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Socio-economic challenges, potentials and impacts of transnational cooperation in central Europe

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POLICY BRIEF

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THE PROJECT'S STRUCTURE

The study analysed the territorial challenges, the potential and impacts of transnational cooperation (TNC) in Central Europe (CE). It covered: A) the main challenges that affect the CE territory such as globalisation, energy, climate change¹, B) the achievements and results of the CE 2007-2013 Programme, C) an analysis of the thematic focus of the Interreg CE 2014-2020 Programme, D) a survey conducted among all project partners in the CE 2007-2013 Programme as well as E) 12 case studies that provided in-depth insights of the results and impacts of selected projects. Based on this analysis the study identified the key contributions of the CE Programme to tackle the CE territory's challenges. Finally, the study commented on the CE Programme's synergies with other EU policies, provided recommendations regarding the fourth call for proposals of the current Interreg CE Programme and took a look at the potential focus of a post-2020 CE Programme.

THE MAIN FINDINGS EMERGING FROM THE ANALYSIS

The analysis provided a large number of results and insights regarding the Interreg CE Programme. The most important are:

The Interreg CE territory covers the industrial core of the EU

The CE Programme's territory covers the industrial core of the EU. This gives an 'identity' and focus for a future CE Programme. Covering the industrial core also provides a unique function to the programme area, making it a highly important – if not indeed the most important – functional region within the EU. Its industrial development is a key factor for the global competitiveness (and hence the political influence) of the EU. Moreover, it exerts positive economic spill overs to other EU countries. Supporting the development of the CE territory and improving further its economic functionality should therefore be a guiding principle of a future CE Programme.

The Interreg CE territory is essential in connecting Europe from North to South and from East to West

The CE Programme connects the East with the West, as well as the North and the South of Europe. In a literal sense, the CE territory connects a) the Scandinavian and Baltic countries with Southern Italy and the Balkan countries as well as b) the Western European countries with Eastern EU and neighbourhood countries. In a figurative sense it does much more than this. Besides linking economically more prosperous countries in the North with less prosperous countries in the South, it also provides a cultural bridge all the way from Scandinavia to the Mediterranean Sea.

The Interreg CE Programme plays an important role in keeping the idea of EU integration up, and strengthens economic, social, territorial as well as political cohesion

The CE Programme brings together countries from both sides of the former Iron Curtain. This has economic, social, territorial as well as political implications. Despite major progress, economic and social differences

¹ The complete list of challenges covered in the study includes: a) globalisation and competitiveness, b) digital economy, c) energy, d) circular economy/environment, e) climate change, f) transport and accessibility, g) employment and skills, h) demographic change and migration, i) social risks and j) governance. This list does not imply a hierarchy of challenges.

between 'Eastern' and 'Western' CE countries are still pronounced. The CE Programme contributes strongly to overall EU cohesion policy in terms of economic and social development.

Central Europe is a highly functional area with a special role in the EU. This differentiates the CE territory from other regions in Europe. Its role and functionality are not only based on the geographic proximity of countries or the sharing of common challenges. Much more it is the strength and number of interactions and linkages between a) economics and business (e.g. trade and investment linkages), b) administrations and the political sphere (e.g. Visegrád group, Centrope) and c) people (cultural and historical ties) in the CE territory that give it a special place in the EU.

Correspondingly, the strength of the CE Programme is its ability to support territorial cohesion and integration within its geographic boundaries, and, in a unique way for TNC programmes, also across its borders. This becomes ever more important as EU scepticism and disagreement with fundamental European values increase. Because of this, a future CE Programme needs to be highly aware of its potential to strengthen territorial and political cohesion, and needs to make it a foundation of its work. In this respect, it is advantageous that the CE Programme covers all the countries along the former Iron Curtain, especially Germany and Poland. These countries are among the biggest EU countries, and both their relationship with one another and their attitude to the EU are highly influential for others.

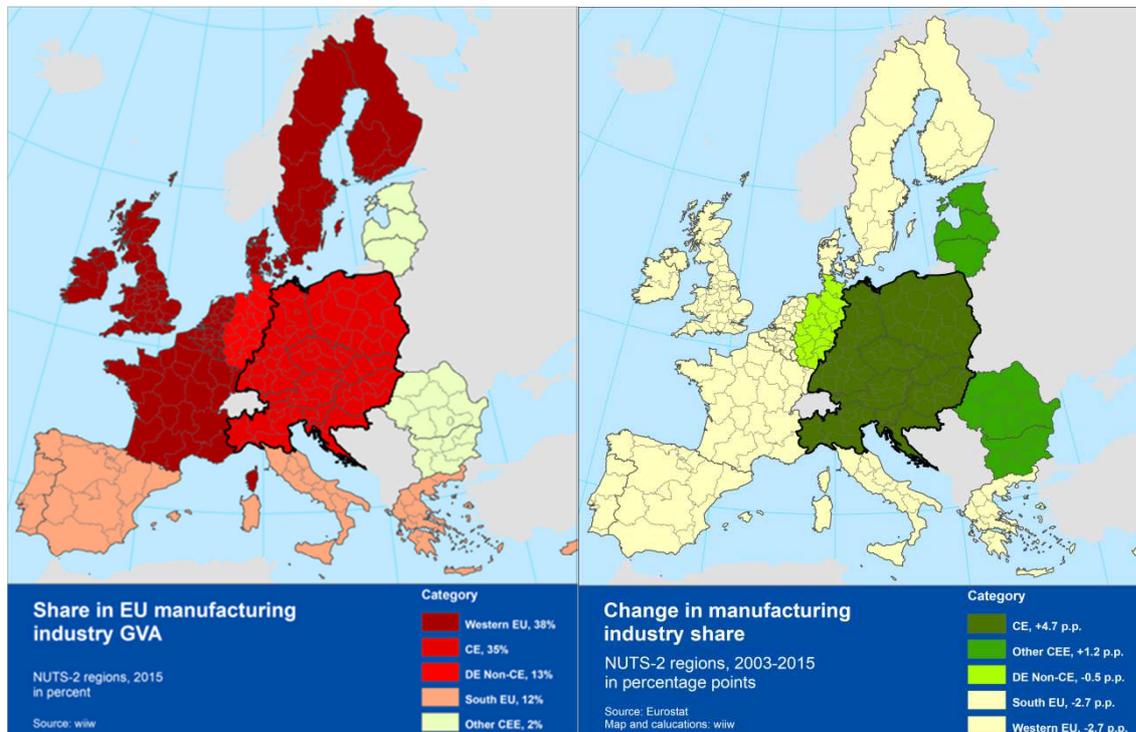
MAIN CONTRIBUTIONS OF THE INTERREG CE PROGRAMME

Strengthening the industrial core

The Interreg CE Programme territory covers the **industrial core** of the EU, which consists of Austria, the Czech Republic, Germany, Hungary, the Northern regions of Italy, Poland, Slovakia and Slovenia. Excluding the German regions not being part of the Interreg CE programme, the CE industrial core produces around 35% of total EU manufacturing gross value added (see Figure 1 left graph) and is also the most dynamic region in terms of (re-)industrialisation (see Figure 1 right graph). It thus is a key economic area in the EU with a distinct function (as industrial core) and a high level of functionality based on geographic proximity and strong trade, investment and industrial cooperation relationships.

By strengthening cooperation of the EU industrial core countries, especially in the areas of innovation, skills and entrepreneurship, the Interreg CE Programme does more than just increase the competitiveness of the respective countries. Past projects have shown that the Interreg CE Programme can effectively support a) the growing together of the different research, technology and innovation systems, b) technology-transfer and knowledge-exchange, c) the removal of barriers for the diffusion of innovation in regional SMEs, d) the innovation performance of SMEs in main manufacturing and industrial service sectors and e) innovation management.

Figure 1: Shares in manufacturing gross value added and changes therein by country groups, %



Note: Black line indicates CE territory. Source: data - Eurostat, maps - wiiw.

Connecting Europe

The Interreg CE Programme is essential in **connecting Europe** from North to South and from East to West. Of all Interreg programmes it is the only one that bridges all four current Macro-regional strategies (MRS) areas. In total 56 out of the 124 CE 2007-2013 projects contributed directly to one or more of the EU's macro-regional strategies (MRSs), i.e. to the Baltic and Danube MRSs, as well as to the Adriatic-Ionian and Alpine MRSs.² As such it not only is one potential source of funding for projects of all four MRS. Much more, it is also an important link between the four MRS that potentially enables coordination of the MRS, for example in pan-European issues like transport routes.

Also, the CE territory is a major part in seven TENT-T core network corridors (out of total 9), namely in the corridors a) Baltic Adriatic, b) Mediterranean, c) North Sea-Baltic, d) Orient - East Med, e) Rhine-Alpine, f) Rhine-Danube and g) Scandinavian-Mediterranean. Given the CE territory's central location any improvements in connectivity across CE countries has a wider European impact as it brings countries East and West as well as North and South of the CE territory closer together. In this respect the CE Programme makes important contributions to increase connectivity in Europe by funding projects that focus on implementing the TEN-T Core Network in the CE territory or tackle the weak accessibility of peripheral and cross-border areas in the CE countries. Both types of projects connect the CE territory internally and externally, thereby supporting a) CE industry, by facilitating the transport of goods and b) people (especially in

² Central Europe Managing Authority (2017), CENTRAL EUROPE Programme Final Implementation Report.

more remote areas), by making jobs more accessible. What is more, many of these preparatory style projects are the basis for future large-scale investments; hence aside from connecting CE, these projects also generate a large investment demand.

Supporting economic, social and territorial cohesion

Located as it is at the site of the former Iron Curtain, the programme has, more than other programmes, an important **integrating function**. For most parts, this function still includes bringing together countries, regions and people from two different ideological systems. Although the differences in the systems disappeared some time ago, their effects and backlashes are still felt as economic and social differences. Despite significant economic progress, the perceived slow progress in overcoming these differences over the past decades (in combination with the recent refugee crisis) is likely to be one reason for the increase in EU-sceptic and nationalistic trends on both sides of the former Iron Curtain.³

The Interreg CE Programme keeps up the idea of **EU integration** by supporting economic, social and territorial integration and cohesion throughout the CE territory and especially in less favoured regions therein, e.g. through the exchange of knowledge and experiences between more and less developed regions, or the pooling of resources to tackle common challenges. This is the more necessary, as, despite significant progress, disparities along the former Iron Curtain are still pronounced as illustrated by the differences in educational attainment levels (right graph) and regional migration balances (left graph) in Figure 2.

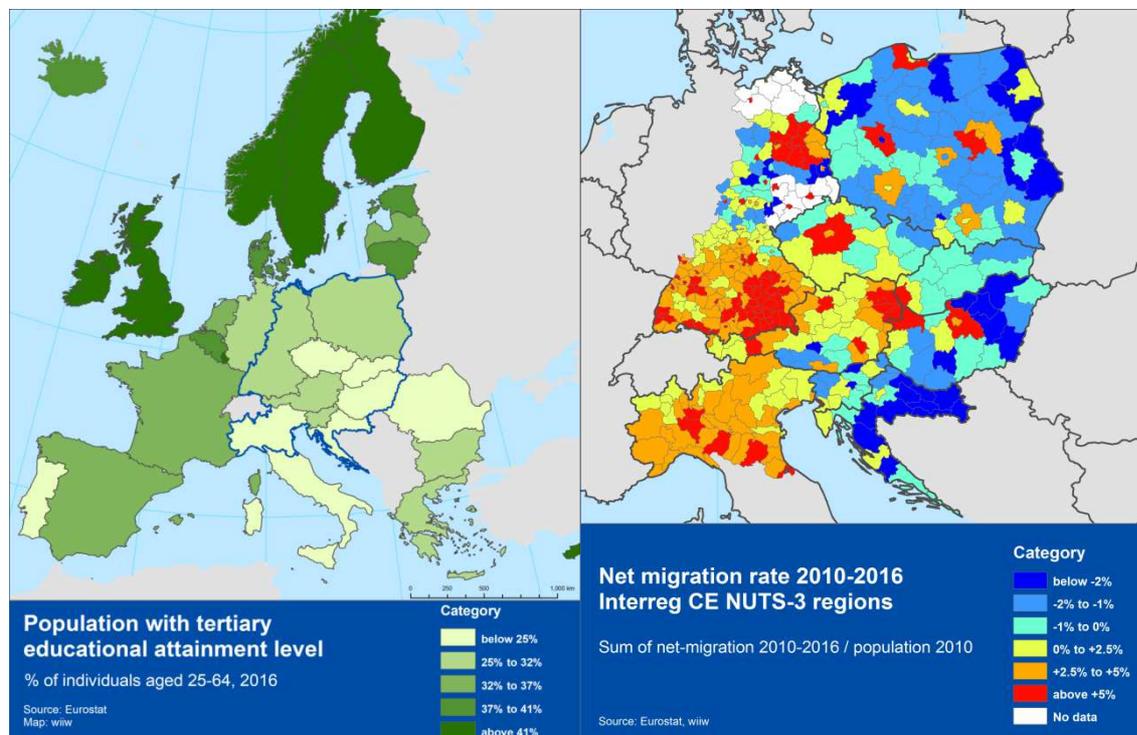
In addition to bolstering integration, the Interreg CE Programme contributes to the **sustainability** of the CE territory's development by supporting transport, energy, environment and cultural heritage related projects. To illustrate, transport related Interreg CE projects led to a long run improvement of the connections between CE countries and regions, thus making trade of goods as well as private travelling easier and quicker. Energy and environmental projects not only contributed to making CE production processes more energy efficient and environmentally friendly. They also opened up new opportunities for creating businesses and jobs; similar holds for cultural heritage projects, like for example those re-vitalising old industrial sites or promoting a CE identity.

The Interreg CE projects' effects also extended from the economic to the **social** and **territorial** sphere. By addressing health and health care, employment, ageing and other issues, a large number of projects directly or indirectly improved social cohesion in the CE territory. Last but not least, the Interreg CE Programme' multi-level governance approach promoted good governance throughout the CE territory, being fundamental to its economic development and deeper integration.

Overall, the Interreg CE Programme contributes to **economic, social and territorial** cohesion of the CE countries. Additionally, trans-national cooperation in the CE territory -by linking CE businesses, people and especially public administrations at the local, regional and national level- focusses on solving common problems, making it more resistant to changes in the overall political environment. Therefore, in a way, the Interreg CE Programme not only supported economic, social and territorial cohesion but implicitly also **political cohesion**.

³ European Council on Foreign Relations (2018), EU Cohesion Monitor 2018.

Figure 2: Tertiary education attainment levels, 2016 (right graph) and net migration rate in CE NUTS-3 regions (2010-2016, left graph)



Note: Black line indicates CE territory. Source: Eurostat, wiiw

Summarising, the analysis provided clear evidence of the benefits of the CE Programme:

- First, TNC in the CE territory has **reduced barriers** between policy makers, the business and research sphere, local and regional administrations and planners and other stakeholders both within countries and across borders. Among many other examples, this is illustrated by survey results showing the sustainability of cooperation and the creation of new cooperation due to the CE Programme.
- Second, the reduction of barriers has also improved the **coordination** of policy makers and local authorities, as is seen in many projects setting up specific governance structures to tackle common problems.
- Third, public (and private) **management capacities** have increased through the creation and exchange of knowledge fuelled by studies, the collection of best practice, pilot actions, training, etc.
- Finally, the benefits of the CE Programme and many of its projects have not been limited to the programme's countries. Rather, the CE Programme has produced a considerable **value added**, **contributing** both to wider **EU strategies** as **policies** and to economic, social and territorial development.



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