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| Explanatory Document on the Regional Policy of the European Union. |  REPUBLIKA E KOSOVËSREPUBLIKA KOSOVA-REPUBLIC OF KOSOVOQEVERIA - VLADA – GOVERNMENTMINISTRIA E ZHVILLIMIT RAJONALMINISTARSTVO ZA REGIONALNI RAZVOJMINISTRY OF REGIONAL DEVELOPMENTDEPARTMENT FOR EUROPEAN INTEGRATION AND POLICY COORDINATIONJune 2020 |

**Content: ..................................................................................................................1**

**I. Introduction........................................................................................................2**

**II. Notions of regional development.................................................................3**

**III. Regional economic planning........................................................................4**

**IV Concept..............................................................................................................5**

**V. Objectives..........................................................................................................6**

**VI. Priorities...........................................................................................................7**

**VII. Programs.........................................................................................................9**

**VIII. Nuts (statistical regions)...........................................................................10**

**IX. Kosovo opportunities for inclusion..........................................................12**

**Introduction**

The drafting of the explanatory document related to the regional policies of the European Union (EU), will try to explain how the EU approached the drafting of policies, and setting objectives, priorities, programs, allocation of funds for development of less developed countries, such as Kosovo, and beyond.

The EU, in particular, aims to approach regional development to countries that aim to be part of the European family, including the Western Balkans, which also includes Kosovo.

The explanatory document for regional policies in the European Union reflects the implementation of regional development policies, incorporated as: objectives, priorities, and concepts, which provide equal opportunities for balanced regional development.

As is known, Kosovo has entered second decade of its statehood, and as such, needs external funding to enhance sustainable economic development.

Therefore, based on this, the European Union through its regional development policies focuses on taking measures and instruments to promote development of underdeveloped regions given the overall development of national economy.

So in the context we are talking about, regional development is conceived as a general effort to reduce regional disparities by supporting (employment and wealth/welfare generation) economic activities in economic development regions.

**Notions of regional development -**

In modern conditions of economic development, the regional development policy is becoming more and more contemporary and an integral part of economic development policy. First of all, in the current situation of the regional development, we cannot tolerate the concentration of economic and social activities only in some large centres, but rather ensure distribution of productive forces, and balance the level of investment, infrastructure, and economic development in the entire territory of Kosovo. Large developmental differences or disparities lead to major disorders not only in the economic field but also in all other spheres of life because lack of development has direct implications for the life and standard of living of the population.

Today in literature, or more precisely in various official reports that touch on the field of regional development, we encounter different opinions about the meaning and importance of regional development, which depends on the perspective toward the problem, which is occupying a significant place in contemporary economic development policy.

“Regional development is a general effort to reduce regional disparities based on employment and wealth generation/economic activity in the regions."[[1]](#footnote-1)

However:

“Regional development policy is about reducing economic disparities between economic development regions of Kosovo”.

 In this sense, the regional development policy includes two main aspects of the country's economy, these are as follows:

1. Rationally promote and enable the use of factors of production in the entire territory of the country, allowing for a more harmonious territorial development; 2. Enables overall development of the national economy.

In the context we are talking about, we can understand that regional development policy carries two types of policies:

 - development policy;

 - regional policy [[2]](#footnote-2), which together represent the general economic development policy of Kosovo.

**Regional economic planning**

Regional planning does not only include joint measures to strike a balance between regions but also the articulation between work, solutions, instruments and practice that regional policies should bring to the level of each region.

The regional development policy itself includes all measures and instruments undertaken by the state or any smaller administrative unit such as: municipality, etc., in order to promote development of underdeveloped regions (economic development regions), namely more harmonious territorial development of national economy.

Therefore, as we have emphasized above, the regional development policy itself means creation of conditions for economic and social development of each region (separately) as an integral part of the territorial integrity of the country and the national economy as a whole.

Today, regional development policy focuses on taking measures and instruments to accelerate the development of underdeveloped regions given the general development of the national economy.

There is no doubt that all development policies have a spatial dimension, i.e. they are not neutral in terms of regional development but their impact is different across certain regions as an integral part of the national economy.

The regional policy and the general development policy have their own goals, and given the content of the course - the main goals of regional policy can be grouped into: the most equal placement of productive, investment forces, in terms of economic development.[[3]](#footnote-3)

**Conception of the document for drafting regional policies -**

The concept of this document enables to provide some knowledge about the approach to regional development by the EU, the way the EU has approached the drafting of policies, strategies, the way in which the objectives, priorities, programs, distribution of funds are defined in order to develop the least developed countries within its member states, but also the way in which the EU intends to approach regional development to countries that intend to be part of the European family including the Western Balkans, which also includes Kosovo.

The explanatory document for regional policies in the European Union reflects the implementation of regional development policies, incorporated, with balanced settlements, economy, infrastructure and natural systems, in an indistinguishable spatial community as an equal opportunity for balanced regional development.

Regional development is conceived as a general effort to reduce regional disparities, supporting (employment and wealth/welfare generation) economic activities in development regions.

One of the challenges is regional disparities between certain regions. We have substantial differences compared to other regions in some socio-economic indicators (GDP/Capita; investments per capita; unemployment rate, etc.). The process of reducing differences in terms of socio-economic development and quality of life in different regions is aimed through balanced regional economic development.

Regional development policies provide the framework for regional development and interventions in specific areas which will be directed towards achieving the goal of balanced regional development;

Regional development programs contain the advantages of the development region, defining the development priorities of the region and containing estimated financial programs for development and promotion of development region,defining the development priorities of the region and financial evaluation programs for developmental promotion in the development region, challenges, problems and setbacks in the field of regional development that need to be addressed in order to align with EU regional development policies. The preparation of the explanatory document is foreseen in the Work Plan of MARD 2020.

**Objectives of European Union for regional development 2021 2027-**

The EU has set regional development objectives and cohesion policy beyond 2020. This new framework at a glance is focused on five investment priorities, where the EU will boost its investments for regional development in the following period 2021-2027:

Regional development investments will be strongly focused on objectives 1 and 2. 65% to 85% of ERDF and Cohesion Fund resources will be allocated to these priorities, depending on the relative wealth of the Member States as follows:

First objective: **Smart Europe, through innovation: digitalization, economic transformation and support for small and medium-sized businesses;**

Objective two: **A green Europe: carbon-free, implementing the Paris Agreement and investing in energy transition, energy renewal and the fight against climate change;**

Objective three: **A more connected Europe: with strategic transport and digital networks;**

Objective four: **A More Social Europe:** providing in the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to health care;

Objective five: **A Europe closer to its citizens:** relying on state-led development strategies and sustainable urban development across the EU.

**Priorities of European Union for Regional Development 2021 2027-**

For the next long-term budget of the European Union (EU), 2021-2027, the Commission proposes to modernize the cohesion policy, the main EU policy for concrete investments in balanced economic development.

The main characteristics of the Commission proposal for a modernized cohesion policy are as follows:

Priority 1: [[4]](#footnote-4) A focus on key investment priorities, where the EU is best placed to offer: Most of the European Regional Development Fund and Cohesion Fund investments will go towards innovation, support for small businesses, digital technologies and industrial modernization. The EU will also focus on shifting towards a developed low-carbon economy and the fight against climate change, based on the Paris Agreement.

Priority 2: A cohesion policy for all regions and a more appropriate approach to regional development:

**Investing in all regions:** Regions that are lagging behind in terms of achievement or revenue - mainly located in the South and East of Europe - will continue to benefit from significant EU support. Cohesion policy will continue to invest in all regions, as many of them across Europe - including the richest member states - are struggling to achieve industrial transition, to fight unemployment to maintain a globalized economy;

**A tailored approach:** Cohesion policy is divided into three categories of regions:

- Less-developed, transition and more-developed regions. To reduce disparities and help low-income and low-growth regions, GDP per capita remains the predominant criterion for allocating funds. In addition, new criteria aim to better reflect the reality on the ground - youth unemployment, low level of education, climate change and the reception and integration of migrants.

**Locally-led:** The 2021-2027 Cohesion Policy stands for a Europe that empowers, by supporting locally-led development strategies. Local, urban and territorial authorities will be more involved in the management of EU funds, while increased co-financing rates will improve ownership of EU-funded projects in regions and cities.

Priority 3. Fewer, clearer, shorter rules and a more flexible framework[[5]](#footnote-5):

**Simplifying access to funds;** the Commission proposes to make the rules less complex in the next long-term EU budget, and lighter control procedures for businesses and entrepreneurs benefiting from EU support;

**A single rulebook;** One set of rules now cover 7 EU funds implemented in partnership with Member States ('shared management'), which will make life easier for EU funds programme managers. It will also facilitate synergies, for example between Cohesion Policy funds and the Asylum and Migration Fund when it comes to the development of local integration strategies for migrants. The framework also allows for more efficient links with other funds from the EU budget toolbox; for example Member States can choose to transfer some of their Cohesion Policy resources to the Invest EU programme.

Priority 4 A strengthened link with the European Semester to improve the investment environment in Europe: The Commission proposes to create a growth- and business-friendly environment in Europe, so that both EU and national investments can deliver their full potential.

**European Union regional development programs 2021 2027**-

For businesses and entrepreneurs benefiting from EU support, the new framework offers less red tape, with simpler ways to claim payments using simplified cost options. To facilitate synergies, a single rulebook now covers 7 EU funds implemented in partnership with Member States (“shared management”). The Commission also proposes lighter controls for programmes with good track record, with an increased reliance on national systems and the extension of the “single audit” principle, to avoid duplication of checks.

**A more flexible framework;** The new framework combines the necessary stability in investment planning with the appropriate level of budgetary flexibility to cope with unforeseen events. A mid-term review will determine if changes in the programmes are needed for the last two years of the funding period, based on emerging priorities, performance of the programmes and the most recent Country-Specific Recommendations.

Within certain limits, transfers of resources will be possible within programmes without the need for a formal Commission approval. A specific provision makes it easier to mobilise EU funding as of day one in the event of a natural disaster.

 **A strengthened link with the European Union’s economic governance:** Cohesion Policy supports reforms for an investment-friendly environment, where businesses can thrive. Full complementarity and coordination with the new, enhanced Reform Support Programme will be ensured.

Country-Specific Recommendations formulated in the context of the European Semester will be taken into account twice over the budgetary period: in the beginning, for the design of Cohesion Policy programmes, and during the mid-term review. To further set the right conditions for growth and job creation, new “enabling” conditions will help remove barriers to investments. Their application will be monitored throughout the financial period.

**Interreg: removing cross border obstacles and supporting interregional innovation projects[[6]](#footnote-6):** Interregional and cross-border cooperation will be facilitated by the new possibility for a region to use parts of its own allocation to fund projects anywhere in Europe jointly with other regions. The new generation of interregional and cross-border cooperation (“Interreg”) programmes will help Member States overcome cross-border obstacles and develop joint services. Building on a successful pilot action from 2014-2020, the Commission proposes to create the Interregional Innovative Investments. Regions with matching ‘smart specialisation’ assets will be given more support to build pan-European clusters in priority sectors such as big data, circular economy, advanced manufacturing or cybersecurity.

**Reinforced rules for better performing EU investments:** All programmes will still have a performance framework with quantifiable targets (number of jobs created or additional access to broadband). The new framework introduces an annual performance review, in the form of a policy dialogue between programme authorities and the Commission. Performance of the programmes will also be assessed during a mid-term review. For transparency reasons, and so citizens can follow the progress made, Member States will have to report all implementation data every two months and the Cohesion Open Data Platform will be automatically updated.

**An increased use of financial instruments:** Grants alone cannot address the significant investment gaps. They can be efficiently complemented by financial instruments, which have a leverage effect and are closer to the market. On a voluntary basis, Member States will be able to transfer a part of their Cohesion Policy resources to the new, centrally managed InvestEU fund, to access the guarantee provided by the EU budget. Combining grants and financial instruments is made easier and the new framework also includes special provisions to attract more private capital.

**Nomenclature of territorial Units for Statistics (NUTS-regions) according to the European statistics agency -**

The NUTS classification (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU and the UK for the purpose of:

1. The collection, development and harmonisation of European regional statistics;

Socio-economic analyses of the regions:

-NUTS 1: major socio-economic regions [[7]](#footnote-7)

-NUTS 2: basic regions for the application of regional policies

-NUTS 3: small regions for specific diagnoses.

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| **NUTS** | **NUMBER OF INHABITANTS (min)**  | **NUMBER OF INHABITANTS (max)**  |
| **1**  | 3.000.000  | 7.000.000  |
| **2**  | 800.000  | 3.000.000  |
| **3**  | 150.000  | 800.000  |

**Kosovo's opportunities for involvement -**

The origin of regional development in Kosovo was known earlier, but in terms of more structured use of EU funds it was known since 2008. Five inter-municipal partnership agreements were signed on 16 December 2008 for the establishment of five Regional Development Agencies (RDAs) upon initiative of the Ministry of Local Government Administration and support of European Union Office in Kosovo (EUO).

Consequently, the Kosovo Government in 2009 started the process of planning the Cross-Border Cooperation Programs funded by the EU with the neighbouring countries (Kosovo-Albania, Kosovo-Macedonia) and a year later Kosovo-Montenegro. In all these programs, the proposed regions for inclusion as eligible areas in the program have followed the European classification of regions NUTS III (although Kosovo does not apply the same classification). This was based on Economic Regions that RDAs represent:

1. Inter-Municipal Cooperation Agreement Centre [[8]](#footnote-8) - Economic Region Centre
2. Inter-Municipal Cooperation Agreement East - Economic Region East
3. Inter-Municipal Cooperation Agreement West - Economic Region West
4. Inter-Municipal Cooperation Agreement South - Economic Region South
5. Inter-Municipal Cooperation Agreement North - Economic Region North

Currently, Kosovo lacks legal infrastructure and the drafting of regional development strategy is close to being finalised. The latter is soon expected to be submitted to the Government for approval. The lack of definition of clear policies for regional development is causing many problems i.e.:

1. Regional inequality in terms of socio-economic indicators;
2. Lack of development policies to foster greater competition in the region;
3. Lack of connection between sector development policies of government and activities at the levels of regions;
4. Lack of stimulating cross-regional, cross-border and international cooperation;
5. Non-classification of Kosovo according to NUTS statistical regions;
6. Lack of necessary mechanisms for access to EU development funds and management of regional development in general.
1. http://www.oecd.org/regional/regionaldevelopment.htm [↑](#footnote-ref-1)
2. https://ec.europa.eu/regional\_policy/index.cfm/en/ [↑](#footnote-ref-2)
3. https://ec.europa.eu/regional\_policy/index.cfm/en/ [↑](#footnote-ref-3)
4. http://kub-pz.weebly.com/uploads/1/0/5/9/10591655/sllajdet\_politika\_e\_zhvillimit\_rajonal\_ib1.pdf [↑](#footnote-ref-4)
5. https://ec.europa.eu/commission/presscorner/detail/en/MEMO\_18\_3866 [↑](#footnote-ref-5)
6. https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32003R1059 [↑](#footnote-ref-6)
7. http://eur-lex.europa.eu/legal-content/EN/ [↑](#footnote-ref-7)
8. Concept-Document for Regional Development p. 6 [↑](#footnote-ref-8)