place.

**The Food Facility** is another unique project which only a donor with the critical weight of the EU was able to put in place. Established in December 2008 as a rapid response to soaring food prices in developing countries, it made an additional €1 billion available for projects and programmes in 50 target countries during the period 2009-2011. So far it has helped around 50 million people. The Food Facility demonstrates Europe's ability to react rapidly, efficiently and transparently to a global food security crisis, on a scale which Member States would find not possible to match.

**The Vulnerability FLEX** (V-FLEX), launched by the European Union in 2009, has helped between 40 million and 80 million people in developing countries at risk of absolute poverty because of the global economic crisis. €434 million out of the €500 million allocated under the mechanism in 2009 and 2010 have been disbursed. 17 of the poorest African and Caribbean countries have benefited.

***Promoting sexual and reproductive health and rights in 22 African, Caribbean and Pacific countries***

The European Commission has provided €32 million in assistance to 22 African, Caribbean and Pacific (ACP) countries over a period of 6 years to help fight poverty and to increase access to and quality of sexual and reproductive health services and commodities to the most vulnerable and underserved people. The programme was developed in line with the ACP-EU Partnership Agreement to promote the development of a common strategic approach to poverty reduction.

As a result, more than 1.6 million people received sexual and reproductive health services and some 750 professional staff as well as 3 400 volunteers were trained. More than 8 700 medical teams and 21 500 non-health professionals were trained on sexual and reproductive health topics boosting the capacity in reproductive health among health care workers.

***Poverty Alleviation Budget Support Programme in El Salvador (PAPES)***

El Salvador is a country with serious social and territorial imbalances. Improvement was needed in basic services such as education, health, nutrition and infrastructures (drinking water, electricity, sanitation, roads and housing), particularly in rural areas. The EU contribution of €37 million for the period 2005-2010 benefitted the 100 poorest municipalities of El Salvador. The programme was run in partnership with the agencies for development of Spain, Germany and Luxembourg, and some international organisations such as the UNDP.

The impact has been an extension of health services to 81 municipalities benefiting 413.000 people; more than 250.000 inhabitants of local communities, as well as schools, have benefited (rural roads, schools, health units, bridges); in the 32 municipalities classified as in severe poverty, there has been an increase from 65% to 77% of population with access to sanitary services; an increase from 66% to 81% of schools with access to electricity and from 57% to 85% of schools with access to drinking water.

The EU also actively promotes interpersonal relations across continents, to the mutual benefits of the EU and partner countries.

***The Erasmus Mundus Programme***

With a budget of €900 million over the period 2004-2010, Erasmus Mundus has supported more than 1000 universities from over 100 countries, and thousands of students and scholars from 170 countries. The programme has deployed an extraordinary range of world-wide mobility measures: the setting up of 148 Masters courses and 24 Joint Doctorates involving some 400 EU and over 600 non-EU universities from over 100 countries; the mobility of students (over 30 000) and scholars (1600) from over 170 countries. Erasmus Mundus has attracted participation from 76 of the top 100 EU universities in the 2010 Shanghai ranking.

The programme has strong European and international added value, by developing integrated, high quality transnational Masters and Doctoral levels degrees. It has strengthened institutional and systemic reform via the Bologna Process (e.g. by facilitating degree recognition beyond the EU). Erasmus Mundus ensures "Europeanisation" of supply (as universities from different countries work together), and "internationalisation" of demand (as EU universities attract non-EU students and modernise traditional recruitment patterns).

## 15. EUROPEAN ADDED VALUE IN HELPING VICTIMS OF HUMANITARIAN CRISIS IN THIRD COUNTRIES

EU humanitarian aid and civil protection assistance outside Europe are an expression of solidarity with the victims of disasters and conflict in third countries. By their very nature, they generally constitute the first concrete response by the Union to crisis situations outside Europe. The nature and the complexity of humanitarian disasters have been increasing over the past decade, with an economic cost in 2010 estimated at approximated €100 billion. Humanitarian needs are likely to increase sharply over the coming years: it is expected that by 2015 the number of persons affected by disasters due to climate change alone will grow by 375 million yearly. Water shortages caused by drought, already affecting 884 million people, will be exacerbated further. The need for food assistance is set to increase. The predicted increase by 2050 in the global population to over 9 billion can only put more pressure on humanitarian needs. Europe, already a significant player in the provision of humanitarian aid, will need to do its bit to help meet these increased needs.

EU Member States are important actors in humanitarian aid in their own right, and in the area of civil protection the Union's role is primarily to facilitate and accompany their action, but the Union can add value in several respects:

– It has the critical mass to be able to maintain an extensive network of humanitarian field experts (more than 100 based in areas affected by or vulnerable to crisis), able to provide reliable information (e.g. by drawing up regular situation reports) on humanitarian needs both to the Commission and to Member States.

– It can facilitate and coordinate action by the Member States where this is considered useful, particularly in the area of civil protection. To this end, the Union has built up the EU Civil Protection Mechanism, with the Monitoring and Information Centre (MIC) as its hub, working closely with Member States to dispatch expert teams composed of Member State and Commission experts very rapidly to disaster areas to assess needs and channel European assistance to where it is most needed.

– It can provide assistance not only in the small number of crises which happen to attract significant media attention, but can also help people in so-called "forgotten crises", where other donors may not be able to devote significant resources. In 2010, the Commission provided 16% of global humanitarian aid, making the EU budget the second-largest donor worldwide, and reaching over 151 million people.

The EU's contribution to humanitarian crises was most recently assessed positively by the March 2011 multilateral aid review undertaken by the United Kingdom, which recognises the Commission to be strong in the delivery of humanitarian aid, acknowledges the value of ECHO experts in the field, and notes the rapidity with which it disburses funds, especially in the emergency phase[28].

***Helping victims of the Earthquake in Haiti***

In January 2010 a major earthquake struck Haiti's capital, Port-au Prince, and its surrounding area killing 230.000 and displacing 2 million of the 9.8 million population. With much of the government infrastructure in disarray or destroyed, the EU's response in the provision of shelter, food, water/sanitation/hygiene and healthcare was quick and amounted to €339 million in total, of which €122 million from the Commission which was channelled through the UN, Red Cross and European NGOs.

In addition, the EU civil protection mechanism ensured a coordinated response by Member States' civil protection teams. With the onset of the cholera epidemic in October 2010, the EU civil protection mechanism was again activated to deploy experts on the ground, who worked closely with epidemiologists from the European Centre for Disease Control and monitored the deployment of water purification plants provided by one Member State. Moreover, following assessments from ECHO's experts on the ground, the Commission provided €10 million in emergency aid, focusing on medical treatment, provision of clean water and sanitation facilities as well as support to epidemiological surveillance and logistics.

***Civil unrest in Libya***

On 16 February 2011, civil unrest started in Libya, quickly spreading across main cities and resulting in violent repression by government forces. Within the following week, the Commission's Department for Humanitarian Aid and Civil Protection (ECHO) had mobilized its Monitoring and Information Centre (MIC) to assist in the

28 The UK multilateral aid review notes that ECHO "is the second biggest humanitarian donor in the world. Its comparative advantage is its huge field presence across the world and in most fragile states, and its size, including the ability to release up to €3m in the 72 hours following an emergency. This makes it a significant contributor to humanitarian outcomes and allows it to focus on 'forgotten crises', filling a gap in the system and supporting a more consistent approach to funding according to need. In 2009, ECHO funded relief for approximately 150 million beneficiaries in more than 70 countries." (DFID, Multilateral Aid Review, March 2011)

evacuation of 5,800 EU citizens from Libya by identifying, facilitating and co-financing additional transport assets for evacuation. In the same week, it dispatched the first ECHO humanitarian teams to the Egyptian and Tunisian borders.

Until the end of May, the Commission had deployed experts from 5 of its country offices to Tunisia, Egypt, Libya, Algeria and Chad to permanently monitor the situation. On this basis, it took subsequent financing decisions bringing the total financial aid to €70 million. This includes €10 million in Commission co-financing and the deployment of two Member State teams on the ground coordinated by the MIC in order to ensure effective use of Member State assets in the effort to repatriate third country nationals from Libya's borders. In this way, 157 flights and 5 vessels were put at the disposal of the International Organization for Migration to repatriate third country nationals. Overall, Commission financing and coordination through the MIC ensured the repatriation of 57,000 people to their country of origin, made possible some of the first relief supplies shipped to Misrata, the evacuation of people from the town as well as urgent medical, food and water supply assistance in Misrata and other conflict zones.

The European Commission was the first international humanitarian donor with a continuous presence inside Libya. Until the arrival of the United Nations on 9 April, the Commission's humanitarian experts in Benghazi coordinated the international humanitarian aid effort in eastern Libya. Between mid-February and the end of May, the Commission issued 40 situation reports to EU Member States and the international humanitarian community. It has also spearheaded – through meetings in the field, in Brussels and teleconferences – the effort to provide continuous and effective coordination of the European humanitarian assistance effort in Libya.

***Earthquake and tsunami in Japan***

A devastating earthquake and tsunami hit Northern Japan on 11 March 2011, leading to thousands of deaths and the displacement of hundreds of thousands of people. The Japanese authorities addressed a request for assistance to the EU a few days after the disaster, highlighting their wish that the European response be coordinated and self-sufficient so as not to place further strain on Japan's badly-hit infrastructure. The EU Civil Protection Mechanism was immediately activated. A large number of EU Member States offered assistance through the Mechanism, including items such as blankets, mattresses, tents, jerry cans, sleeping bags, beds, food, water, clothing, special gloves, protective suits and masks, as well as dose rate devices. An EU Civil Protection Team, composed of experts from seven Member States and the Commission, was deployed on 19 March, and, working hand-in-hand with the EU Delegation in Tokyo, set about identifying areas where the EU's assistance could be used most effectively. In total, five European relief flights (most of them offered free of charge by European companies) were then arranged by the Commission's Monitoring and Information Centre (MIC), transporting some 350 tons of assistance from different Member States, with the European Civil Protection Team and the EU Delegation in Tokyo arranging the delivery of the assistance on the ground. The EU also subsequently allocated € 10 m in humanitarian assistance to provide support to displaced people through the Red Cross.

***Monsoon floods in Pakistan***

Over the course of the 2010 monsoon season, Pakistan experienced the worst floods in living memory. They affected 18 million people in 84 out of a total of 121 districts ranging over thousands of kilometres and covering an area the size of England. The first flash floods, on 22 July, were provoked by heavy rainfall in the North where the population was still suffering the consequences of an internal conflict that had triggered the displacement of almost 3 million people in 2009.

The Commission responded with a first funding decision of €30 million on 30 July to cover the conflict and flood affected population in the North. Immediate deployment of experts to Islamabad was organised in order to carry out needs assessments and to advice the Commission and Member States on priority needs and response. At the peak of the crisis in August, up to 14 expatriate staff from 7 different ECHO offices were present in Pakistan. Within two months, 24 field assessment missions took place in all the affected provinces. The first ECHO situation report was issued on 3 August, followed by additional reports until the end of November, providing the European Union (Council, Member States, European Parliament, services of the Commission) with consolidated information on the urgent needs and priorities. On the basis of these reports, additional financing decisions were taken, bringing the total contribution from the EU budget to €150 million. This contribution represented 35 % of the overall European Union humanitarian assistance (423 M€), with the UK being the other largest EU donor (35% also).

The Commission's civil protection Monitoring and Information Centre (MIC) was also activated rapidly and deployed a team to Pakistan in August. Thanks to the MIC, in-kind contributions of 18 Member States could be coordinated, ensuring that goods arriving in Pakistan could be processed quickly. The MIC also co-financed 11 flights to Pakistan out of the 14 flights which were part of the EU air bridge managed by the MIC, with an important contribution from the Movement Planning Cell of the EU Military Staff.

## 16. EUROPEAN ADDED VALUE IN MANAGING EXTERNAL BORDERS, MIGRATION AND ASYLUM

The challenges posed by **migration and asylum** can no longer be met adequately by national administrations alone. The abolition of internal border controls must be accompanied by common measures for the effective control and surveillance of the Union’s external borders. Improved operational cooperation involving the pooling of resources in areas like training and equipment will ensure a more efficient use of public funds. In addition, integrated management of our external borders is the only way to achieve a fair burden-sharing between Member States, some of whom face the heavy burden of long frontiers or surges in migration. A degree of burden-sharing will reinforce solidarity between them and bring overall value for money benefits through a more credible and fairer policy. In order to be effective internal policies on immigration and asylum need to be accompanied by cooperation mechanisms with third countries.

Migration and asylum has become an important aspect of EU cooperation with third countries, through the EU's "Global Approach to Migration", which encompasses not only the prevention and management of irregular migration, but also measures to manage labour migration, protect migrant's rights, combat trafficking and smuggling. the "Global Approach to Migration" is implemented through structures establishing political dialogue and cooperation, such as Mobility Partnerships, Migration Profiles, Regional Protection Programmes, Migration Missions and Cooperation platforms, complemented by a predictable framework for technical and financial assistance.

**Annex 1**

## European added value and Impact Assessment

The Commission Impact Assessment process prepares evidence for political decision-makers on the advantages and disadvantages of possible policy options by assessing their potential impact. In so doing, the process also deals with the issue of the added value of Commission proposals. The current Impact Assessment Guidelines, in particular, present the European added value test in the context of the subsidiarity check with a set of questions to guide the assessment of the latter.

When doing an impact assessment, Commission services must answer in particular the following questions which are directly relevant for measuring EU added value:

- Would actions by Member States alone, or the lack of Community action "significantly" damage the interests of Member States? (e.g. action restricting the free circulation of goods)
- Would actions at Community level produce clear benefits compared with action at the level of Member States by reason of its scale?
- Would actions at Community level produce clear benefits compared with action at the level of Member States by reason of its effectiveness?

In its examination, the Impact Assessment Board[29] typically plays a close attention to the justification for the proposed EU action, and therefore, the added value of the EU action.

Statistics for 2010 show that subsidiarity issues have been raised in 43% of all opinions (23 cases out of 54) and in 38% of all resubmission requests (9 out of 24).

Extract from the Impact Assessment Board 2010 report

*The Board pays close attention to how subsidiarity and value added are handled in IA reports. It commented on 'subsidiarity and proportionality' in half of its 2010 opinions on first submissions, far more than previously. It aims to ensure services produce a well-substantiated case for EU action, fit for scrutiny by national Parliaments. The Board believes that a robust and evidence-based justification for EU action and assessment of its 'value added' should be given in all IA reports. Where relevant, reports should clearly explain why a preferred option of EU intervention can achieve better results than Member State action.*[30]

In his letter of 26 November 2010 to the European Parliament and the Council, the President of the Commission undertook to:

– Identify European added value as part of the Commission's impact assessment of new legislative proposals having budgetary impact;

[29] More information on the role of the Impact Assessment Board as well as on the opinions delivered are available at the following web address: http://ec.europa.eu/governance/impact/iab/iab_en.htm

[30] SEC(2011)126 final: Commission staff working paper: Impact Assessment Board report for 2010.

– Fully take into account European added value as well as synergies between the EU and national budgets for specific policies, and possible savings, in its proposals to the next Multiannual Financial Framework, including the legal bases for multiannual expenditures programmes.

Accordingly, impact assessment reports are being prepared for all legislative policy proposals composing the next MFF. In its analysis of these reports, the Impact Assessment Board will look for adequate indication of European added value of any proposed expenditure programme as well as an analysis of the conditions under which it would be maximised.

In order to do so, the Board analysis will be guided by the following questions:

- What are the general and specific objectives of the expenditure programme? How do they relate to the fundamental goals of the EU and/or the objectives of Europe 2020?

- Why are public expenditures required to achieve these objectives (as opposed, for instance, to simply a regulatory initiative?)

- Why are expenditures financed from the EU budget required to achieve these objectives?

Answering the latter question requires looking further:

- Why Member State expenditures alone would not be sufficient? Would they fail to achieve the sufficient scale (economies of scales)? Would they fail to take into account negative or positive externalities between Member States (insufficient provision of EU public good)? Would they risk overlaps/duplication of efforts (coordination failures/economies of scales)?

- Why would expenditures financed from the EU budget be needed?

The EU budget should add European added value by maximising the effectiveness and efficiencies with which all public expenditures in EU support the achievement of common EU goals and not simply to add a (thin) layer of expenditures on top of those already financed directly by Member States. The following questions aim at clarifying how this should be done.

- Would expenditures financed by the EU budget be used for the production of "pure" EU public goods (EU solidarity, EU administrative expenditures)?

- Would they solve specific problems identified with exclusive Member States spending? If so, how?

- Would they play a catalytic role?

- Would they have synergy effects (with national budgets and across EU policies)?

- Why would expenditures financed from the EU budget be sufficient?

EU expenditure may be a good idea in theory but the limited size of the budget and/or known inefficiencies may suggest caution. The following questions aim at assessing how much caution would be called for.

- Would expenditures financed by the EU budget be proportionate to the objectives (critical mass and assessment of costs)?
- Why would they be sufficient in reaching the objectives?
- Have existing evaluations shown the proposed programme (or similar ones) to be so?
- What are the risks/costs of the longer delivery chain implied by EU expenditures?
- Why would expenditures financed from the EU budget be advisable?

Appropriate answers to all of the above would already make a very strong case for the EU action. However, experience shows that further factors should also be taken into consideration, notably:

- What are the risks of EU-expenditures creating more distortions than national ones?
- What are the risks of EU-expenditures crowding out national ones (be they private or public)?
- What are the risks of EU-expenditures duplicating national ones?
- Is centralisation at the level of the EU budget proposed for an area where there is a significant heterogeneity of preferences across Member States?
- Is centralisation at the level of the EU budget proposed for an area where there is resistance towards moving from national to EU level accountability?
- How do the benefits of the programme compare to the costs of centralisation? How would the programme minimize costs?

**Annex 2**

**European added value and evaluation**

The question of EU added value is also addressed by Commission services in ex ante evaluations. The Implementing rules of the Financial Regulation (article 21), specifies the scope of ex ante evaluation in the Commission by stating that:

"All proposals for programmes or activities occasioning budget expenditure shall be the subject of an ex ante evaluation, which shall address:

(a) the need to be met in the short or long term;

(b) the added value of Community involvement; ….."

In the context of ex post evaluations, the following general questions serve as a basis for addressing the European added value:

- What impact has been achieved that would not have happen without EU spending? What is the scale of the impact? Who has benefitted most and how?
- Have the objectives been better achieved because the intervention took place at the EU level?
- Has a given effect been achieved due to a particular European added value factor such as critical mass, economies of scale, synergy, catalyst, enlarged competition etc.?
- Has a given effect been achieved at a lower cost for taxpayers because the intervention took place at EU level?
- Were the objectives more relevant because the intervention was designed at the EU level?
- Has the issue been addressed in a more coherent way because it was addressed at the EU level?