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How do EU-15 Member States Benefit from the Cohesion Policy in the V4?

Prepared within the *Ex post evaluation and forecast of benefits to EU-15 countries as a result of Cohesion Policy implementation in V4 countries,* commissioned by Polish Ministry of Economic Development

country profile: Luxembourg

imapp

ibs

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1 Introduction

Results presented in this material are based on the final report from *Ex post evaluation and forecast of benefits to EU-15 countries as a result of Cohesion Policy implementation in the V4*, a study conducted by imapp and the Institute for Structural Research between September 2015 and May 2016. The evaluation was commissioned by the Polish Ministry of Economic Development and completed in cooperation with the Czech Ministry of Regional Development, the Hungarian Prime Minister's Office and Government Office of the Slovak Republic.

2 Impact of Cohesion Policy on economies of the V4

According to the macroeconomic simulation applied in this evaluation, by the end of effective spending under the 2007-2013 programming period (i.e. in 2015), the GDP of the V4 was higher by ca. 6% than it would have been under the no-support from structural funds and the Cohesion Fund scenario. Two sets of mechanisms underpinned this scale of impact. Firstly, the V4 business environment was invigorated by the growth in aggregate demand induced by the implementation of projects co-financed by EU funds, e.g. in demand for building services or machinery and equipment procurements. Secondly, higher GDP was also driven by supply-side mechanisms, i.e. gradual increase in production capacity of the economy thanks to the impact of implemented projects.

Figure 1. Impact of the Cohesion Policy on GDP in the V4 (percentage deviation from the baseline [no-EU-funds] scenario)

Source: Own elaboration.

Numerous evaluations also confirm tangible impacts of the Cohesion Policy in areas such as improved innovation, positive labour market developments, higher transport accessibility, improved environmental protection and enhanced energy efficiency. Despite many challenges, taken on for a reason, it is clear that EU-funded programmes in V4 countries have achieved most of their objectives. Nevertheless, that the unprecedented scale of growth-related investments in V4 countries would not have been possible without the contribution from structural funds and the Cohesion Fund made up largely of payments by the EU-15 into the EU budget. However, the spending is offset by economic benefits and other positive externalities, which make the Cohesion Policy in its current form beneficial both to beneficiaries of the support as well as to the member states which co-finance the interventions, notably Luxembourg.

3 Benefits to Luxembourg

The total values of economic benefits to Luxembourg resulting from the implementation of the Cohesion Policy in V4 during the 2007-2013 financial perspective can be broken down into three major categories: indirect export benefits, direct export benefits and direct capital benefits.

category of benefits	interpretation	value (EUR bn)[1]	% of benefits to the EU-15
indirect export benefits	benefits resulting from increased exports to the V4 induced by the macroeconomic impact of Cohesion Policy interventions, less the direct involvement of Luxembourgish companies in the implementation of projects	EUR 0.31 bn	0.40%
direct export benefits	benefits resulting from direct involvement as contractors/suppliers of Luxembourgish-based companies in projects funded under Cohesion Policy in V4	EUR 0.05 bn	0.43%
direct capital benefits	benefits resulting from direct involvement as contractors/suppliers of companies owned by Luxembourgish capital groups in in projects funded under Cohesion Policy in V4	EUR 0.00 bn	0.00%
total economic benefits	sum of indirect export benefits, direct export benefits and direct capital benefits	EUR 0.36 bn	0.37%

[1] All values are expressed in constant 2010 prices.

- In absolute terms, Luxembourg enjoyed economic benefits resulting from the implementation of Cohesion Policy in the V4 at the level of EUR 0.36 billion during the 2007-2013 programming period.
- The structure of benefits to Luxembourg is similar to the structure of benefits enjoyed by the entire EU-15, with Poland accounting for almost half of the economic benefits.
- In case of Luxembourg indirect export benefits, i.e. benefits resulting increased imports of V4 economies triggered by the macroeconomic effect of Cohesion Policy, dominate over other forms of benefits (direct export benefits and direct capital benefits), which is akin to the structure enjoyed by the entire EU-15.

Figure 1. Structure of economic benefits to Luxembourg

division of benefits between V4 countries

division between categories of benefits

Source: Own elaboration

Figure 2. Summary of benefits to Luxembourg (2007-2013 programming period)

Source: Own elaboration

When the stream of benefits to Luxembourg is related to contributions of this country to the overall financing of Cohesion Policy in the V4 during the 2007-2013 programming period, the ratio stands at 107%.[2]

Figure 3. Total economic benefits to Luxembourg in relation to gross contribution to Cohesion Policy implementation in the V4 in 2007-2013 programming period

Source: Own elaboration.

[2] Calculated based on gross contributions of Luxembourg to the EU-budget in 2007-2015.

Figure 4. Total economic benefits to the EU-15 in relation to gross contribution to Cohesion Policy implementation in the V4 in 2007-2013 programming period (EUR bn,%)

The EU-15 MS **contributed** ca. **EUR 120 billion** to the cohesion policy in V4.

The **total economic benefits to EU-15 MS** resulting from implementing cohesion policy in V4 amount to **EUR 96.6 billion**, which is approx. **80% of their contribution**.

Percentages on the map: benefits to each EU-15 country as a % of its gross spending for the cohesion policy in V4 countries in 2007-2015.

Source: Own elaboration.

Table 1. Summary of benefits to the EU-15 (2007-2013 programming period)

	Czech Republic	Hungary	Poland	Slovakia	V4
total benefits	20 906.27	16 170.14	51 088.55	8 406.79	**96 571.75**
indirect export benefits	17 356.97	13 420.73	38 622.85	7 478.01	**76 878.57**
direct export benefits	1 822.82	2 103.62	7 501.33	228.85	**11 656.62**
direct capital benefits	1 726.48	645.79	4 964.37	699.93	**8 036.57**
total benefits	100%	100%	100%	100%	**100%**
indirect export benefits	83%	83%	76%	89%	**80%**
direct export benefits	9%	13%	15%	3%	**12%**
direct capital benefits	8%	4%	10%	8%	**8%**
total benefits by EU-15 (EUR mn)					
AT	2 423.89	3 285.77	3 127.42	1 402.30	**10 239.38**
BE	696.76	1 015.88	2 457.68	568.70	**4 739.03**
DE	10 236.23	6 147.17	20 680.97	3 174.38	**40 238.75**
DK	147.30	308.50	1 331.46	73.72	**1 860.98**
EL	59.57	34.68	285.88	22.40	**402.54**
ES	527.91	326.39	4 176.19	316.08	**5 346.58**
FI	77.14	74.16	527.87	28.40	**707.57**
FR	1 463.04	1 219.28	3 651.82	811.60	**7 145.75**
IE	234.11	307.87	638.51	34.35	**1 214.84**
IT	1 119.77	1 622.14	5 201.24	956.63	**8 899.78**
LU	83.29	49.03	164.56	62.79	**359.67**
NL	1 947.03	838.04	4 423.91	590.08	**7 799.06**
PT	105.65	68.87	234.36	16.15	**425.02**
SE	879.15	210.96	1 864.31	82.34	**3 036.77**
UK	905.43	661.40	2 322.36	266.85	**4 156.05**
total benefits by EU-15 MS					
AT	11.6%	20.3%	6.1%	16.7%	**10.6%**
BE	3.3%	6.3%	4.8%	6.8%	**4.9%**
DE	49.0%	38.0%	40.5%	37.8%	**41.7%**
DK	0.7%	1.9%	2.6%	0.9%	**1.9%**
EL	0.3%	0.2%	0.6%	0.3%	**0.4%**
ES	2.5%	2.0%	8.2%	3.8%	**5.5%**
FI	0.4%	0.5%	1.0%	0.3%	**0.7%**
FR	7.0%	7.5%	7.1%	9.7%	**7.4%**
IE	1.1%	1.9%	1.2%	0.4%	**1.3%**
IT	5.4%	10.0%	10.2%	11.4%	**9.2%**
LU	0.4%	0.3%	0.3%	0.7%	**0.4%**
NL	9.3%	5.2%	8.7%	7.0%	**8.1%**
PT	0.5%	0.4%	0.5%	0.2%	**0.4%**
SE	4.2%	1.3%	3.6%	1.0%	**3.1%**
UK	4.3%	4.1%	4.5%	3.2%	**4.3%**

Source: Own elaboration