

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

# POLICY DEPARTMENT **B**

## STRUCTURAL AND COHESION POLICIES



Agriculture and Rural Development

Culture and Education

Fisheries

**Regional Development**

Transport and Tourism

## RESEARCH FOR REGI COMMITTEE - SERVICES OF GENERAL INTEREST IN THE FUNDING PERIOD 2014-2020

STUDY





**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**RESEARCH FOR REGI COMMITTEE -  
SERVICES OF GENERAL INTEREST IN  
THE FUNDING PERIOD 2014-2020**

**STUDY**

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## **AUTHORS**

*Spatial Foresight*: Erik Gløersen, Marius Drăgulin, Silke Haarich, Sabine Zillmer, Frank Holstein, Christian Lüer, Sebastian Hans.

## **RESPONSIBLE ADMINISTRATOR**

Jacques Lecarte  
Policy Department B: Structural and Cohesion Policies  
European Parliament  
B-1047 Brussels  
E-mail: [poldep-cohesion@europarl.europa.eu](mailto:poldep-cohesion@europarl.europa.eu)

## **EDITORIAL ASSISTANCE**

Lyna Pärt

## **LINGUISTIC VERSIONS**

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## **ABOUT THE PUBLISHER**

To contact the Policy Department or to subscribe to its monthly newsletter please write to: [poldep-cohesion@europarl.europa.eu](mailto:poldep-cohesion@europarl.europa.eu)

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**Abstract**

The study analyses the role that SGI can play in the 2014-2020 programming period, and how the European Structural and Investment Funds (ESIF) framework can impact them. It shows that the ESIF contributions to improved SGI provision can be strengthened through a focus on capacity building efforts and more integrated territorial approaches. SGI-related cohesion policy measures can, as a complement to European competition policy, help to build a social market economy in the European Union.



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## LIST OF ABBREVIATIONS

<b>BMI</b>	German Federal Ministry of the Interior
<b>BOO</b>	Build, Operate, Own
<b>BOT</b>	Build, Operate and Transfer
<b>CBC</b>	Cross-Border Cooperation
<b>CEEP</b>	The European Centre of Employers and Enterprises providing Public Services
<b>CF</b>	Cohesion Fund
<b>CLLD</b>	Community-Led Local Development
<b>CPR</b>	Common Provisions Regulation (Regulation (EU) No 1303/2013
<b>DBFO</b>	Design, Building, Financing and Operation
<b>DBO</b>	Design, Build, Operate
<b>DG</b>	Directorate General
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EaSI</b>	Employment and Social Innovation programme
<b>ECEC</b>	Early Childhood Education and Care
<b>EEA</b>	European Economic Area
<b>EGTC</b>	European Groupings of Territorial Cooperation
<b>EIB</b>	European Investment Bank
<b>EIF</b>	European Investment Fund
<b>EMFF</b>	European Maritime and Fisheries Fund
<b>ENRD</b>	European Network for Rural Development
<b>EPEC</b>	European Public Private Partnership Expertise Centre
<b>EPHA</b>	European Public Health Alliance

<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ESIF</b>	European Structural and Investment Funds
<b>ETC</b>	European Territorial Cooperation
<b>EU</b>	European Union
<b>EU12</b>	Abbreviation referring to the 12 EU Member States which joined in 2004 and 2007
<b>EU13</b>	Abbreviation referring to the 13 EU Member States which joined after 2004
<b>EU15</b>	Abbreviation referring to the 15 EU Member States prior to the eastern enlargements in 2004
<b>EU27</b>	Abbreviation referring to the 27 EU Member States existent prior to Croatia's accession in 2013
<b>EUPHA</b>	European Public Health Association
<b>EUROFOUND</b>	European Foundation for the Improvement of Living and Working Conditions
<b>EUSBSR</b>	EU Strategy for the Baltic Sea Region
<b>EXPH</b>	Expert Panel on effective ways of investing in Health
<b>GDP</b>	Gross Domestic Product
<b>GHG</b>	Greenhouse gas
<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales
<b>ICT</b>	Information and Communication Technology
<b>ID</b>	Identity Document
<b>INTERREG</b>	Former acronym for European Territorial Cooperation (ETC)
<b>IP</b>	Investment Priority

<b>ISO</b>	International Organisation for Standardisation
<b>ITI</b>	Integrated Territorial Investment
<b>JASPERS</b>	Joint Assistance to Support Projects in European Regions
<b>JEREMIE</b>	Joint European Resources for Micro to medium Enterprises
<b>JESSICA</b>	Joint European Support for Sustainable Investment in City Areas
<b>LAG</b>	Local Action Groups
<b>LEADER</b>	Links between actions for the development of the rural economy
<b>LNG</b>	Liquefied Natural Gas
<b>LSB</b>	Local Service Board
<b>LTC</b>	Long-Term Care
<b>MAA</b>	Migration Advice for Adult immigrants
<b>NGO</b>	Non-Governmental Organisation
<b>NUTS</b>	Nomenclature of Territorial Units for Statistics, a geocode standard for referencing regional subdivision for statistical purposes
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OP</b>	Operational Programme
<b>PA</b>	Partnership Agreement
<b>PFI</b>	Private Finance Initiative
<b>PPP</b>	Public-Private Partnership
<b>PSO</b>	Public Service Obligations
<b>PSP</b>	Private Sector Participation
<b>R&amp;D</b>	Research and Development
<b>SBI</b>	Social Business Initiative
<b>SCP</b>	Single Contact Point

<b>SEK</b>	Swedish Kronor
<b>SGEI</b>	Services of General Economic Interest
<b>SGI</b>	Services of General Interest
<b>SME</b>	Small and Medium-sized Enterprises
<b>SROI</b>	Social Return on Investment
<b>SSGI</b>	Social Services of General Interest
<b>TEN-T</b>	Trans-European Transport Network
<b>TFEU</b>	Treaty on the Functioning of the European Union
<b>TO</b>	Thematic Objective
<b>USD</b>	Universal Service Directive
<b>USO</b>	Universal Service Obligations
<b>VCSE</b>	Voluntary, Community and Social Enterprises

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# 1. EXECUTIVE SUMMARY

## Background

The importance of services of general interest (SGI) for social and territorial cohesion is acknowledged in the TFEU and other key regulations. Their service in the 'public interest' is dynamically defined by national governments, regulators and other stakeholders under the influence of cultural and institutional traditions. Given these differences, depending on Member State or even region, SGI contribute to regional development in mostly indirect ways. Nevertheless, common SGI features like availability, accessibility, affordability and quality can be distinguished and studied, as this report does. Such features allow policymakers to plan, monitor and evaluate their public service obligations, as well as other EU-level regulatory obligations.

In their pursuit of single market integration, EU authorities seek to provide national and regional authorities with the regulatory means to ensure their public service obligations, while preserving the principle of free and undistorted competition to the widest extent possible. SGI therefore play a key role in defining the European model of 'social market economy', i.e. how to strike a balance between market integration and the preservation of social, economic and territorial cohesion.

## Aim

The study analyses the role that SGI can play in the 2014-2020 programming period, and how the European Structural and Investment Funds (ESIF) framework can impact them. It looks at the overall strategic framework that SGI have in EU-level regulation, analyses new opportunities presented in the current period as opposed to the previous one, and provides policy recommendations on how best to implement SGI-related policies to ensure their effectiveness until 2020 and beyond. These findings and recommendations seek to enable the European Parliament and the REGI Committee within to propose specific policy measures to steer the direction of future SGI measures in a direction most suitable for their efficient implementation.

## Policy recommendations

As shown in this report, EU regulators adopt different tactics depending on the type of SGI:

- either letting markets operate freely and afterwards intervening to compensate for the unmet needs of certain social groups or territories, as in banking,
- or regulating through incentives to meet political expectations for public and universal service obligations, as it happens in sectors like telecommunications, energy or transport.

Such a tailored approach is useful in the future, given the regulatory and environmental changes in SGI provision presented here. Given the weak constitutional basis for EU-level regulation, dialogues with representative organisations of different sectors play a central role in European level interventions. Some novelties in the 2014-2020 ESIF regulation and other legislative acts facilitate this: the introduction of formalised partnerships between public, private and civic actors in the Partnership Agreements, the newly-introduced ex-ante conditionalities requiring consultations with local stakeholders for developing strategies like

smart specialisation strategies or the mainstreaming of community-led local development approaches beyond its use in rural development are just a few examples of this.

It is also important for EU policymakers such as the European Parliament to acknowledge the difficulty in comparing levels of SGI provision and access across Europe, given several factors:

- 1) **First**, such differences occur at sub-regional levels, highlighting the need for place-based policies.
- 2) **Second**, geographically specific territories like islands and remote areas need services adapted to their needs. A focus on 'equality of access' can be counterproductive.
- 3) **Third**, border regions experience particular problems in linking their SGI provision with their neighbours, calling for greater flexibility in adapting national policies locally and continued dialogues and coordination efforts.

These factors are in no way impenetrable barriers to ensuring availability, accessibility, affordability and quality of SGI, as the numerous case studies in this report illustrate. As shown, it is precisely these tougher conditions that encourage innovative approaches: for instance, transnational cooperation can improve SGI provision in fields such as transport and energy. ESIF can cover financing gaps to fund SGI provision where this is lacking. And innovative governance arrangements share the costs and benefits of providing services of general economic interest between public and private actors.

## Conclusion

Though this report studies future challenges and opportunities, the past and its marks cannot be ignored. Especially, the recent financial crisis has triggered important changes in many EU sectors and policies, including those concerning SGI provision. Some Member States, especially in northern Europe, responded with stimulus packages to re-launch the economy, while others, particularly in the south, tightened their belts around public spending via targeted cuts. In SGI, this was most evident in sectors like healthcare or education. To adapt, **public authorities increasingly involved private and social economy actors in SGI provision**, either through service outsourcing or public-private partnerships (PPP). Such governance arrangements, sometimes innovative, come with both fears and hopes: fears of losing control on quality and transparency, while hope in better addressing public needs if the public is more involved either through NGOs or private actors. Among it all, as described here, social actors and especially social co-operatives proved remarkably fit to take on SGI provision roles due to their resilience and long-term oriented features.

As governance arrangements evolve, so do social conditions and especially technology, forcing public service obligations to adapt. The increasingly vital role of broadband, for instance, creates demand for new types of SGI, as seen in case studies presented in this report. The demand and types of SGI provision are determined by both external pressures and private cost-efficient offerings. This **SGI governance evolves through individual and organisational learning**: public authorities need new competences to plan strategically, monitor, control quality and outcomes, and negotiate. **This is a key field in which ESIF can contribute to SGI provision**, e.g. through capacity building efforts and dissemination on European State Aid regulations.



Furthermore, ESIF could play a role **promoting more collaborative approaches to the definition of 'public interest' within each sector and geographical setting**. This would usefully complement legally driven processes of privatisation of SGI delivery, which need to be complemented by pro-active public policies to organise public procurement procedure, quality controls, monitoring and evaluation so as to preserve the public interest.

Cohesion policy can also to a greater extent be promoted as a complement to competition policy with regards to SGI. This would for example imply that **ESIF explicitly seek to address challenges and pitfalls of SGI outsourcing and PPP** that are extensively observed in the literature, but have so far had limited policy implications at the European and national scales.

Finally, part of the added-value of ESIF lies in the integrated, territorial approaches and multiannual programming. Their contributions to SGI provision therefore need to be encouraged to be **less sectoral and more cohesion-oriented**. Plans for balanced and coordinated SGI provision may for example be required as an ex-ante conditionality.



## 2. INTRODUCTION

When the 2014-2020 programming period was launched, the European Union had already experienced years of economic malaise, and focused on promoting growth and jobs based on the principles of the Europe 2020 strategy. These difficulties had highlighted the essential role played by services of general interest (SGI), both as essential safety nets for vulnerable citizens and as factors of smart, sustainable and inclusive growth. At the same time, in the aftermath of the Altmark judgment of 2003<sup>1</sup> and of the new provisions of the Lisbon Treaty on services of general interest (see ANNEX A: References to SGI in the treaties on page 173), there had been extensive discussions on the role of State aid and public procurement procedures. These discussions had led to the adoption of new regulatory frameworks.

European Structural and Investment Funds (ESIF) have not traditionally focused on SGI as such. Their central objectives are growth and jobs. Admittedly, a large part of ESIF-supported initiatives contribute to the provision of SGI, e.g. in the fields of transports, energy, education, health and environmental infrastructure. It is largely recognised that these are essential levers to promote regional development and economic, social and territorial cohesion. This is also reflected in the Treaty on the Functioning of the European Union, (TFEU), which describes SGI as an important public tool to promote such cohesion (Article 7), as well as in Article 36 of the Charter of Fundamental Rights of the EU. While ESIFs contribute extensively to promote these principles, they only rarely consider SGI as a category. Their 'Common Provision Regulation' (CPR) for the 2014-2020 period<sup>2</sup> only refers to this notion once<sup>3</sup>; while some partnership agreements and operational programmes make limited references to it.

The present study of how ESIF can be used to support the provision of SGI is therefore confronted to a two-fold challenge. On the one hand, a large proportion of Cohesion Policy measures are directly or indirectly related to SGI provision. The study therefore potentially encompasses a very large part of activities supported by ESIF. On the other hand, the notion of SGI has only played a minor role in the strategic elaboration and implementation of ESIF. As a category, SGI rather belong to European competition policy. It is in this context that debates have taken place on how to reach a balance between the defence of public interest on the one hand, and the preservation of free and undistorted competition within the Single Market, on the other.

This is a paradox, considering the major role played by Cohesion Policy and ESIF when it comes to improving the extent and quality of SGI provision in Europe. These SGI both encourage job creation and growth and help to promote economic, social and territorial cohesion. The 2010 European Parliament study on SGI in Europe (DEAS et al., 2010a) gave a broad overview of the importance of EU regional policy in their financing. The present study focuses on identifying how ESIFs could better incorporate the notion of SGI in its strategy elaboration and implementation.

This raises a number of issues. First, the notion of SGI is a dynamic one, as the needs identified as being 'of particular importance' evolve together with the need for public

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<sup>1</sup> The ruling of the Court of Justice of the European Communities on the so-called 'Altmark case', rendered on 24 July 2003, clarified under which conditions State Aid to undertakings granted in consideration for public service obligations that are imposed on them should not be considered as State Aid,

<sup>2</sup> Regulation (EU) No 1303/2013

<sup>3</sup> "Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest", is mentioned as an investment priority of the European Social Fund under Thematic Objective 9, 'Promoting social inclusion, combating poverty and any discrimination'.

interventions to ensure that market actors supply them. The European territory is not necessarily homogenous in these respects, and the Member States have the freedom to define what they regard as services of general interest. Second, the modes of delivery and governance of SGI evolve rapidly. Private actors play an increasingly important role; while public bodies are less involved in SGI provision, public procurement and outsourcing procedures are increasingly complex. Third, the specific added-value of ESIFs compared to national, regional and local public actors needs to be carefully identified: when and why does European involvement in SGI-related investments and SGI provision make sense?

The present report addresses these issues linked to the promotion of SGI by ESIFs. Its findings and policy recommendations should enable the European Parliament and its REGI Committee to steer SGI-related policies to effectively target the sector's main challenges ahead.

Concretely, this report is built on the following structure:

- **Chapter 3** first considers SGI from a governance perspective. The European legal framework for SGI is described, but the focus is also on the underlying rationale for setting some economic activities 'apart' when dealing with State aid and European competition rules. Based on examples from sectors such as health, energy, telecommunications and social housing, one observes that **the notion of 'public interest' is understood differently across Europe**, that it evolves over time and there is not necessarily consensus on how best to defend it. These observations constitute the backdrop against which the contribution of ESIF to an improved governance of SGI is assessed.
- **Chapter 4** approaches SGI from the broader perspective of the European economic and social model. It observes that this model remains largely undefined. SGI policies play a major role defining the concrete implications of the economic and social model of Europe; it is therefore a model that is 'defined in the making'. The **diversity in levels and quality of SGI provision across Europe** creates additional challenges for specifying the ways in which the balance between **'public interest' and 'free and undistorted competition'** should be struck. The economic crisis has generated a number of new concerns and dynamics which need to be incorporated into this discussion. Broadband internet on the other hand creates new opportunities for SGI provision, addressed under the Digital Agenda for Europe (European Commission, 2012b). However, this requires that current extensive disparities of access are overcome.
- **Chapter 5** discusses SGI from the perspective of ESIF, i.e. as levers of regional development. A description of their respective contributions to regional development within different sectors of activity shows that it is difficult to generalise: **Not only are the effects of SGI very diverse: cause-effect relationships are also often difficult to identify and measure.** Against this backdrop, contributions of ESIF to regional development are described, also taking into account instruments such as CLLD and EGTC.
- **Chapter 6**, finally, is where **policy recommendations** are formulated for how the European Parliament, Commission and Council can promote SGI within the framework of ESIFs in the on-going and forthcoming programming periods.

### 3. THE GOVERNANCE AND COORDINATION OF SGI IN EUROPE

#### 3.1. General notions and legal framework

##### KEY FINDINGS

- Services of general interest (SGI) are subdivided in services of general economic interest (SGEI) and non-economic services (NSGI). Social services of general interest (SSGI) are another sub-category of SGI that includes social security schemes or services directly provided to the person. SGEI involve an economic activity to which a public service obligation is associated because the essential services would otherwise not be adequately supplied by the market. NSGI are services that are not normally provided against remuneration. They are usually linked to state prerogatives (e.g. police, justice).
- According to the Treaty on the Functioning of the European Union (TFEU) (The Member States, 2012a), services of general economic interest (SGEIs) play an important role in promoting social and territorial cohesion.
- National, regional and local authorities play an essential role in providing, commissioning and organising services of general economic interest.
- User needs, social conditions and technologies evolve constantly and such evolutions ask for a corresponding adaptation of public service obligations.

SGI have received extensive attention in European Treaties, see Annex A p. 173. The main concern has been to ensure that competition rules are applied, but only to the extent that this does not constitute an obstacle to the provision and access to such services. Additionally, Protocol 26 (The Member States, 2008) states that SGI should be delivered “*as closely as possible to the needs of the users*” and introduces the notions of “*universal access and of user rights*” (The Member States, 2008). It also sets apart non-economic services of general interest, which are not covered by the internal market and competition rules of the Treaty.

The notion of SSGI was introduced in the White Paper of Services of General Interest in 2004 (European Commission, 2004), which led to the publication of a Communication on SSIGs in 2006 (European Commission, 2006a). This has triggered the European Commission to provide definitions of SGEI and NSGI, which are referred to in the Treaties and their protocols. It has also defined the broader category of services of general interest, which includes market and non-market services (European Commission, 2003). Definitions of core notions derived from these documents are listed in Text Box 2.

The authorisation of financial compensations to organisations providing public services has been a central issue in discussions over the legal framework for SGI. In its so-called ‘Altmark’ ruling of 2006, the Court of Justice of the European Union defined four criteria to establish that public sector compensation does not constitute State aid. These criteria are used as guidance for public service outsourcing contracts. These criteria imply, *inter alia*, that public compensations must be transparent. SGI providers are therefore constrained on aspects such as reporting, pricing, equality of treatment or accessibility of service. In terms of reporting, Commission Directive 2006/111/EC sets reporting requirements for public undertakings in order to ensure transparency. Furthermore, procurement laws are different for SGI when compared to other types of services.

The new State aid package adopted in December 2011 and April 2012 aims at reducing financial and administrative concerns for SGI providers (Pesaresi et al., 2012). It is also known as the 'Almunia' package, and includes four instruments:

- A Communication which clarifies the basic concepts of State aid which are relevant for SGEI;
- A revised Decision which defines the conditions under which financing for a SGEI (the 'public service compensation') is compatible with the internal market and does not need to be notified to the Commission;
- A revised Framework that sets out the rules the Commission will use when assessing SGEI compensation that is not exempted from notification by the Decision. All such compensation has to be notified to the Commission, who will then decide on its compatibility with the internal market;
- A revised *de minimis* regulation that rules that SGEI compensation of less than EUR 500 000 per undertaking over three fiscal years does not fall under State aid scrutiny.

These measures seek to achieve greater clarity and stability in the way SGI are handled. Some stakeholders had criticised the previous state aid package, the so-called 'Monti-Kroes package', for its unclear guidelines on defining services of general economic and non-economic interest (CEEP, 2012).

**Text Box 1: Definition of central notions****DEFINITION OF CENTRAL NOTIONS**

**SGI** are “services that public authorities of the Member States classify as being of general interest and, therefore, subject to specific public service obligations (PSO). The term covers both economic activities (see the definition of SGEI below) and non-economic services. The latter are not subject to specific EU legislation and are not covered by the internal market and competition rules of the Treaty. Some aspects of how these services are organised may be subject to other general Treaty rules, such as the principle of non-discrimination” (European Commission, 2011a).

**SGEIs** are “economic activities which deliver outcomes in the overall public good that would not be supplied (or would be supplied under different conditions in terms of quality, safety, affordability, equal treatment or universal access) by the market without public intervention. The PSO is imposed on the provider by way of an entrustment and on the basis of a general interest criterion which ensures that the service is provided under conditions allowing it to fulfil its mission” (European Commission, 2011a).

**Non-economic services** are “for instance traditional state prerogatives such as police, justice and statutory social security schemes are not subject to specific EU legislation, nor are they covered by the internal market and competition rules of the Treaty. Some aspects of the organisation of these services may be subject to other rules of the Treaty, such as the principle of non-discrimination” (European Commission, 2007a).

**Difference economic vs. non-economic:** “For a given service to qualify as an economic activity under the internal market rules (free movement of services and freedom of establishment), the essential characteristic of a service is that it must be provided for remuneration. The service does not, however, necessarily have to be paid by those benefiting from it. The economic nature of a service does not depend on the legal status of the service provider (such as a non-profit making body) or on the nature of service, but rather on the way a given activity is actually provided, organised and financed. In practice, apart from activities in relation to the exercise of public authority, to which internal market rules do not apply by virtue of Article 45 of the EC Treaty, it follows that the vast majority of services can be considered as “economic activities” within the meaning of EC Treaty rules on the internal market (Articles 43 and 49)” (European Commission, 2007a).

**SSGI** are not defined in the TFEU or in secondary legislation but are an important sub-group of SGI. It can be of an economic or non-economic nature depending on the activity. There are two broad types:

- Statutory and complementary social security schemes, organised in various ways, covering the main risks of life, such as those linked to health, ageing, occupational accidents, unemployment, retirement and disability.
- Other services provided directly to the person, like social assistance services, employment and training services, social housing or long-term care (usually organised at local level, heavily dependent on public funding).

**Sources:** European Commission, 2011a, 2007a

According to Lenaerts (2012), SGI may be understood from two different perspectives. On the one hand, from an ordoliberal<sup>4</sup> point of view, SGI can be seen as derogation from the European Union (EU) rules on competition. On the other hand, Lenaerts considers that *"SGI may be seen as the symbol of the European social model, according to which Member States try to counter market forces which, in the absence of any public control, would prevent certain groups – for example, persons facing financial and economic difficulties or who are geographically isolated – from having access to SGI."* (Lenaerts, 2012, p.1249). In this sense, for some Member States, SGI are a component of their national welfare model.

Given the recent evolutions of European regulations presented above, SGI operate under new framework conditions in the 2014-2020 programming period. The 2011 European Commission Communication also emphasizes that *"users' needs and technologies evolve constantly"* and that public service obligations need to be adapted correspondingly (European Commission, 2011b). This study will therefore also need to identify possible such evolutions that would call for policy responses. The pro-active position of the European Commission in relation to SGI can be expected to have concrete implications on the ways in which ESIF programmes are elaborated, implemented, monitored and evaluated. This aspect is further developed in section 3.4 below.

### 3.2. Definition of public interest

#### KEY FINDINGS

- SGI are separated from other commercially provided services because they pursue public interest objectives. However 'public interest' is an abstract notion that changes over time or in different cultural contexts.
- Nowadays, 'public interest' is invoked in order to ensure: (a) access to fundamental goods and services to ensure certain (minimum) living standards, (b) economic development, (c) promotion of economic, social and territorial cohesion and of sustainable development goals.
- The scope of services of general interest is defined dynamically by governments, regulators and others that seek to intervene in the public interest. Differences of appreciation have led to a series of conflicts that make the 'public interest' arise in the courts as subject of law disputes.
- In this section, examples of processes to dynamically define public interest in some sectors (health, energy, telecom, social housing) are presented.

SGI are separated from other commercially provided services because they pursue public interest objectives. However, 'public interest' is an abstract notion that changes over time or in different cultural contexts. The rather ambiguous concept refers to the *"general welfare of a society but it has proved difficult to come up with a universal definition for all to agree upon"* (Bjørnsen et al., 2013, p. 17). To get a better picture of how the notion of 'public interest' is approached in the EU, the notion is investigated in different sectors.

<sup>4</sup> A philosophical concept seen as the German version of social liberalism, emphasising the state's role in ensuring that the free market produces results close to its theoretical potential.



Today, **public interest and public service provision are two different notions**. Over the past years, one can observe a continuous blurring of the conventional frontiers between private and public realms. Even functions traditionally seen as ‘public’ in interest and provision, such as armed forces or national security services, are partially privatised. The public-private relationship should not be conceived anymore as a dichotomy but rather as “*a continuum in the axis of public-private*” (Katrourgalos, 2013, p. 2).

From a historical perspective, the understanding of ‘public interest’, sometimes called ‘public good’ or ‘public benefit’, was extended from something built in values to “*something needing to be addressed by intervention in the theoretically free market state*” (ICAEW, 2012, p. 17). Nowadays, ‘public interest’ is invoked in order to ensure (Bjørnsen et al., 2013, p. 23; ICAEW, 2012, p. 17):

- Equal access to fundamental goods and services to ensure certain (minimum) living standards.
- The creation of conditions and infrastructure in a wider context to promote economic development.
- The promotion of economic, social and territorial cohesion and the achievement of sustainable development goals (economically, socially and environmentally, includes climate change).

The notion of ‘Universal Service Obligation’ (USO) is defined by the European Commission in its 2003 Green Paper on SGI, as shown in Text Box 2. Here again, however, the reference to the need to preserve access to ‘certain’ high quality essential services irrespective of geographical location open considerable room for interpretation. Based on findings from research on SGI carried out within the ESPON 2013 programme, Bjørnsen et al. (2013) find that “*an appropriate operational definition of a basic level of SGI cannot be determined a priori on a general and purely theoretical (or moral) basis, but should be regarded as a research question to be empirically illuminated, the specific territorial context taken into consideration and highly emphasized*”. This suggests that great caution should be exerted before formulating norms and standards for SGI.

### **Text Box 2: Public Service Obligation and Universal Service Obligation**

#### **PUBLIC SERVICE OBLIGATION AND UNIVERSAL SERVICE OBLIGATION**

The term ‘**public service obligation**’ (PSO) refers to the specific quality and price requirements that are imposed by public authorities on the service provider in order to ensure that certain public interest objectives are met.

The term ‘**universal service obligation**’ (USO) refers to contractual or regulatory requirements imposed by public authorities upon undertakings with a view to that everyone has access to certain high quality essential services, independently of geographical location and at an affordable price.

**Sources:** European Commission (2003); Bovis (2014)

**Text Box 3: Broadband access as a universal right in Finland****BROADBAND ACCESS AS A UNIVERSAL RIGHT IN FINLAND**

At EU level broadband access is not included within the scope of USO. However, EU Member States can define specific data rates at national level. In October 2009, the Finnish Ministry of Transport and Communications announced an amendment to the national Communications Market Act, specifying that broadband Internet access of 1 Mbit/s will become part of the scope of USO as of July 2010.

Through the amendment, which made Finland the first country in the world to recognise broadband access as a universal legal right, operators must provide every permanent residence (summer residences excluded) and business office with access to a reasonably priced connection. To guarantee reasonable prices, information and communication technology (ICT) operators may only charge a reasonable share of construction expenses to users. The Finnish Communications Regulatory Authority estimated a range of EUR 30-40 as a reasonable monthly fee, and steps in if pricing is not reasonable.

However, the goal of 1 Mbit/s is only an intermediary step. The Finnish government defined the goal that by the end of 2015 *“virtually all permanent residences, business offices and permanent offices of public-sector organisations – in other words, over 99% of the population – are located within 2 kilometres of an optic fibre network or a cable network that enables data connection with a transfer speed of 100 Mb/s”*. Expenditure for such infrastructure upgrade will be covered by telecommunications operators (about one third of the costs), the Finnish State, the municipalities and the EU through the European Agricultural Fund for Rural Development (EAFRD).

**Sources:** EDRI (2009); ITU News (2010); Ministry of Transport and Communications (2015)

The scope of SGI is dynamically defined by governments, regulators and others who seek to intervene in the public interest. Differences of appreciation have led to a series of conflicts that make the ‘public interest’ arise in courts as subject of law disputes<sup>5</sup>. In this case, courts become decisive in judging whether specific case can be considered of public interest. However, according to a study on public interest presented by the Institute of Chartered Accountants in England and Wales (ICAEW), the relevant public also contributes to form the general perception of public interest. *“The way a public interest action is determined, and seen to be determined, and the public interest appropriateness of the solution, will influence the acceptance of the measure.”* (ICAEW, 2012) According to the analytical framework of the ICAEW, relevant aspects that influence the process of definition (or re-definition) of a ‘service of public interest’ are:

- Information, evidence and credentials that justify invoking a ‘public interest’.
- Applicability of the public interest.
- Definition of the relevant ‘public’ (who?, for specific groups or territories?)
- The relevant public’s wants (representatives, spokesperson, lobbying).
- Constraints to such wants (conflict with other ‘public interests’, externalities).
- Aggregation of interests and decision-making processes (transparency).
- Implementation of the service (accountability, efficiency, quality etc.).

<sup>5</sup> See project ‘Public Interest in UK Courts’, funded by the Economic & Social Research Council (ESCR) (Public Interest in UK Courts, n.d.): <http://www.publicinterest.info>

According to the European Commission, public authorities in the Member States determine whether or not a service is in the general interest (European Commission, 2013a). EU law can impose limits on Member States' discretion when defining SGI, especially SGEIs as these are considered within the State aid framework, in sectors harmonised at Union level<sup>6</sup>, and where general interest objectives have been taken into account (Case C-206/98 Commission v Belgium, 2000). Furthermore, Member States' discretion remains always subject to a control of manifest error<sup>7</sup>. Critical voices consider that, under the paradigm of economic liberties within the internal market, it has been possible to "*challenge all national rules as being 'capable of hindering, directly or indirectly, actually or potentially, intra-community trade' and it was left entirely to the Court to decide whether such impediments might, in the specific case, be justified by an appeal to 'mandatory requirements of public interest' and allowable under the additional requirements of 'proportionality'*" (Scharpf, 2010a, p. 3).

### **3.2.1. Challenges linked to free patient choice in the health sector**

National healthcare systems are managed and function in very different ways across the EU, yet many have been undergoing considerable reforms in the past decades. Most hospitals were initially owned and managed by public authorities and non-profit organisations (including the church and universities). In most Member States this approach was supplemented by private clinics. Today, a much wider range of public and private players play an active role, ranging from insurance companies to the construction sector (Acerete et al., 2013). Public and private entities often cooperate and found public-private partnerships (PPP). In the UK, up to 40% of total health sector investments stems from PPP programmes (European Commission, 2013b, p. 10).

Key aspects related to public interest in the health sector refer to an efficient and accessible healthcare system ensuring a high level of quality. Healthcare reforms in Europe focused on promotion free patient choice to create competition and to improve efficiency and quality (Dixon et al., 2010, p. xvi). Patient choice does not only refer to the health care provider. It includes all dimensions related to a medical treatment. In general, four different types of patient choice can be distinguished (Dixon et al., 2010, p. 3):

- Choice of treatment (what),
- Choice of individual health professional (who),
- Choice of appointment time/date (when),
- Choice of provider (where).

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<sup>6</sup> For example, telecommunications and the postal and energy sectors have been harmonised at Union level.

<sup>7</sup> Examples are: Port operations, activities consisting in advertising, e-commerce, the use of premium-rate telephone numbers in prize games, sponsoring or merchandising as part of audio-visual public service, disposal of animal corpses, broadband limited to business parks, thus not benefitting the population at large.

**Text Box 4: Free patient choice in the Dutch healthcare system****FREE PATIENT CHOICE IN THE DUTCH HEALTHCARE SYSTEM**

One example of national healthcare system undergoing reforms focusing on patient choice can be found in the Netherlands. The government regulated the Dutch healthcare system, but a lack of incentives for providers, insurers and patients led to an unresponsive and inflexible system. Furthermore, the patient-doctor relationship was asymmetrical and paternalistic, because patients were often urged to leave their decisions to doctors. The promotion of patient choice was thus intended to achieve regulated competition between providers and improve efficiency, accessibility and quality in healthcare. It was furthermore a goal in itself, as stronger patients' rights would lead to more autonomy and to patient empowerment. Patients today generally appreciate a more active role in their own healthcare. Based on the comparative information available on the quality and costs of different treatments, patients can rationally choose those providers that offer the best care and "*vote with their feet*" (Victoor et al., 2012, p. 6). This way, the Dutch health system is supposed to become more sustainable offering better quality, shorter waiting times etc.

**Sources:** Victoor et al. (2012)

Although the rationale behind the idea of free choice for patients is consistent, one may question whether patient choice creates competition and leads to more efficiency, accessibility and higher quality of healthcare. Four key preconditions can restrict the full implementation of patient choice policies. First, the idea of patient choice assumes that patients are willing and, even more important, able to choose between different options. Second, a patient as a well-informed customer and rational decision-maker relies on sufficient, understandable and easily accessible information. The amount of information could, however, overburden patients and not allow for comparing all relevant aspects between different providers. Comparable information about healthcare providers therefore requires standardised methods to measure their quality, which do not always exist. Healthcare providers may fail to provide the information needed for quality assessment. Third, there might be a lack of choice options. If patients are supposed to choose, they need a sufficient number of providers to choose from. Fourth, patients need to be aware of their rights and their ability to choose their providers. These four conditions need to be satisfied to really empower patients, and additional instruments are necessary in order to fulfil them (Victoor et al., 2012, p. 6). A healthcare system offering free patient choice but lacking transparency does not lead to higher efficiency, accessibility and better quality.

In the UK, patient choice was also intended to promote competition between providers and to lead to more efficiency and better quality. Interviews with healthcare providers revealed that competition between them increased, yet the dynamics of competition differed. These depended on (i) the local configuration of providers, (ii) their proximity to one other, (iii) the population they served, (iv) the services they provided, and (v) whether there were local agreements (formal and informal) in place between healthcare providers to cooperate, collaborate, not to compete, or to allocate patients, services, geographic areas, etc. (Dixon et al., 2010, p. 101). The effectiveness of free patient choice can thus be limited by anti-competitive activities of providers, but also depends on the territorial dimension of the healthcare system in a specific region.

ESIF have been extensively used for investments in health and health care like funding for research and innovation, setting up e-Health solutions or improving general IT tools. Such investments, however, have to comply with State aid rules of the EU. Especially for economic activities, funding through ESIF might be perceived as State aid. The general rule

for the health sector is that *“the more integrated into the national health system a health care provider is, the less likely it is to be considered as an undertaking subject to the rules on State aid”* (Ernst & Young, 2015, p. 5). European Court of Justice judgements suggest the following distinction between economic and non-economic health-related SGI (Ernst & Young, 2015, p. 7):

- **Economic:** emergency transport services and patient transport services, medical services provided in hospitals or elsewhere, hospitals and other providers that offer services for remuneration, health care services provided by independent doctors and other private practitioners for remuneration at their own risk, independent pharmacies;
- **Non-economic:** organisation of public hospitals, an integral part of the national health service and almost entirely based on the principle of solidarity, and activities that in themselves could be of an economic nature but are carried out for the purpose of providing another non-economic service.

When assessing whether financing infrastructure or operating costs through ESIF is possible, one has to consider that healthcare services can be exempted from State aid obligations if they fulfil public service functions that would not be supplied without public intervention (Ernst & Young, 2015, p. 5).

### 3.2.2. The difficulty of reconciling different types of public interest in the energy sector

The energy market is subject to liberalisation processes since the early 1990s. It has increasingly been opened to competition. The next step is to create a single European energy market that is fully integrated and allows for secure and affordable energy supply. The recent energy policy of the EU is defined in the framework strategy for a resilient energy union with a forward-looking climate policy (European Commission, 2015a). The strategy aims to ensure (a) affordable, (b) secure, (c) competitive and (d) sustainable energy for Europe, its citizens and businesses. These four general principles lead to various conflicting interests that need to be balanced, e.g. between short-term needs and long-term security and sustainability, between the energy needs of the population and of the economic sector, or between centralised and decentralised production systems.

#### Text Box 5: Energy transition in Germany

##### ENERGY TRANSITION IN GERMANY

Germany's energy transition ('Energiewende') from conventional to renewable energy sources is an illustrative example for various conflict lines between the four abovementioned principles. With regard to (a) affordability, critics often claim that costs for consumers are too high, putting energy-intensive and heavy industries at risk of declining competitiveness. The German government, on the other hand, argues that focusing on energy prices alone is short-sighted and that other effects like economic and societal benefits have to be also taken into account. In (b) energy security, the energy transition can help reduce Germany's dependency on energy imports. Conventional energy sources in particular have to be imported from other countries almost entirely (share of energy imports for conventional energy sources in 2013: hard coal 87%, natural gas 87%, petroleum 98%, uranium 100%).

Current public debates around nuclear waste repositories and energy infrastructures like power grids illustrate additional issues. The completion of the nuclear phase-out in Germany is envisaged for 2022. The federal government and the federal states still have to agree how to handle the tonnes of nuclear waste and where to build a final repository. The current plan of the German government only envisages four interim storage sites (Wacket and Nienaber, 2015). Another challenge for increasing the share of renewable energy sources refers to energy transmission from producing regions in northern Germany to consuming regions in southern Germany, which requires new high-voltage power lines. Opponents of such large-scale infrastructures, as the Bavarian government or the population living in potentially affected municipalities, argue that power lines destroy landscapes, devalue property and can bring unknown health risks (Nienaber, 2015).

**Sources:** Energy Transition, 2014, 2012; Wacket and Nienaber (2015); Nienaber (2015)

The Third Energy Package entered into force in 2011. Two directives concerning common rules for the internal market in natural gas Directive 2009/73/EC and electricity Directive 2009/72/EC, respectively, are at the heart of this package. For each field a set of PSO is defined, referring in particular to the security of energy supply and to reasonable tariffs and prices (Recital 50, Directive 2009/72/EC; Recital 47, Directive 2009/73/EC), but also to environmental protection, energy efficiency, renewable energy, and climate protection (Article 3 II, Directive 2009/72/EC; Article 3 II, Directive 2009/73/EC). Although all four principles – affordability, security, competitiveness, sustainability – can be targeted by PSO, special emphasis is put on energy security and affordability. In this sense, the directives address the protection of vulnerable groups against the risk of energy poverty: customers in remote areas who are connected to the gas system as well as household costumers and small enterprises that shall enjoy universal service (Article 3 III, Directive 2009/72/EC; Article 3 III, Directive 2009/73/EC). Other points mainly refer to consumer rights, equal market access and transparency of the internal market.

**Text Box 6: Public-private collaboration to assure affordability of energy in the public interest**

**PUBLIC-PRIVATE COLLABORATION  
TO ASSURE AFFORDABILITY OF ENERGY IN THE PUBLIC INTEREST**

In the city of Bilbao (Spain), the power company Iberdrola and the city council recently (2015) signed an agreement for the protection of vulnerable customers: they agreed to establish coordination mechanisms to avoid the suspension of electricity and/or gas provision for unpaid bill to economically disadvantaged citizens. The protection is applicable to all customers who purchased power and/or gas from Iberdrola, who are registered in Bilbao and who may, upon technical evaluation and application, receive economic benefits intended to care for basic subsistence needs in situations of social emergency. Under the agreement, Iberdrola agreed not to suspend the supply of electricity and/or gas to such customers in vulnerable situations, while grants are managed by the City Council. Both institutions agreed to create a joint commission to monitor the agreement.

**Sources:** City Council of Bilbao (2015)



### 3.2.3. Changing perceptions of public service obligations with regards to access to telecommunication networks

One of the first sectors in the EU targeted by liberalisation was the telecommunications sector. Already in 1987, a green paper proposed to create a common market. Hence, in the early 2000s the greatest progress had already been made (Simmonds, 2003, p. 32). To prevent market failures, telecommunications providers have to fulfil Universal Service Obligations (USO) defined in the Universal Service Directive (USD) for electronic communication networks and services (Directive 2002/22/EC, amended by Directive 2009/136/EC). This directive requires the provision of access to fixed telephony and functional Internet access (Art. 4 USD). USOs are supposed to act as a safety net that ensures availability, affordability and accessibility to these basic services for all population groups, especially those living in remote areas, with low incomes or disabilities (European Commission, 2011c, p. 2). In other words, USOs are *"a type of PSO which sets the requirements designed to ensure that certain services are made available to all consumers and users in a Member State, regardless of their geographic location, at a specified quality and, taking account of specific national circumstances, at an affordable price"* (European Commission, 2011a, p. 4). USOs ensure consumer rights which might be restricted if the full costs of their provision were imposed on the consumer. They often entail additional costs for the providers of the service, for which the provider may be compensated through an industry levy or a state subsidy (Harker et al., 2013, p. 22f.).

The original and the amended USD (Directive 2002/22/EC, amended by Directive 2009/136/EC) limit functional internet access to narrowband data rates (Recital 8 USD). The scope of Universal Service is not fixed but shall periodically be reviewed by the European Commission, taking particular account of mobility and data rates (Art. 15 II USD). When considering whether the scope of USO should be change or redefined, the Commission will take into consideration (a) whether the services in question are available and used by a majority of consumers, (b) whether the lack of availability or non-use by a minority of consumers results in social exclusion, and (c) whether their availability and use convey such a general net benefit to all consumers that public intervention is warranted (if the services in question are not provided under normal commercial circumstances) (Annex V USD).

As neither broadband nor mobile telephony are so far within the scope of Universal Service, discussions around the review of the USD focused on whether broadband and mobile telephony should be within its scope, especially given the role of USO in meeting the objective 'broadband for everyone' (European Commission, 2011a, p. 12). As previous reviews in 2005 and 2008 concluded that the abovementioned criteria were not fulfilled for mobile telephony and broadband (European Commission, 2008a, 2005), the scope was not changed. In 2011, the European Commission re-stated that the scope of the USD will not be extended to mobile telephony and broadband.

With regard to **broadband** the Commission stated that usage rates vary considerably, between about 25% in Romania and Bulgaria to about 80% in the Netherlands, Denmark and Sweden. Due to significant national disparities and given that the take-up level is still below 50% in five EU Member States<sup>8</sup>, the costs of universal coverage would be high and fall on telecom providers and, ultimately, on consumers. This would especially affect sparsely populated countries or those with difficult terrains or less developed infrastructures. According to the Commission, the criterion of general net benefit to all

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<sup>8</sup> Romania, Bulgaria, Greece, Italy, Slovak Republic.

consumers was not met and broadband was not included within the scope of Universal Service at EU level (European Commission, 2011c, p. 7). However, EU Member States can define specific data rates at national level. Broadband rates are included as USO in Finland, Spain and Malta, for example (Harker et al., 2013, p. 29).

### Text Box 7: Broadband access in sparsely populated areas in Sweden

#### BROADBAND ACCESS IN SPARSELY POPULATED AREAS IN SWEDEN

Sweden is among the world leaders in broadband deployment and usage. According to the Digital Economy and Society Index, it was recently the second best performer among all EU Member States, after Denmark. (European Commission, n.d.) Sweden was furthermore the first EU Member State adopting a national broadband policy in the late 1990s.

Despite this success story, Sweden shows considerable disparities, especially between rural and urban areas. Inhabitants of rural and sparsely populated areas in particular rely on mobile broadband services. However, many such citizens complain about poor internet connections. Comparing the levels of service and price with its neighbours Denmark, Norway and Finland, Swedish package deals are often more expensive and only available with limited data usage. Along the border to Finland, many citizens even decide to connect to the telecom masts of the Finnish broadband network due to their lower prices and unlimited data usage.

To bridge this gap, different movements and projects started. Already back in 2009 the project 'Fibre to the Village – Bringing Broadband to Remote Areas' was conducted with EAFRD funding. It aimed at raising awareness in rural communities about the possibilities for setting up internal broadband networks, which could then be connected to the main network by operators. This idea is often implemented by grassroots movements driven by local communities. They are a suitable means to facilitate the deployment of fibre networks in rural areas. Such local initiatives receive aid from the Swedish government, while network operators help them establish links between village networks and the main grid. According to the Swedish Broadband Forum, in 2015 there were over 1 000 community broadband networks in rural areas (under construction, completed or planning to expand).

**Sources:** Rodden (2013); European Commission (2015b); Fibre Systems (2015); The Local.se (2015)

With regard to **mobile telephony**, the European Commission stated that mobile networks cover over 95% of the EU population, 89% of all households have mobile telephone subscriptions and charges for mobile services were falling over the past decades. From the Commission's perspective, these developments show that the competitive provision of mobile communications led to widespread and affordable access. Thus, the criterion related to the risk of social exclusion was not met and mobility was not included within the scope of Universal Service at EU level. (European Commission, 2011c, p. 7)

Other authors argue for new approaches to define USO. Alleman et al., writing about USOs in the United States, underline that "*the definition of USO should be as broad, flexible and comprehensive as possible because the technology of communications is changing dramatically*". (Alleman et al., 2010, p. 90) They mention that USO policy should be contextual because rural and urban areas are too different – "*one policy cannot fit all areas*". (Alleman et al., 2010, p. 91) They thus suggest shifting focus from particular technologies and specific services to a more flexible term: 'connectivity' as the general ability of people to communicate. However, they also emphasise that "*the notion of USO*



*needs to be carefully considered because it is a major distortion of economic efficiency".* (Alleman et al., 2010, p. 90)

Regarding the economic impacts of USO, different studies discuss the expected impacts of universal broadband coverage. Some find that including broadband as part of USO would bring various economic and social benefits, from higher productivity and economic growth to better deals for online shopping and paying bills to faster and cheaper public services (Kreutzmann-Gallasch et al., 2013, p. 11). Others underline that only limited evidence exists that *"broadband connectivity is critical to infrastructure in the information age for economic growth and development"* (Alleman et al., 2010, p. 88).

To conclude, there are two key aspects for the future development of USO. First, which positive effects on society and economy can be expected from universal broadband coverage, and do benefits justify the costs? Second, which role shall USO generally play? Shall USO be a proactive instrument for promoting 'broadband for everyone', or shall they protect the weakest and most vulnerable and correct market failures of liberalisation reforms only when the market has almost reached maturity?

### **3.2.4. Different understandings of which social housing policies qualify as SGI across Europe**

Housing plays a crucial role for social cohesion, and adequate housing provision has a long history in the EU. Since some models were introduced even before the modern welfare system, a wide variety of different approaches with long-standing histories exist. Thus, an important question about public interest and SGI in this field is the variety of national social housing policies across Europe and which ones qualify as SGI. Due to the variety of policies, no common definition exists, yet three common elements can be identified: (1) a mission of general interest; (2) the objective of increasing the supply of affordable housing, by constructing, managing or purchasing social housing; and (3) the definition of target groups in terms of socio-economic status or the presence of vulnerabilities. Beyond this similarities, the term 'social housing' is not officially defined across Europe (European Parliament, 2013, p. 9).

Two main models can be distinguished, mainly based on the allocation criteria. **Universal** approaches assume public responsibility for providing everyone with decent, affordable flats and houses. In contrast, **targeted** approaches assume that social housing is only directed to those whose demand is not satisfied by the market. Among the **targeted** approaches, two sub-models exist: in the generalist model social housing is allocated to people with an income below a defined ceiling, whereas in the residual model social housing aims at the most vulnerable groups (European Parliament, 2013, p. 9). Besides this general distinction, four general features can be identified that vary between different national systems (European Parliament, 2013, p. 10):

- **Tenure:** Social housing is mainly provided for rent, but in some countries also for sale, intermediate tenure or shared ownership (i.e. to buy a share and pay a rent for the remainder).
- **Provision:** Different providers of social housing exist, ranging from authorities, non-profit associations and companies to cooperatives, for-profit developers and investors. Recent trends point to an increasing involvement of private and not-for-profit organisations. Whereas authorities often focus on managing existing dwellings, the private sector is responsible for developing new social housing.

- **Beneficiaries:** In some countries social housing is directed to all citizens and high income ceilings should guarantee a mix among beneficiaries. In others it is a targeted service and low income ceilings ensure that only the most vulnerable groups are eligible. Besides income ceilings, other criteria such as housing conditions, homelessness, unhealthy accommodation, over-occupation and forced cohabitation can play a role and prioritise certain target groups such as youths, elderly, disabled persons, families with many children, ethnic minorities or refugees.
- **Funding arrangements:** The social housing sector mainly relies on public funds in some countries, while in others on credits raised on the finance market. Different sources are used for social housing projects, ranging from private loans, mortgages and private funds to public grants and loans. In addition, municipalities often contribute with offering land at reduced prices or even for free.

When criteria for the prior notification of public compensations to the European Commission were modified, a definition had to be developed on European level. In this context, the previously mentioned 'Monti-Kroes package' on State aid for SGI restricted social housing to *"housing for disadvantaged citizens or socially less advantaged groups, which due to solvability constraints are unable to obtain housing at market conditions"* (European Parliament, 2013, p. 10). This restrictive definition led to several disputes between the European Commission, Member States and various interest groups and players concerning the legitimacy of State aid for social housing. Some countries that had pursued a universalistic and inclusive model like Sweden or the Netherlands, consequently had to adjust their social housing policies (European Parliament, 2013, p. 10). The conflict can thus be characterised as a conflict between two models – on the one hand a universalistic and inclusive model that promotes a social mix of tenants and aims at preventing segregation and stigmatisation, and on the other hand a residual and selective model following a liberal tradition and assuming that housing is an economic sector open to the market and its players.

### 3.2.5. Synthesis of findings

There are three broader areas where potential conflicts or disputes over 'public interest' arise:

- When there are two different understandings of 'public interest' in national and in EU law, or when the implementation of a new law (EU or national) makes a conflict visible (examples for this case are the social housing dispute in the EU, the new legislation related to new and decentralised energy systems or the case of nature conservation).
- When the conditions to provide certain SGI change due to technological or market changes (e.g. restriction of public expenditure) and access might become unequal or less affordable. Examples of such trends are observed in the telecommunications and health sectors.
- When there are two different forms of 'public interest' in conflict (e.g. environmental vs. employment interests, humanitarian vs. economic, data protection vs. public security) and both sides have good arguments. Here, the definition of public interest within the energy sector is also an example of conflicts of interest (economic vs. climate/sustainability).

Apart from the different definitions and understandings of 'public interest' there are multiple ways to organise and deliver SGI.

### 3.3. Governance arrangements in the provision of SGI

#### KEY FINDINGS

- Cultural factors and institutional traditions play an essential role in creating differences in SGI provision, funding and quality control.
- Although it is difficult to generalise on who induces the decisions on public or private service provision and on SGI related infrastructure investments, two main trends can be observed: external pressure and new private cost-efficient offerings.
- Three prominent forms of governance arrangements for SGI provision are: public outsourcing, PPP or SGI provision through the social economy.
- As complexity grows, new competences (quality control, negotiation, monitoring) are required in the public sector.
- Through public outsourcing, PPP and including NGOs and social economy actors, new forms of governance and collaboration emerge as 'learning systems'.

Nowadays, only few SGI are completely delivered by the public authorities themselves. SGI are provided through many different governance models, reaching from public in-house service provision to outsourcing to a private company or to a social enterprise or NGO. Over the last decades, there has been a strong tendency towards privatisation first in sectors such as energy, telecommunications and transport, and now even in the health and social services sectors.

Cultural factors and institutional traditions play an essential role in creating differences in SGI provision, funding and quality control relate to the legal framework and culture of SGI provision. Marked differences across Europe are evident in SGI provision. The authors of a 2011 study (Polacek et al., 2011) studied long-term care, childcare, social housing and employment services in 22 EU/ European Economic Area (EEA) countries between 2009 and 2011. It was very often difficult to compare mechanisms in regulation and quality tools because of their large variety. Nevertheless, some patterns did emerge:

- Long-term care is generally provided in an informal, unpaid way by family members in southern Europe, while in Nordic countries it is directly provided by local authorities. Some countries (Netherlands and Germany) rely almost entirely on private service providers, while in others private providers represent less than 20% of all services (Czech Republic, Finland, Greece, Romania, Slovenia, Sweden). There are marked differences in private providers too: in the Netherlands all such firms must be non-profit, while only 34% of private providers in Germany are non-profit.
- Childcare is perceived as a competitive business where the state shouldn't intervene in the Netherlands, Ireland and the UK (in the latter two, 85% of childcare provision is private). But in most of Eastern Europe and Nordic countries it is seen as a state duty: public sector covers 95% of childcare services in Denmark, 90% in Finland, 95% in Slovenia and 100% in Romania. Although most countries have legal quality provisions, very few have comprehensive and coherent quality frameworks.
- Employment services are also handled differently. Two broad approaches emerge: process- and outcome-oriented systems. This SGI is largely handled by the public sector, although there is a trend towards privatisation. In smaller countries, a single State Agency handles such services, whereas in larger ones (e.g. Germany, Italy,

Netherlands), the state agency joins efforts with regional and local authorities. Issues of service accessibility, sustainability, working conditions and skills and qualifications are however dealt with very differently across countries.

- Social housing is usually a direct service provision, but outsourced provision is also widespread. Here, a pattern emerges: in more Northern Europe, external providers must be officially 'approved' by public authorities, binding them to certain sectorial standards. In Southern Europe and Germany, any entity can apply for public tenders related to social housing. Quality regulation across Europe is scattered in environmental legislation, civil law and so forth. Only a few countries, like Austria and England, mainstreamed their social housing regulation. (See Text Box 9)

Although it is difficult to generalize on who induces the decisions on public or private service provision and on SGI related infrastructure investments, two main trends can be observed: **external public**, e.g. from national governments on regions or local authorities to reduce public budgets and cut operating costs or investments, or **external private**, when private (for-profit) actors offer cost-efficient solutions that facilitate strategic decision by the public sector. Decisions to switch from public to private or vice versa are also induced by important failures or negative effects in current systems, as for example, through the privatisation of water services at local level.

#### **Text Box 8: Problems related to the privatisation of water services**

##### **PROBLEMS RELATED TO THE PRIVATISATION OF WATER SERVICES**

Berlin privatised its water service in 1999, in spite of strong public opposition. This was done in order to help pay off some of the city's debts. Just under 50% of the company were sold to a consortium of a French multinational (Veolia) and a German multinational (RWE). Until 2011, water prices started to rise. By 2011, prices had risen by over a third above inflation. Campaigners forced a referendum on getting access to the contract. In January 2012 the German competition office said that the contract breaks German competition law, and the company must cut prices by 19%. In 2013, the City of Berlin re-municipalised its water service.

**Source:** PSIRU (2012)

As delegating the service to other not-public providers, questions arise on how to assure the selection of an adequate provider, how to guarantee the quality of the service and other goals (affordability, efficiency, accessibility), how to establish incentives to improve quality and efficiency over time. Public procurement rules need to be adapted to SGI and to the specific non-economic purposes related to them. *"The main options available to governments are relying on complex, multiple bidding processes; specifying non-pecuniary objectives beforehand and conducting the bidding with these as a sub-condition; and relying on a formal or informal prequalification of bidders"* (OECD, 2010). In this sense, the differences in social service provision across Europe are also reflected by the way in which public outsourcing is organised and how quality issues and other non-economic goals of services are considered.

The range of quality models used for the control of SGI reaches from voluntary commitments to quality through contractual arrangements to comprehensive quality standards and certification systems.

**Text Box 9: Quality control in social housing in Europe****QUALITY CONTROL IN SOCIAL HOUSING IN EUROPE**

In the field of social housing, self-regulation of quality by service providers is becoming increasingly important. Corresponding 'regulatory frameworks' for providers' services have been set up in many countries. This new framework is developed as 'co-regulation', which means that it relies on the self-regulation of providers, who are expected to develop standards according to local demands, and ensure effective tenant involvement, thus improving the quality of the service. Furthermore, regulation pertaining to the quality of social housing is scattered throughout different types of legislation: environmental legislation for building and construction, civil law for tenancy regulation, etc. As a consequence, quality regulation in social housing is rather fragmented and it is hard to find a regulation which deals exclusively with the quality aspect of social housing.

**Source:** Polacek et al. (2011)

There are three main forms of governance arrangements for SGI provision, namely public outsourcing, public-private partnerships or the SGI provision through the social economy. These terms are interrelated. For instance, public outsourcing can be seen as a form of public-private-partnership, and both can be results of privatisation processes. For both, there are different forms of contractual arrangements such as delegated managements contracts (most popular in France) or public service concessions. SGI provision by the social economy describes a certain type of public-private partnership or outsourcing, when the private partner is an NGO or a not-for profit organisation (third sector).

**3.3.1. Public outsourcing of SGI**

Public outsourcing of SGI, often called privatisation, involves delegating the delivery of SGI to the private sector. The public authorities turn to private entities to provide the expertise and personnel needed to fulfil the tasks of the SGI. This can be understood as a transfer of public responsibilities to private hands. EU rules encourage SGI provision outsourcing to private actors in two ways:

- by gaining competences in regulating SGI to the detriment of states, and
- by opening up the market for SGI provision.

Outsourcing of the delivery of SGI to private commercial or not-for profit organisations is often done for cost reduction – as a form of quasi-privatisation – and/or for enhancing the efficiency and quality of a service. However, even if outsourcing to a private provider often seeks cost reduction, a conflict of interests can arise if there is also an (implicit) interest in quality improvement. This conflict could be amplified through the public procurement process, if the quality criteria are not sufficiently specified or not in coherence with the economic criteria (price). In the case of outsourcing of larger SGI (water, transport), the control of the accomplishment of the non-economic goals is extremely complex, so that it becomes a challenge for the public authorities to control or avoid certain negative effects on prices, affordability or quality.

A public outsourcing of SGI usually requires an act of entrustment in the sense of Article 106(2) TFEU and in the sense of the Altmark judgment. The specific form of the act (or acts) may be determined by each Member State, depending among other things on its

political and/or administrative organisation. There is no standard 'one size fits all' model for public outsourcing; it depends both on the public authority entrusting the service and on the activity concerned. Examples of legal modalities to delegate the implementation of SGI are:

- *"Concession contracts and public service contracts*
- *Ministerial programme contracts*
- *Ministerial instructions*
- *Laws and Acts*
- *Yearly or multiannual performance contracts*
- *Legislative decrees and any kind of regulatory decisions, as well as municipal decisions or acts"* (European Commission, 2013a).

In service areas, such as health, elderly care and public security where it is difficult to define concrete outcomes or to monitor quality, *"the outsourcing of public service provision may involve a trade-off between cost and quality. In other areas, such as electricity provision, cleaning of public buildings or garbage collection, where quality is easy to contract upon ex ante and monitor ex post, outsourcing can imply cheaper and more efficient service provision at a similar or higher level of quality"* (Bennedsen and Schultz, 2011). Sometimes the problem lies in the contractual procedures for public outsourcing that were initially not focussing on quality issues.

A study conducted by the OECD (2013) illustrates that contracting of public services bears critical issues to be addressed in regards to influencing public decision-making. Since distrust in government is correlated positively with the perception of corruption, it shall be reflected profoundly what services are more resilient to public distrust. *"Transparency, integrity and fairness in the decision-making process are crucial to safeguard the public interest"* (OECD, 2013). Indeed, an IMF working paper suggests that the intensive lobbying activities of the financial, insurance and real estate industries have had at least in the US a direct impact on venture capital lending (Igan et al., 2009). The paper concludes that *"the prevention of future crisis might require weakening political influence of the financial industry"*.

Quality is thus an increasingly central concern when delegating SGI. Important tools in this respect are performance contracts. These contracts ensure that the public authority and the service providing organisation have a shared understanding of the quality criteria to be met, and of the procedures to be followed to control this. In the ideal case, such contracts also include performance measures that cover the non-economic goals associated with the service. The use of quality management systems can also help to introduce a quality vision in the SGI.

Therefore, another dimension of quality is the integration of relevant non-economic goals related to the SGI, such as affordability, fairness in price, equality of access, provision safety – even for groups with lesser income or living in remote areas. These issues might not be considered automatically by a private provider but have to be made explicit and converted into concrete objectives and performance measures by the public authorities.

In general, in the light of on-going privatisation process and the outsourcing of SGI, there is a need for more capacities within public authorities to contract and negotiate with private partners and to monitor and control the outcomes (also intangible) and the quality of the



outsourced services. The recent financial crisis, as explained further on in section 4.4.2, has constrained public authorities to adopt new forms of SGI provision, with SGI outsourcing growing in popularity. The balance between PSOs/USOs and cost efficiency is ever more important in 2014-2020.

### 3.3.2. PPP

There is no simple definition of a PPP, as the term covers a range of different types of contracts and other delivery models. *"A PPP can be described as a co-operation between public authorities and private sector operators, often with the aim of ensuring the funding, construction, renovation, management or maintenance of infrastructure (works) and/or the provision of a service"* (SIGMA, 2011). In a context of budgetary austerity, these types of solutions have been adopted widely as they have made it possible for public authorities to carry out infrastructure investments with private funds. Trends in the application of PPP in the aftermath of the financial crisis are further described in section 4.4.2.2.

The term PPP was coined as a form to describe risk-sharing arrangements between public and private actors: 'Public-private partnership', and the use of the word 'partners', was introduced to present the forms of involvement of the private sector. Similar terms such as, 'private sector participation' (PSP) are also widely used, especially by the World Bank and others in the context of developing countries. PPP describe generally contractual relationships (Hall et al., 2003).

#### Text Box 10: Highway PPP in Portugal and Spain

##### HIGHWAY PPP IN PORTUGAL AND SPAIN

Private sector involvement in developing and managing highway infrastructure in Spain and Portugal dates back to the 1960s and 1970s. Since the 2000s, there is a new wave of PPP in highway construction and tolling systems in the two countries. A key driver to implement PPP arrangements was compliance with EU convergence criteria, which places limits on public debt and budget deficits. This pressure makes the use of PPP, in which the private partner assumes the construction financing, quite attractive because its related debt is moved off the public sector's balance sheet. Other advantages are – it makes public funds available for investment in other areas, it improves public safety, and it increases private sector capacity and competition<sup>9</sup>. Spain's long tradition linked to the concessions in the roads and wider infrastructure sector has now been exported to countries all over the world. Among the top ten international transportation developers, six are Spanish.

**Source:** Acerete et al. (2013)

PPP can cover different models of contractual partnerships that extend the delivery of a service: construction of infrastructure, financing of infrastructure/services or (temporary) ownership of land, infrastructure or services. The most prominent types of PPP are (Hall et al., 2003):

<sup>9</sup> FHWA (2014). Office of International Programs. Federal Highway Administration. US Department of Transportation. Website: <http://international.fhwa.dot.gov/pubs/pl09010/02.cfm>

- Private finance initiative (PFI) schemes e.g. used in the UK and in Spain: a private company designs and builds specific investments on the basis of finance provided by it, and recoups the money by a contract to provide services for a period of years, usually decades, while the asset itself remains owned by the public sector. PFI itself can be organized in many different ways. On form is a case called 'DBFO', where design, building, financing and operation of the relevant facility are all undertaken by the service provider.
- Concessions e.g. in water services or for highways, are like PFI schemes, but the finance is recovered through charges to the users. This is the case, for instance, with the concession of a large part of the Italian highway network to the firm Atlantia S.p.A. (formerly Autostrade S.p.A.), which collects money for its investments through tollways. Similarly, the Bucharest municipality in Romania concessioned the rights and obligations to manage the city's public water supply and sewage system to the company 'Apa Nova Bucharest' at the company's expense and risk in exchange for a fee payment (Apa Nova Bucharest, 2015).
- Leases, where the company does not make its own investments but operates and maintains the system, financed by charging fees. The operator does not receive a guaranteed fee: it pays a lease fee to the public authority from its receipts, and the remainder is retained by the firm. The lease fee is fixed, irrespective of the level of tariff collection, therefore the operator takes on the risk that collection might be insufficient to cover operating costs (World Bank, 2015).
- 'Affermage', a system similar to leasing, but where risk-sharing is different: the operator, while not receiving a fixed fee, retains its fee out of the receipts and then pays an additional surcharge (usually charged to customers) to the public authority to go towards investments that it made in the infrastructure. Here, assuming receipts are sufficient, the operator is assured of its fee, and the public authority bears the risk that the remainder might not cover its investments (World Bank, 2015).
- Under BOT schemes (build, operate and transfer), the investment asset is built and owned by the company for the period of operation, and later transferred to the public sector. The contractor is allowed to raise finance for the project and retain all revenues generated. When the facility is transferred to the public authority at the end of the concession agreement, the private entity is not remunerated for it.
- More privatised models, where the assets are eventually private, are BOO (build, operate, own) or divestitures by license or sale.

One of the main differences between the different models is the duration of the contract. Whereas outsourcing service contracts usually have a duration of 1-2 years, concessions or BOT schemes might last 25 or 30 years.

The PPP market in Europe has been concentrated in some countries for many years. The countries with most experience in PPP is the UK, followed closely by Portugal, Spain, Greece, the Netherlands, Denmark and Sweden. Further significant developments were underway through PPP programmes in Ireland, Italy, France and Germany. In addition, many Central and Eastern European countries have developed their own – diverse – PPP experiences (European Investment Bank, 2004).



**Text Box 11: PPP for waste water treatment in Ireland****PPP FOR WASTE WATER TREATMENT IN IRELAND**

The Dublin Bay Waste Water Treatment Plant is an example of a design-build-operate (DBO) project in the sector which was partly funded by the EU Cohesion Fund (50%). Other sources of funding included the Department of the Environment, Heritage & Local Government and Dublin City Council. The treatment plant is responsible for treating wastewater arising from consumers, both domestic and commercial, in the Greater Dublin Area. A DBO contract was used where the risk is allocated principally to the private operators: they cover maintenance and operating costs. The Municipality set tariffs to cover both capital and operating costs. The assets are publicly owned. The plant is in operation since 2004. Through this model it was possible to attract the best technology and expertise available in the market.

**Source:** PriceWaterhouseCoopers (2010)

A recent trend to be observed, for instance in the UK and Spain, has been the creation of PPP by government agencies and private consortia to manage the long-term provision of a specified type of public service in a given area, jointly performing the role of identifying needs and coordinating investments. This means that PPP are not used only for larger transport, infrastructure or ICT projects, but also to provide health or education services.

**Text Box 12: PPP in health****PPP IN HEALTH**

The UK was the first country in Europe to make extensive use PPP structures to invest in social infrastructure such as hospitals. However, a number of other countries have now either commenced, or taken decisions in principle to establish, PPP in the health sector. PPP health procurement is also underway in Italy. In recent years, Spain and Portugal started significant PPP health programmes.

In the UK, PPP known as Local Improvement Finance Trusts, were established in the early 2000s. There are joint ventures between the private sector, the National Health Service, and local government authorities. The presence of public agencies assures that profit is not the sole objective.

In particular in health services, quality, accessibility and 'value for money' are important issues and demanded by the public sector itself and by the public. Experience shows that it is important to have mechanisms, information and governance structures in place to be able to evaluate, monitor and assure accountability.

**Source:** Benett and Iossa (2005); European Investment Bank (2004)

There are both positive and negative sides of PPP for SGI provision. These are further developed in section **4.4.2.2**, p. 85. One important benefits is the sharing of risk for large infrastructure and services investments between public and private actors. This is especially relevant in concession and lease contracts. PPP also aim to increase efficiency and quality of service, since often the provider offers expertise which lacks in the public sector. Another benefit could be that geographically remote areas can benefit from private sector skills and

long-term planning of operations requirements. As explained further in section **4.4.2.2.**, this long-term vision is a key reason why social actors like social enterprises became more involved in SGI provision. Finally, PPP more easily leverage other public funds from different sources (e.g. for education, community development, energy efficiency and environment for a school) that would be difficult to achieve for a normal public project (e.g. a school within the education budget).

Among the downsides, all models of PPP can raise concerns among employees and trade unions, as private provision of services may modify contracts and working conditions. Other possible risks include the loss of public influence on the investment, opaque bidding processes, increased transaction costs (for lawyers and financial advisors) as well as the risk to create a private monopoly, and the risk of corruption. It can be said that the public benefit from PPP depends on effective management and monitoring systems, shared by both, the public and the private partners (Francoz, 2010).

ESIF are currently only to a limited extent used in public-private partnerships. This is mainly due to the fact that future income generated by the investment must be reimbursed when European Funds are used in infrastructure construction in a PPP context. This adds complexity to the Fund management procedure. However, there are a series of examples of ESIF involvement in PPP, especially in the transport and ICT/telecommunications sectors (EPEC, 2012a).

### **Text Box 13: Use of EU funds in transport and ICT PPP**

#### **USE OF EU FUNDS IN TRANSPORT AND ICT PPP**

In 2009, a multimodal container terminal was built in the port of Antwerp (Belgium) as a PPP between the ERDF Monitoring committee and Combinant (a joint venture company between BASF, HUPAC: a Swiss railway operator and Inter Ferry Boats. Of the total cost of EUR 28 million, the ERDF supported the project with a EUR 4.4 million grant.

In 1995, the EU Cohesion Fund (CF) supported with EUR 328.6 million the building of the Second Tagus Bridge (Vasco da Gama). The partnership was between GATTEL (the special Government Authority responsible for implementing the project) and Lusoponte, the private consortium in charge. A DBFO concession contract was awarded for the Vasco da Gama Bridge over the river Tagus.

In France in 2009, a PPP contract was signed between Languedoc-Roussillon regional prefecture and France Télécom Orange for the construction and maintenance of a regional broadband network in Languedoc-Roussillon. The infrastructure will cover 555 communes (400,000 inhabitants). The ERDF was supposed to support it with EUR 10 million.

In 2009, the ERDF supported through PPP between the Ministry of Economy and telecommunications providers the construction and maintenance of various broadband network in local communities within white areas in Slovenia.

**Source:** EPEC (2012a)

There are still some unresolved issues for combining PPP and EU Funds. One can for example mention the statistical treatment (and subsequent legal and accountability issues) of PPP (in particular, public contribution and EU grants) as public or private investment, the

use of public or private procurement rules for associated services if the combined public/EU contribution represent more than 50%, or the issue of State aid compliance.

As early as in 2004, the EIB presented guidance on how to stimulate the use of PPP models for development projects (European Investment Bank, 2004). With the new EU Financial engineering instruments (Joint European Support for Sustainable Investment in City Areas - JESSICA, Joint Assistance to Support Projects in European Regions - JASPERS, Joint European Resources for Micro to medium Enterprises - JEREMIE) in the 2007-2013 funding period, the European Commission supported the use of European funds in PPP models to build up and provide new services with specific guidance and material, such as the JASPERS Working Papers (PriceWaterhouseCoopers, 2010).

A European PPP Expertise Centre (EPEC) was set up as a joint initiative involving the European Investment Bank (EIB), the European Commission, Member States of the European Union, Candidate States and certain other States to contribute to and stimulate discussions on PPP as well as to foster the diffusion of best practices in this area (EPEC, 2011).

### 3.3.3. Social Economy and SGI provision

The 'third sector', which consists of NGOs and not-for-profit organisations offering social or environmental services based on a specific principles or ethos, is an increasingly important provider of SGI. Broadly, social economy organisations can be grouped in three categories: public-sector not-for-profit organisations (e.g. hospitals, universities, museums), market-based social organisations (e.g. food retailing cooperatives), and civil society organisations (e.g. trade unions, religious charities) (Quarter et al., 2003). Given the important rise of social enterprises, particularly in cooperative form, in SGI provision particularly in Southern Europe (Guerini and Roelants, 2013), this report focuses on them as the most illustrative examples of 'third sector' actors involved in SGI provision.

A social enterprise is defined as an organisation, regardless of its legal form, which:

- a) *"has the achievement of measurable, positive social impacts as a primary objective in accordance with its articles of association, statutes or any other statutory document establishing the business, where the undertaking:*
- b) *provides services or goods to vulnerable, marginalised, disadvantaged or excluded persons, and/or*
- c) *provides goods or services through a method of production, which embodies its social objective;*
- d) *uses its profits first and foremost to achieve its primary objectives instead of distributing profits, and has in place predefined procedures and rules for any circumstances in which profits are distributed to shareholders and owners, which ensure that any such distribution of profits does not undermine its primary objectives; and*
- e) *is managed in an accountable and transparent way, in particular by involving workers, customers and/or stakeholders affected by its business activities"* (European Parliament, 2012).

Many social enterprises rely heavily on volunteer labour for day-to-day operations. In other cases or additionally, they are specialised in providing services and employ professional workforce.

# Text Box 14: Social economy in the EU according to the European Economic and Social Committee

## SOCIAL ECONOMY IN THE EU ACCORDING TO THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

*"In recent years, growth of the social economy has taken place in the fields of work and social integration as well as social services and community care. Social enterprises, many of them cooperatives, are already legally recognised in various European countries, including Italy, Portugal, France, Belgium, Spain, Poland, Finland and the United Kingdom. In the EU-27, over 207,000 cooperatives were economically active in 2009. They are well established in every area of economic activity and are particularly prominent in agriculture, financial intermediation, retailing and housing and as workers' cooperatives in the industrial, building and service sectors. These cooperatives provide direct employment to 4.7 million people and have 108 million members. Health and social welfare mutuals provide assistance and cover to over 120 million people. Insurance mutuals have a 24% market share".*

**Source:** CIRIEC International (2012, p. 13)

The economic role and contribution of not-for-profit organisations for SGI provision are sometimes overlooked, for several reasons – their use of volunteer labour, the fact that many of them rely on public grants or are perceived as 'public', and, for organisations that do not sell their services in the market, the difficulty of quantifying their economic contribution (Quarter et al., 2003).

Social enterprises, especially in cooperative form, are meant to meet citizens' needs and aspirations. Guerini and Roelants (2013) describe the increasing role of social enterprises in SGI provision in the EU and especially in Italy. They perceive the SGI provision by such actors as natural, since their arrangement as cooperatives is meant to '*meet ordinary citizens needs and aspirations.*' They give many examples where social cooperatives engage in SGI provision in the EU:

- **Health** - building systems like 'Welfare Italia', where local cooperatives create and run clinics together.
- **Social services** - caring for mentally-disabled (e.g. 'Spazio Aperto Servizi' in Milan), elderly, dependent or disabled citizens (e.g. 'SPAD' in Savoy or 'El Roble' in Sevilla), or youth (e.g. 'Osuuskunta Toivo' in Finland)
- **Education** - the notable example of the 'Schools Co-operative Society', a UK network of over 400 cooperative schools.
- **Environment protection** - protecting the environment and managing natural resources or waste collection (e.g. 'Ecosviluppo' in Milan and Bergamo)
- **Clean energy production** - producers like 'Enercoop' in France, 'ABN' in Italy or small Scottish communities that install wind turbines and share revenues.
- **Labour integration** - working to socially integrate disadvantaged persons (e.g. 'Nuovi Sentieri' in Bari, 'Opoka' in Poland, 'Chernomorka' in Bulgaria or 'La Fageda' in Catalonia).
- **Housing** - facilitating housing access to middle to low-income people (e.g. 'Urbancoop' in France or 'La Cordata' in Milan)

- **Local development** - helping communities in rural areas (e.g. 'Co-Actions' in France) or reforming their economies (e.g. 'Libera Terra' in Apulia)

**Text Box 15: Involving the community in SGI provision:  
the notion of 'Big Society' in the UK**

**INVOLVING THE COMMUNITY IN SGI PROVISION  
The notion of 'Big Society' in the UK**

In the United Kingdom, the Prime Minister's office introduced the notion of 'Big Society' in July 2010 as a response to the country's worsening economic conditions. This is a way of 'outsourcing' control over public services to local communities while reducing public budgets. Community groups are encouraged to run services like post offices, libraries and transport. This is supposed to make communities more self-sufficient and to promote individual responsibility.

Based on interviews with 25 senior executives in English local authorities, Hastings et al. (2012) note that a majority of local authorities have developed activities according to this plan. Some are more enthusiastic about the idea than others. Practical examples include using volunteers in libraries; two authorities even test running libraries with only volunteers. Social care is another SGI that authorities consider delegating, in part, to volunteers.

**Source:** Hastings et al. (2012)

The European Economic and Social Committee conference on this topic on 29 March 2015 in Warsaw gathered representatives from Poland, Germany, Lithuania, Latvia, Slovakia and the Czech Republic. It showed that not only does the relative importance of the 'third sector' in SGI vary considerably from country to country. This diversity of approaches is confirmed by the 2011 report commissioned by the European Commission's Directorate General (DG) for Employment, Social Affairs and inclusion (Polacek et al., 2011). Culture, history and the regulatory background of each country are important determinants of the share of SGI provided by non-state actors.

Specific challenges emerge when new services are required, e.g. due to the consequences of demographic change, such as long-term care for elderly people or refugee/migrant reception and attention services. In this case, neither the public nor the private for-profit sector might have a clear picture of the service to be offered. NGOs or social enterprises, that usually anticipate emerging social needs, can offer here important knowledge and experience. Here, the co-financed support of pilot projects by ESIF can help both public authorities and service providers to get in touch and to develop a common base of information on resource needs and characteristics of the new service.

### **Text Box 16: Example of services to migrants and refugees in Germany**

#### **EXAMPLE OF SERVICES TO MIGRANTS AND REFUGEES IN GERMANY**

With the migration advice for adult immigrants (MAA), the Federal Ministry of the Interior (BMI) offers since 2005 independent migration-specific counselling services. It is a temporary, demand-oriented, individual basic consulting service. The MAA and the integration courses are an integral part of the regulatory framework of the Residence Act. The Federal Office for Migration and Refugees is in charge of implementing the MAA but has commissioned the concrete implementation of consulting activity to the leading associations of independent welfare and the Federation of Expellees.

In addition, the Federal Programme XENOS, co-financed by the European Social Fund (ESF) 2000-2006 and 2007-2013, channels funds to public or not-for-organisations at local or provincial level in Germany, in order to implement advisory services, guidance, coaching and training to migrants and refugees for improve their integration into the German labour market. The services are implemented through all types of public (employment offices, migration agencies) and private (NGOs, Chambers of Commerce, private consultants, migrant associations, adult training schools, training centres, welfare entities). Especially during the recent wave of incoming refugees in 2015, the necessity to develop partnerships between different public and private entities (NGO, individuals) has become crucial.

**Source:** Federal Office for Migration and Refugees (2015); Xenos (2014)

The introduction of the social economy into the provision of SGI allows the public sector to benefit because of greater efficiency of economic policy for several reasons (Monzón Campos and Chaves Ávila, 2012):

- the social economy has greater proximity to and knowledge of social problems, needs and possible solutions and can help to define policies and generate tools and programmes,
- because of its focus and sensitivity to the interests and needs of society, the social economy usually recognises earlier and quicker new social demands,
- they can act and mediate under circumstances that are legally or ethically difficult for public action to step in (e.g. health services to illegal immigrants that legally are not allowed to receive public support),
- when involved in the definition of policy programmes and measures they make it possible to increase the degree of acceptance of, as parties involved in drafting and implementing such measures accept them as their own,
- finally, cooperation between the state and the social economy can provide a guarantee to the former that public funds are earmarked for various policies and will not be diverted by private interests.

**Text Box 17: Non-profit providers in early childhood education and care (ECEC) services****NON-PROFIT PROVIDERS IN ECEC SERVICES**

ECEC services embrace not only to parental employment but also to maternal and child health, child development, education and protection. The definition of services in EU/EEA countries reflects this multisectoral nature. Financing ECEC services in the countries of the European Union is mostly a public responsibility but most non-profit sector providers can access public money to carry out their tasks if they meet certain criteria. There are basically two models of financing: supply-side funding, when the money goes to the services, usually based on the number of children, and demand-side funding, when the money goes to parents to cover or supplement the cost of ECEC services. Ireland, the Netherlands and the UK use demand-side funding, through vouchers, cash benefits and tax reductions, which reflects their preference for commercial ECEC services. Public (mostly municipal) services are financed from state/regional and local government budgets. The ratio of the cost covered by state, regional and municipal budgets varies from 60% to 80% in these cases. Public funds are available to all types of providers without distinction in Norway and Sweden, while in some other countries only non-profit providers are eligible for such support.

**Source:** Polacek et al. (2011)

Possible problems linked to the outsourcing of SGI to the social economy sector are:

- As more needs are publicly recognised and more rights for services are granted, more SGI providers with more specific capacities are required for (attention of disabled children, care for the elderly people, language courses for migrants etc.).
- Unnecessary competition may emerge between social organisations within one social niche.
- Quality standards and control mechanisms are important, even when social economy organisations usually draw more attention to non-economic purposes of their work.
- Economic issues are still important, as efficiency needs to be improved even for social economy organisations.
- In important markets, private sector oligopolies are emerging, where a small number of companies have a large share of the market. Smaller providers, often the social enterprises and charities that successive governments are being forced out.
- The drive to cut costs and maximise profit incentivises service providers to act in ways that are inconsistent with general aims. For example, day care centres for vulnerable children and elderly people are concentrated in larger cities often many miles from home, but where care is cheapest to deliver it. This creates more disadvantages for geographically remote or less populated areas and has a great human cost (Social Enterprise UK, 2012).

Among the factors that could facilitate a better cooperation of public authorities with the social economy there are:

- More and detailed information about the local/regional social economy sector is shared by the public authorities.



- Public authorities have greater shared knowledge of the local/regional social economy sector.
- Public authorities have a greater understanding of the role and capacity of the social economy sector in delivering SGI.
- Public authorities regard the social economy sector as a key partner in delivery of SGI and define rules, procedures and control mechanisms for a better cooperation.
- Public authorities proactively partner with the social economy sector to address (new) local/regional needs.

In general, new forms of governance and collaboration are necessary to include the organisations of the social economy, opening up the classical public-private dichotomy. Here, networks of actors emerge as a kind of 'learning systems'. As new actors are integrated, new rules, new forms of cooperation and new mechanisms for information exchange become necessary. Examples can be observed in the UK with the Health Partnerships:

**Text Box 18: Learning systems through multi-agent SGI provision and coordination in the health sector**

**LEARNING SYSTEMS THROUGH MULTI-AGENT SGI PROVISION AND COORDINATION IN THE HEALTH SECTOR**

In the UK, the health reforms have been dominated by the role of the private sector in delivering previously National Health Service run services. Far less attention has been given to the role of voluntary, community and social enterprises (VCSE) organisations, rendering the sector anxious and uncertain about the implications of reforms on their futures. The focus has been primarily on opening up markets to private sector providers, and creating a level playing field between private and public sectors. The potential role of VCSE organisations has largely been ignored. Despite these difficulties, VCSE organisations already play an essential role in the health economy, including: volunteering, specialist provision, innovative community-based solutions, patient advocacy and mainstream provision in the form of new social enterprises emerging through the Right to Request. Central to the planned transformation of health care is a shift of commissioning power to new Clinical Commissioning Groups.

In addition, new, multi-stakeholder Health and Wellbeing Boards have been created. However, experience shows that it presents a huge challenge to VCSE organisations which, to date, have not engaged with the health service in any consistent or systematic way. VCSE organisations need to be adequately prepared for and supported, in order to be able to participate in new local structures and partnerships, in particular, to learn about the way health services are commissioned, organised and delivered. Therefore, a pilot Health Commissioning Improvement Programme was set up and a guide was published in 2013.

**Source:** Social Enterprise UK et al. (2013, 2012)

Many countries have passed specific legislation for particular forms of not-for profit organisations in the last few years (e.g. Credit Union Act in Ireland 1997, Empresas de Inserción (Integration Enterprises) in Spain (2001), Housing associations (economic associations) in Sweden (1991), Association of Common Benefits in the Czech republic (1995), Social Cooperatives in Poland (2006), Community interest company in the UK



(Monzón Campos and Chaves Ávila, 2012). However, only two countries had adopted national laws on the Social Economy until 2012, which are from the two countries which were experiencing the crisis most deeply: Spain and Greece. This confirms the importance that acquires the social economy during times of crisis, when it functions as a buffer, for three main reasons: first, people trust social economy organisations so they continue to receive incomes (donations) and workforce (volunteers), second, they are not directly affected by public budget cuts and other restrictive measures, and third, their social goals and longer term strategies are independent from economic surplus generation which gives them more flexibility to act in times of economic constraints.

As a response to the growing interest in the capacity of social enterprises and the social economy in general to provide innovative responses to the current economic, social and, in some cases, environmental challenges, the European Commission presented in 2011 the 'Social Business Initiative (SBI)' (European Commission, 2011b). With this Initiative the Commission proposed an action plan with 11 measures in support of social innovation. It also promoted innovative approaches to support social inclusion, such as several case studies presented in its multi-level governance report (European Commission, 2015c). One of the results of this action plan measures is an in-depth study (ICF Consulting Services, 2014) that outlined the main features of social enterprises in 28 EU Member States and Switzerland using a common definition and approach. It also gives an overview of social enterprise eco-systems across countries, including factors constraining their development. The study highlights that support structures are under-developed and fragmented, with the exception of Italy, France, and the UK. However, social enterprise policy is currently under development in seven countries (Ireland, Croatia, Latvia, Lithuania, Malta, Poland, and Romania).

Furthermore, an electronic data exchange platform for social investors and entrepreneurs 'Social Innovation Europe platform' was created (European Commission, 2015d). In addition, the European Commission works on the improvement of procurement opportunities for social enterprises under the new EU procurement rules.

Another result of the SBI is the creation of a regulation for investing in social enterprises (Regulation (EU) No 346/2013). The regulation sets out a new 'European Social Entrepreneurship Fund' label, so investors can easily identify funds that focus on investing in European social businesses.

Also within the SBI, the European Commission's Programme for Employment and Social Innovation (EaSI) offers a new financial instrument to support the social economy. A new guarantee scheme for social enterprises was launched in June 2015 through the European Investment Fund. The funding is designed to bring social enterprises to a level playing field with mainstream companies. The EaSI Guarantee Financial Instrument is a follow-up programme of the European Progress Microfinance Facility (Progress Microfinance) an EU initiative launched in 2010 and managed and implemented by the European Investment Fund (EIF).

The regulation on ESIF (EU Cohesion Policy 2014-2020) was adopted on 17 December 2013. It includes an investment priority for the 'support for social enterprises'. The Commission recommended to Member States to include Social Enterprises and Social Innovation as a specific priority into their operational programmes, and around EUR 1.3 billion for ESF and EUR 420 million for ERDF are now earmarked in the 28 Member States until 2020 for projects with/to social enterprises, especially in Central and Eastern countries (European Commission, 2015e).

An important issue that has been introduced by the social economy is the measuring of social impact or social return on investment (SROI) that becomes an important variable to measure the success and the effectiveness of services (CECES Sub-group on Impact Measurement, 2013). The development of measurement techniques and common standards on SROI, stimulated by the increased relevance of the social enterprises, might benefit also the delivery of SGI by other public or private providers. The consideration of qualitative and social indicators together with economic variables is still in its infant phase in public management of SGI and requires an important support (Ni Ogain et al., 2013).

### **3.4. Contribution of ESIF to an improved governance of SGI**

#### **KEY FINDINGS**

- The ESIF 2014-2020 contribute in several ways to improve the general conditions for SGI delivery and to establish new and better governance arrangements for SGI that are adapted to new challenges.
- The ESIF have a growing influence on the definition of national or regional governance of SGI as they increasingly take into account and stimulate new forms of SGI partnership models (especially PPP).
- ESIF 2014-2020 support territorial partnerships that could cover, among other things, SGI provision and SGI investments in territories with specific needs (urban, rural, remote, coastal).
- ESIF 2014-2020 offer a framework to support relevant capacity building for the new challenges for the public and the social economy sector within SGI provision.

The ESIF 2014-2020 contribute in several ways to improve the general conditions for SGI delivery and to establish new and better governance arrangements for SGI that are adapted to new challenges, e.g. due to technological developments or demographic changes, including migration.

#### **3.4.1. Impact of ESIF on regional and national governance of SGI**

Historically the European Union has developed its Cohesion policy activities through a partnership process, which includes significant input from the Member States. Partnership usually covered the whole programming process, from the preparatory stage through to the implementation and assessment of results. However, traditionally, the involvement of regional or local partners other than the public authorities or representatives of the business sector was not very comprehensive and a rather on/off participation in specific moments of the programming and implementation process (SWEKO et al., forthcoming).

In the 2014-20 programming period, the partnership principle in the ESIF framework has been strengthened, including not only Member States, but also stakeholders such as trade unions, employers, NGOs, and other bodies that promote, for example, social inclusion, gender equality, and non-discrimination. The Commission has drawn up a 'European Code of Conduct on Partnership' which has to be respected by the Member States when preparing and implementing their OPs 2014-2020. The measures also ensure the presence of partners representing regional, local and other public authorities, social and economic partners and bodies representing the civil society, in the decision-making processes of the programmes.

**Text Box 19: The ERDF OP 'Sustainable Growth' Spain 2014-2020****THE ERDF OP 'SUSTAINABLE GROWTH' SPAIN 2014-2020**

The Spanish national ERDF Programme on Sustainable Growth addresses thematic objectives such as climate change adaptation, shift towards a low-carbon economy, sustainable mobility, sustainable urban development, better water and air quality. In order to promote this rather new topics and to find collaborative solutions in the field of SGI provision related to energy supply and distribution, energy efficiency and renewable energies, the Managing Authority invited numerous partners ranging from sector-specific public authorities, electric distribution companies, energy companies, public research institutes, universities, sectoral business associations (wind, solar, biomass, etc.), environmental NGOs, construction companies and associations, transport associations, trade unions etc. to the participative programming process. This diverse partnership will be maintained during the implementation of the programme and its measures in order to monitor and learn together about these new topics. In this case, the partnership formed and supported by the ERDF Programme helps to create new collaborations for innovative SGI provision in the field of energy.

**Source:** Ministerio de Hacienda y Administraciones Pública (2015)

The ESIF have a growing influence on the definition of national or regional governance of SGI as they increasingly promote new SGI partnership models (SWECO et al., forthcoming). As already shown in examples above, the ESIF offer opportunities to develop larger projects in public-private-partnerships, especially in the transport, ICT and tourism/leisure sector. The new SBI framework helps to promote collaborations with and support to social enterprises and micro-finance schemes that can offer small local or regional SGI solutions in emergent areas such as care and housing for the elderly, education services for migrants, education, health and social services in rural and remote areas etc. Within the Investment priorities (8) promoting sustainable and quality employment and supporting labour mobility, (9) promoting social inclusion, combating poverty and any discrimination, (10) investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure, as well as (11) enhancing institutional capacity of public authorities and stakeholders and efficient public administration efficiency, the ERDF Regulation highlights especially (Regulation (EU) No 1301/2013, article 5):

- the promotion of social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services;
- support for social enterprises;
- undertaking investment in the context of community-led local development strategies (CLLD).

The ERDF supports especially new integrated strategies and partnerships in urban areas. At least 5% of the ERDF resources allocated at national level under the Investment for growth and jobs goal shall be allocated to integrated actions for sustainable urban development (Regulation (EU) No 1301/2013, article 7.4).

For rural or small urban areas, the instrument of community-led local development (Regulation (EU) No 1303/2013, article 32) is supported by the EAFRD, designated as 'Links between actions for the development of the rural economy' (LEADER) local development and may be supported by the ERDF, ESF or the European Maritime and Fisheries Fund (EMFF). Community-led local development focuses on specific sub-regional areas. It is led by local action groups composed of representatives of public and private local socio-economic interests. It is based on integrated and multi-sectoral area-based local development strategies that take into consideration local needs and potential, and include innovative features, such as networking and cooperation.

### **Text Box 20: CLLD follows the LEADER bottom-up approach**

#### **CLLD FOLLOWS THE LEADER BOTTOM-UP APPROACH**

In the 2014-2020 period, the ESIF promote small local partnerships that could be relevant for the provision of SGI or new models of SGI partnerships, especially with regard to public urban services (water, energy, education etc.):

*"The so-called 'Community-Led Local Development' (CLLD), towards which the LEADER approach has evolved in the 2014-20 programming period, which may also be supported by the other ESIF, will also be important to develop new forms of collaboration and social innovation between local actors. CLLD will follow LEADER's bottom-up approach to promote endogenous development, locally driven by public and private actors organised into Local Action Groups (LAG). LEADER explores 'niche' spaces, where small-scale innovation is allowed to flourish. LEADER also has a role to play in supporting inclusive innovation, whereby the results of innovation are spread equally among members of the local community, including those on the margins of economic growth. LEADER also encourages interregional and cross-border cooperation and joint action between rural areas."*

**Source:** BEPA (2014)

Another instrument to promote new forms of territorial governance models is the integrated territorial investment (ITI). Here, if urban development or other territorial strategies require an integrated approach involving investments from the ESF, ERDF or Cohesion Fund under more than one priority axis of one or more operational programmes, integrated actions may be planned and carried out as an ITI. The ITI may be even complemented with financial support from the EAFRD or the EMFF. This approach opens new opportunities to combine ESIF in a specific territory, for instance, for the setting-up of a new infrastructure or service. However, by now, there seems to be a limited uptake of the ITI instrument. Stakeholders advise on the fragmented management and control systems for each ESI Fund, difficult to integrate, so that a combination of Funds in fact increases the administrative work for the involved public authorities.

In addition, the Regulation establishes that the ESF 2014-2020 promotes social innovation within all areas falling under its scope, with the aim of testing, evaluating and scaling up innovative solutions, including at the local or regional level, in order to address social needs in partnership with the relevant partners and, in particular, social partners. Therefore, it provides a framework to build up and test new governance arrangements for SGI provision at different administrative levels (Regulation (EU) No 1304/2013, article 9). With the Youth Employment Initiative, it also stimulates new collaborative models to initiative new services and projects to fight youth unemployment (Regulation (EU) No 1304/2013, article 16).

Moreover, the EAFRD offers specific support to basic services and village renewal in rural areas, in particular, to the drawing up and updating of plans for the development of municipalities and villages in rural areas and their basic services, investments in renewable energy and energy saving; broadband infrastructure, investments in local basic services for the rural population, including leisure and culture, studies and investments associated with the cultural and natural heritage of villages, rural landscapes and high nature value (Regulation (EU) No 1305/2013, article 5).

**Text Box 21: EAFRD support: the European Network for Rural Development (ENRD)**

**EAFRD SUPPORT: THE ENRD**

The ENRD is the hub that connects rural development stakeholders throughout the EU. The ENRD offers information on innovative projects in rural areas. This includes information on innovative solutions and new forms of partnerships for SGI provision in rural and peripheral areas of the EU, e.g. *"Mallu Bus: Delivering cost-effective health care services in rural Finland"* or *"Evidence-based water conservation measures aid the Maltese isles"*.

**Source:** BEPA (2014); European Commission (2014a)

So, the ESIF help to create a conducive environment for the creation of new SGI governance arrangements in many areas, geographically, in disadvantaged areas (urban and rural/remote) and, thematically, in priority policy fields where broader societal trends (climate change, demographic changes, migration) call for new approaches and new models to tackle emerging problems (energy, ICT, social services and education for minorities and specific population groups).

### **3.4.2. ESIF measures targeting SGI-relevant capacity building**

The European Commission developed the ESIF priorities and instructions for the 2014-2020 funding period acknowledging that national and EU level growth strategies can only be implemented with the help of effective public administrations. The lack of adequate institutional capacity is considered a bottleneck for effective development, including the provision of SGI (De Keersmaeker, 2013). In fact, *"further efforts and support with regard to institutional capacity"* were included in the country-specific recommendations to several EU Member States. Specific capacity needs were observed in areas, such as public procurement, employment services, education, health, water, waste, transport, poverty, and others (De Keersmaeker, 2013).

**Text Box 22: ESF support to Local Service Development and third sector collaboration**

**ESF SUPPORT TO LOCAL SERVICE DEVELOPMENT  
AND THIRD SECTOR COLLABORATION**

The ESF-LSB (Local Service Board) Project was funded under Priority 4.1 of the ESF OP for West Wales and the Valleys 2014-2020, which aimed to improve the effectiveness and efficiency of public services through more effective collaborative working and by building the capacity of public services to deliver higher quality services. The ESF-LSB Project sought to support collaboration by providing: - Funding for delivery projects; - Resources to enable partnerships to employ project managers; - Advice, support and sharing of good practice facilitated by the ESF-LSB national team; and - Capacity for the third sector through the funding of additional posts (Connections Officers) within each county voluntary council in convergence areas. There were 38 delivery projects across Wales. They covered a wide range of service areas such as: social and health care, employment, transport and engineering, environment, housing, community development and support services (ICT and legal).

A three-year evaluation (2012-2014) revealed that the third sector was seen as having the potential to make a major contribution to collaborative working and co-production but there are a number of barriers to be overcome for this to be realised in practice. These included overcoming fragmentation and perceived conflicts of interest within the sector. In addition, although stakeholders thought that it was too early to expect to see service changes that were improving outcomes for citizens, they were aware of instances of improved collaboration. They agreed that it is important to measure changes in process outcomes (e.g. collaboration, citizen engagement) and learn about 'what works' (and does not work so well) in achieving these. As an example, the main learning lessons of one of the projects were: a) Having a procurement expert as part of a project seeking cost savings through collaborative ICT procurement processes, and b) a well organised governance model that includes open and clear channels of communications across the programme's teams.

**Source:** Guarneros-Meza et al. (2014)

Therefore, the Thematic Objective (TO) 11 of the ESIF Regulation 2014-2020 addresses this topic: 'Enhancing institutional capacity of public authorities and stakeholders and an efficient public administration'. Within this, the ESF offers the opportunity to support broad/horizontal public administration reform and good governance initiatives, including new forms of governance, pilot projects and capacity building, also for social economy organisations. The ERDF might support the ESF with equipment/ infrastructure (if required) or with capacity building of public bodies related to the implementation of ERDF.

**Text Box 23: ESF-supported training for small social economy organisations in East England****ESF-SUPPORTED TRAINING FOR SMALL SOCIAL ECONOMY ORGANISATIONS IN EAST ENGLAND**

Within the ESF Programme East England 2014-2020, the Capacity Building Grants are available to Third Sector Organisation working in the East of England. Social economy organisations can make an application of up to £1,500. Pre-requisites to access funding include to be a small organisation (turnover of less than £300,000 per annum, Employ no more than 9 full time equivalent paid staff), to be a social enterprise or not for profit organisation, and not to be in direct receipt of public skills development funding already. Grants can fund the following capacity building activities: - training for staff and volunteers in third sector organisations on mainstream routes to employment and training, - actions to support the development of delivery and accreditation arrangements in-house.

**Source:** Tchc (2011)

Not only under TO 11, but also under the other TOs, ESIF measures to support institutional capacity building consider interventions at three levels:

- Structures and processes, e.g. legal, regulatory, constitutional changes (how citizens can participate in policy making), reorganisation of tiers of government, decentralisation or re-structuring of individual institutions, actions to improve the transparency and accountability, of government and public services.
- Human resources, e.g. better human resource management, (recruitment, retention, appraisal, career development, motivation, incentives for personal development, review of the current systems and development of proposals for more effective organisation and procedures), capacity building of training institutions and the HRM units, development of 'smart' and learning organisations (knowledge management).
- Service delivery, e.g. diversification of service delivery through e.g. co-operation with non-governmental bodies, inter-municipal cooperation, the use of one-stop shops or e-services, development of various systems and tools related to e-government, e-justice, etc. (if not explicitly covered under thematic objectives other than TO11), quality of service benchmarking and complaints, ombudsman procedures.

In order to increase the overall quality of the ESIF Programmes, the European Commission asks for the compliance with general and thematic ex-ante conditionalities. In this context, the thematic ex-ante conditionality 11 is related to the institutional capacity and demands: "*The existence of a strategic policy framework for reinforcing the Member State's public authorities and their skills*" (Regulation (EU) No 1303/2013). Strategic Policy Framework shall embrace six elements: 1) analysis and planning of reform, 2) quality management systems, 3) simplification and reduction of burdens, 4) human resource strategy and policy, 5) skills development, 6) monitoring & evaluation. To put in place such a policy framework shall ensure that three conditions for effective investment are in place:



- Appropriate regulatory framework,
- Effective policies with clear policy objectives,
- Sufficient administrative/institutional capacity (Regulation (EU) No 1303/2013, annex XI).

The European Commission foresees to create in 2014-2020 a Member States' Network 'Quality of Public Administration' as a Community of Practice.

Although the ex-ante conditionality and the related policy frameworks are focused on how to manage ESIF in general, they offer opportunities to also support capacity building in relation to actions meant to support SGI governance, as described later on in section 5.3.2.

### **3.5. Conclusion: the need to focus on learning and capacity building**

#### **KEY FINDINGS**

- The outsourcing of SGI provision and investments to private actors or mixed governance arrangements shift the competences and capacities needed in the public sector towards strategic planning, monitoring, quality control and evaluation.
- Public-private collaborations for SGI provision and investments form complex networks of actors that might become 'learning systems' if they pursue goals such as efficiency, 'value for money', quality, or social impact.
- Social economy actors and NGOs contribute with valuable knowledge to SGI governance arrangements but might require new and improved coordination mechanisms.
- ESIF support SGI provision and investments under certain framework conditions. In the future, they might even play a larger role in capacity building to improve the quality and non-economic objectives of SGI provision.

The emergence of new forms of SGI partnerships and the (at least partial) outsourcing of SGI provision and investments to the private sector leads to a shift in the competences and capacities needed in the public sector. From operational tasks, the public sector moves more and more to tasks in planning, monitoring, quality control and evaluation. The public services increasingly need to establish rules and standards (including control mechanisms) for relevant non-economic goals of SGI (equal access, consideration of territorial or economic disadvantages or imbalances, quality, transparency). This requires new types of knowledge and capacities within the public sector.

There is a trend towards public-private collaborations for SGI provision and investments, mainly due to the need to cut public expenditure and debt as well to attractive private offers for SGI investments or provision. The new forms of partnerships and governance require adaptation and learning processes at both sides. Sometimes complex networks of actors form a kind of 'learning system', when reflecting on common goals such as efficiency, 'value for money', quality, and social impact, as it has occurred in the case of the health partnerships in the UK.



Most public-private partnerships for SGI investments and provision in the non-social sector are with private profit-seeking companies. However, partnerships, in particular in the social sector, are increasingly with not-for-profit partner, foundations, NGOs or other social economy actors. These actors contribute with valuable knowledge to SGI governance arrangements. However, examples show that these actors might require new and improved coordination mechanisms and capacities (management, control, evaluation) to work with public administration or with other for-profit private partners.

The ESIF support SGI provision and investments under certain framework conditions, for example, through training schemes, networking or the support towards new kinds of local or regional public-private partnerships, especially with social economy partners. However, it seems that they may even play a larger role in capacity building to improve the quality and non-economic objectives of SGI provision.



## 4. EVOLUTIONS OF THE EUROPEAN ECONOMIC MODEL AND COMMUNITY-LEVEL POLICY RESPONSES

### 4.1. A European economic model in the making

#### KEY FINDINGS

- Single Market integration implies that European-level authorities have the responsibility for taking necessary measures to make it possible for national, regional and local authorities to ensure that USOs and PSOs are effectively ensured.
- Such measures are of key importance to preserve the balance between market liberalisation and Single market integration on the one hand, and the preservation of social, economic and territorial cohesion, on the other.
- The nature of these measures will to a large extent define the European 'social market economy', as referred to in Article 3 of the Treaty on European Union
- The currently prevailing approach is to let market forces operate freely, and design public interventions to compensate for the fact that the needs of some social groups, territories or other categories of European citizens are not met.
- The alternative is to regulate the market, e.g. through incentives, so that the services produced satisfy political expectations with regards to public service obligations and universal service obligations. This option is preferred within sectors such as telecommunications, energy and transport.

In 2009, the Lisbon Treaty established the EU as a 'highly competitive social market economy' (European Union, 2007), using a term introduced by German economists shortly after the Second World War (Müller-Armack, 1947) and adopted politically shortly afterwards. However, commentators agree that the concrete implications of the adoption of this at the European level are difficult to identify. As was noted by (Scharpf, 2010b), European laws need to be adopted to promote this objective; such laws may be effectively blocked by Member States supporting a liberal market economy in the European Council. Admittedly, changes in the qualified majority voting system introduced in 2014 have lowered thresholds required for the adoption of new legislation. However, judicial decisions limiting the scope of national and regional public interventions to support SGI, based on European principles of free and undistorted trade between Member States, modify framework conditions for public interventions in the field of SGI at a faster speed. Such 'negative integration' driven by the Court of Justice of the EU and by the national courts contributes to give economic liberalisation precedence over social concerns in European integration.

As legislative initiative lies with the European Commission, it plays a pivotal role preserving a balance between these two types of concerns. The objective of a 'highly competitive social market economy' is translated into concrete actions in the Single Market Acts of 2010 and 2012, following the 2010 Communication 'Towards a Single Market Act – For a highly competitive social market economy' (European Commission, 2010a). These Single Market Acts contain a series of provisions of relevance for SGI, e.g.:

- an SBI and legislation to support social entrepreneurship, which often targets the provision of SGI;
- a revised and modernised public procurement legislative framework;

- improvements of the quality of rail and air transport, as well as creation of a single market for maritime transport of goods;
- further integration of energy markets to provide better service to consumers at affordable prices, promote renewable energy & energy efficiency and guarantee security of supply.

A wide EU policy within the field of SGI is important to preserve the balance between market liberalisation and Single market integration on the one hand, and the preservation of social, economic and territorial cohesion, on the other. As shown by Šmejkal and Šaroch (2015), *"the key 'social' article 153 TFEU [...] excludes any EU legislation affecting fundamental principles of national social security systems and rules out any EU act that would apply to pay, to the right of association, to the right to strike or to the right to impose lock-outs"*. This implies that these aspects of the European economic model are preserved and addressed only at the national and, in some cases, regional levels. By contrast, EU measures to enable national, regional and local authorities to ensure that PSOs and USOs<sup>10</sup> are lived up to appear as the natural counterpart to EU law preserving free and undistorted trade in the Single market.

This task is complicated by the diversity of logics prevailing in different European countries. The functioning of SGI provision markets suggests that there is no shared European economic model, e.g.:

In a 2014 report on European **electricity markets**, the French Commissariat général à la stratégie et à la prospective (2014) describes a market strongly influenced by national policies to support specific technologies and maintain consumer prices. At the European level, in spite of a functioning regulation of wholesale markets and established Emission Trading Systems, mechanisms to maintain a stable and sustainable market remain to be designed and implemented. This is, according to the authors, primarily due to inconsistent national measures to support alternative forms of energy production. Ensuing imbalances have led to the closure of energy plants that may threaten energy safety in coming years. This problem is amplified by the fact that investments in the energy sector are hampered by uncertainties on future regulations and on ways in which the European market will be organised. It is considering that European policies focusing on different objectives for the energy are not necessarily brought into coherence. The EU has first focused on liberalisation and market integration, e.g. with the Third Energy Package adopted in 2009. Second, environmental concerns are central in the Energy roadmap 2050 (European Commission, 2011d) and in the 2030 Energy Strategy (European Commission, 2014b). Finally, tensions with Russia have led to an enhanced interest in security of energy supply, e.g. with the 2011 Communication entitled *The EU Energy Policy: Engaging with Partners beyond Our Borders* (European Commission, 2011e). The European market is, by way of consequence, definitely characterised by a mixture of 'laissez-faire' and interventionism. However, no consistent economic model emerges from the variety of national initiatives. European authorities seem not to have the necessary instruments to put these different initiatives into coherence.

As has been confirmed by a number of reports, arrangements for **healthcare** provision in Europe are diverse (Economist Intelligence Unit, 2011; Health Consumer Powerhouse, 2015). Differences relate to the relative importance of public and private sources of funding,

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<sup>10</sup> These notions are defined in Text Box 2, p.24.

the respective roles of 'for profit' and 'not for profit' organisations in the provision of healthcare services, the extent to which provision relies on market dynamics. The notion of 'European healthcare system' is therefore primarily invoked in comparison with other countries, and particularly the United States. European healthcare policies seek to improve efficiency of health systems, so as to preserve the quality of healthcare services in a context of budgetary austerity, e.g. by promoting so-called Health technology assessments or E-health technologies. The design of an improved analytical framework to assess the relative efficiency of different health systems may contribute to promote a more integrated model as good practice is identified and promoted. The European Commission's attempts to describe well-functioning health provision is illustrated by discussions within the Expert Panel on effective ways of investing in Health (EXPH) appointed DG Health and Food Safety'. This independent expert panel published a final opinion report entitled *Competition among health care providers* in June 2015, after a public consultation based on a draft version (Expert Panel on Effective Ways of Investing In Health (EXPH), 2015). Its conclusions on the advantages on enhanced competition in health care are particularly nuanced; the authors emphasize that there is insufficient knowledge to impose any specific model of competition within this sector. Similarly, European competition rules are not applied in a clear-cut way within healthcare provision. A 2013 Staff Working Paper of JASPERS notes that current practice of the European Commission and of the European Court of Justice suggests that "*a hospital, or rather its operator, is [considered as] an undertaking when it provides health care services, also in those cases in which the latter are not paid for by those who directly benefit from them and/or when it acts in accordance with the principle of solidarity*". This implies that competition rules apply, and that possibilities of providing state aid are limited. However, the report notes that "*this remains an open issue, taking into account the limited number of precedents, and the current status quo might change in future decisions by the Commission and the EU Courts*" (Cruz Yábar, 2013).

In the field of **social housing**, the 2013 European Parliament report *Social Housing in the EU* (IZA - Institute for the study of Labour et al., 2013) concludes that there is no European model. According to the report, the Almunia package "*entails a narrow definition of social housing by restricting it only to 'housing for disadvantaged citizens or socially less advantaged groups, which due to solvability constraints are unable to obtain housing at market condition'*". The underlying economic model is therefore that market forces should be allowed to regulate the housing market, and that public interventions would then only be justified to compensate for the possible exclusion of less solvable groups that would be excluded. This is contrary to prevailing approaches in a number of Member States. For example, in Sweden, municipal housing companies provide housing for a wide range of social groups; in an attempt to comply with EU legislation, they have simply been instructed to operation in a 'business-like way'. This implies that they are supposed to charge market rents and cannot engage in non-profitable projects. However, the concrete implications of this clause are not entirely clear. In the Netherlands, the national government chose to reorganise the social housing sector so that it would essentially target disadvantaged groups. European legislation has therefore tended to impose a system with market prices and with public interventions limited to disadvantaged groups. Considering that all actors are expected to operate in a business-like way, the role of not-for-profit organisations is questioned by some commentators (Elsinga and Lind, 2011).

These three examples suggest that **the notion of 'social market economy' has different implications depending on the sector that is considered**. In the field of Social Housing, European authorities tend to impose a general market-based logic, allowing targeted interventions only. Within healthcare provision, while the prevailing position seems to be that State Aid rules should apply, there is still an on-going debate on the advantages

and drawbacks of enhanced competition. In the energy sector, the need for public intervention is recognised at all levels but mechanisms of dialogue and coordination are insufficiently developed.

The European 'social market economy' therefore appears as a vaguely defined framework for policy elaboration rather than as an established notion. Observed practices suggests that a general European approach of how self-regulation by the market and public interventions to preserve the 'social' dimension is difficult to identify. Institutional positions, dialogues between stakeholders and emerging compromises are specific to each field of activity.

Two main options are considered in current debates:

- (1) Regulating the market, e.g. through incentives, so that the services produced satisfy political expectations with regards to public service obligations and universal service obligations
- (2) Letting market forces operate freely, and design public interventions to compensate for the fact that the needs of some social groups, territories or other categories of European citizens are not met.

The latter of these two options tends to prevail, as the notion of Services of General Interest emerges to accompany European sectoral liberalisation. However, there are some significant exceptions, especially in sectors that rely heavily on public infrastructure investments, e.g. energy and transport.

## 4.2. Opportunities and challenges from single market integration

### KEY FINDINGS

- SGI operate under new framework conditions in the 2014-2020 programming period, as a result mainly of the Almunia package adopted in 2011 and 2012.
- European Commission interventions in the field of SGI follow a wide range of logics: organisation of markets (postal services, energy); liberalisation (transport); corrections to ensure that universal service obligations are met (banking); dissemination of good practice (electronic communication); monitoring of possible market failures (scoreboards).
- Future policy measures within the field of SGI can be designed on the basis of these categories of actions, by identifying the most relevant types of intervention in each case.
- The emergence of European representative organisations of providers and customers and other stakeholders of SGI facilitates the elaboration of efficient policies. The weak constitutional basis for European-level regulations of SGI implies that they need to be elaborated on the basis of extensive dialogues with involved parties.

The category of SGEIs has been created as part of the European integration process; this expression was not initially found at the level of any Member State. It has repeatedly been noted that the notion of SGI is not defined in the Treaty (e.g. Lenaerts, 2012). The European Commission's 2003 Green Paper on Services of General Interest distinguishes between SGIEs that "*are provided by the big network industries such as transport, postal services, energy and communications*" and "*other economic activities subject to public service obligations*" (European Commission, 2003, p. 7). The Commission understands that the European Community has "*harmonised provisions on public service obligations and*

*defined common requirements in specific Community legislation*” only for the former type. This is natural, as the Single Market tends to generate integrated regional or pan-European systems of exchange and provision for these activities.

However, management and provision modalities for other types of SGEIs are also homogenised in the European context, as illustrated by the example of Social Housing in the previous section. More generally, liberalisation in these sectors open for the emergence of transnational corporations and alliances of SGIE providers. In parallel, the creation of European representative organisations of providers and customers and other stakeholders of SGI (see ANNEX B: European stakeholder organisations in the field of SGEI, on page 174) leads to the emergence of a European debate on norms, regulatory arrangements and public interventions in this field.

Protocol 26 of the TFEU provides a weak basis for translating the outputs of such debates into policies. It first emphasizes the importance of applying the principle of subsidiarity in the field of SGI, insisting that authorities at all levels should enjoy “*wide discretion*” in providing such services. Second, the geographical, social and cultural specificities with regards to SGEI needs and preferences are highlighted. Maintaining a “*high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights*” appears in third place among the “*shared values of the Union in respect of services of general economic interest*”. The Treaty effectively limits European-level action to translate the concern for ‘quality’, ‘safety’, ‘affordability’ and ‘equal treatment’ by stating that the corresponding norms will vary depending on the territory and social or cultural group considered.

In 2013, the European Commission published the 3rd Biennial Report on SSGI (European Commission, 2013c), a working document accompanying the Communication Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020 (European Commission, 2013d), which provides an overview of these new framework conditions. The study describes concrete implications of these changes, challenges that may have occurred when adapting to them and new opportunities for improved SGI provision that may have emerged.

In addition to being addressed by dedicated Green Paper (European Commission, 2003) and White Paper (European Commission, 2004), SGI are directly or indirectly addressed in the Europe 2020 strategy, in the successive Reports on economic, social and territorial cohesion and in ERDF and ESF regulations. In its 2011 Communication ‘A Quality Framework for Services of General Interest in Europe’ (European Commission, 2011a), the European Commission not only prepared the implementation of the new State aid package described above. Its ‘quality framework for SGI’ also listed series of measures to increase clarity and legal certainty, to ensure access to essential services and to promote quality of services of general interest within a selection of sectors:

- **Postal services**, referring to the Third Postal Directive (Directive 2008/6/EC) adopted in 2008 and to the Green Paper on cross-border parcel delivery (European Commission, 2012a) which was published in November 2012 and followed up by a Roadmap for completing the single market for parcel delivery (European Commission, 2013e) in 2013;
- **Banking**, with a focus on the right of every citizen to access basic services such as a payment account and card. This has been followed up by the Directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features which was formally adopted in July



2014. This directive ensures that all citizens can open an account whatever their place of residence or financial situation. It also facilitates switching between accounts.

- **Transport**, opening for liberalisation transparency, non-discrimination and award following a competitive tendering procedure. This has been followed up, e.g. for rail transport with the Fourth railway package in 2013 (European Commission, 2013f).
- **Energy**, describing the universal service obligations defined in the Third energy Package that entered into force in 2011 and insisting on the importance of Citizen Energy Forums. These forums, which focus on consumers, have continued to be organised annually; the last one was in London in March 2015. In parallel, the European Commission has organised Forums of electricity regulators since 1998 and an energy market design with representatives from both energy companies and energy associations in October 2015, as part of the Europe 2020 strategy.
- **Electronic communications**, with a focus on Universal access. The mentioned 2011 Communication of universal service in e-communications (European Commission, 2011c) has been followed up with initiatives such as *Broadband Europe*, which organises a Public Consultation on the Needs for Internet Speed and Quality Beyond 2020 between September and December 2015. Under the Digital Agenda, the European Commission is primarily seeking to provide guidance and to disseminate good practices. Broadband infrastructure is also an important focus of the Investment Plan for Europe (European Commission, 2014c) initiated by European Commission President Juncker.

The European Commission has produced cross-sectoral Consumer Conditions Scoreboard and Consumer Market Scoreboards since 2008. These respectively track Member States' consumer conditions within the single market and the performance of markets. These scoreboards are currently respectively published in alternate years. They cover a selection of SGI such as telecoms, public transports and banking, in addition to so-called 'utilities' (postal services, water supply, gas services and electricity services). In addition, the European Commission Single Market scoreboard, which more generally monitors the functioning of the single market, tracks two SGI relevant policy areas: public procurement and postal services. Within all these fields, these tools help identifying market failures which may justify public policy interventions.

Overall, these actions illustrate the variety of initiatives that can be envisaged at the European level. Foreseen actions can be grouped in categories:

- organisation of markets (postal services, energy);
- liberalisation (transport);
- corrections to ensure that universal service obligations are met (banking);
- dissemination of good practice (electronic communication);
- monitoring of possible market failures (scoreboards).

Future policy measures within the field of SGI can be designed on the basis of these categories of actions, by identifying the most relevant types of intervention in each case.

The previously described 'negative integration' (see section 4.1) has taken the form of series of the European Court of Justice rulings and European Commission decisions over



State Aid. The authorisation of financial compensations to organisations providing public services has been a central issue in discussions over the legal framework for SGI, as previously described in section 3.1.

Given these recent evolutions of European regulations, SGI operate under new framework conditions in the 2014-2020 programming period. In 2013, the European Commission published the 3rd Biennial Report on SSGI (European Commission, 2013c), a working document accompanying the Communication Towards Social Investment for Growth and Cohesion – including implementing the ESF 2014-2020 (European Commission, 2013d), which provides an overview of these new framework conditions. The report mainly clarifies the ways in which principles of the 'Almunia' package are implemented, with a focus on simplifications for public administrations and SSGI providers.

### 4.3. Current SGI provision and access in Europe

#### KEY FINDINGS

- SGI are estimated to account over 25% of added-value<sup>11</sup> in the EU, and just under 30% of employment. However, there are significant variations between countries.
- One must in most cases take into account local needs to meaningfully compare levels of SGI provision. Few, if any, such comparisons exist.
- Differences in access to SGI mainly occur at the sub-regional levels, e.g. opposing areas within daily mobility distance to urban centres and the rest of the territory. Average figures at the level of regions fail to take into account this difference.
- Territories with geographic specificities (mountain, islands, sparsely populated areas) do not require dedicated SGI policies, but illustrate the importance of policies that make it possible to design and implement tailor-made solutions taking into account local and regional specificities.
- Border regions are confronted to differences between national policies and institutional arrangement in the integration and coordination of their SGI provision with neighbours on the other side of the border.
- Transnational cooperation has demonstrated its capacity to improve SGI provision, e.g. in the fields of transport and energy.

To better understand disparities in SGI provision and access across Europe, this section looks at different dimensions:

- a) Disparities at national levels
- b) Comparisons of SGI provision and access at regional level
- c) Disparities concerning geographically specific areas (e.g. mountainous, sparsely-populated, island areas)
- d) Disparities and challenges for cross-border SGI provision and access.

<sup>11</sup> This refers to the EUROSTAT definition of value added, interpreted as output at market prices minus intermediate consumption at purchaser prices.

We therefore go from the largest to the smallest territorial dimensions to understand the macro- and micro-challenges in SGI provision and access in the EU. We first start with national-level comparisons and possible useful indicators conveying the level of SGI provision and access. Next, we move at regional level, where the picture appears more diverse, with at times large inter-regional differences. We look at indices from different sectors to observe these differences. The analysis then moves to local-level provision, where we will see that urban-rural differences are more marked than inter-regional differences in terms of access to and provision of SGI. To better show the importance of local-level policymaking, we move the analysis further to geographically-specific territories. Finally, to cover the full picture of SGI provision and access in Europe, we look at cross-border SGI provision, identifying challenges, opportunities and examples in this field.

#### **4.3.1. Disparities at national level**

Even though, as described in previous sections, it is difficult to accurately compare levels of SGI provision and access across Europe, a good indication at national level is given by economic statistics related to value added, employment and investment, as proposed by Cambridge econometrics (2013). Such figures give us a feeling of the amount of resources invested in such services.

EU Member States display large differences in SGI value added, employment and investment, according to a study by Cambridge econometrics (2013) commissioned by the CEEP<sup>12</sup>. SGI value added in the total economy ranges from less than 25% in Romania, Slovakia, Bulgaria and Italy to over 30% in Cyprus, Denmark and Belgium<sup>13</sup>. The EU average is 26.6%. The largest SGI in terms of value-added is health (7.4% of all EU27 value added), but varies from 11-12% in Denmark and Sweden to only 3-4% in Latvia, Estonia and Hungary (Cambridge econometrics, 2013). It can be noted that privatisation of SGI may mechanically increase gross domestic product (GDP), as production is measured based on their commercial value, rather than on costs of production. Profits that are generated are therefore taken into consideration as a result of privatisation. On the other hand, an improvement of efficiency in SGI provision may reduce its theoretical (measured) added-value, as the cost of production or the market value corresponding to a country's total need of a given SGI reduces. However, resulting increases in purchasing power may generate new and wider expectations with regard to SGI provision, leading to increase of total SGI added-value. Values and trends listed in Table 1 therefore reflect a diversity of parallel processes.

SGI employment also differs substantially: in Romania SGI account for 19% of total employment, while in Belgium and Sweden the figure is 38%. The EU average is 29.5%. Increases between 2006 and 2010 are in many countries be linked to a decrease of overall employment (Cambridge econometrics, 2013). This reflects the importance of SGI stabilising the economy, as further described in section 4.4 below.

SGI investment accounted for 22% of all investments in EU27 in 2010, but varies widely between Member States: while Spain, Portugal or the UK invest around 10% of their total investments in SGI, over 55% of investments in Lithuania are directed to SGI (Cambridge econometrics, 2013). Investments in SGI have with a few exceptions increased significantly

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<sup>12</sup> This study uses a subset of classes from the Statistical Classification of Economic Activities in the European Community (commonly referred to using the French acronym 'NACE') as a proxy for SGI. This implies that all values must be considered as approximations.

<sup>13</sup> The low value observed for Luxembourg should be considered as a special case linked to the structure of the Luxembourg economy and the high proportion of cross-border commuters working within the country.

between 2006 and 2010. This indicates that SGI have, in most parts of Europe been promoted in times of crisis and austerity. Significant exceptions in these regards are Slovakia, Portugal and Spain.

**Table 1: Importance of SGI in each Member State's economy in 2010**

COUNTRY	% OF TOTAL ECONOMY, (CHANGE IN PERCENTAGE POINTS FROM 2006)		
	SGI VALUE ADDED	SGI EMPLOYMENT	SGI INVESTMENT
Austria	25.1 (+0.9)	28.0 (+0.2)	19.6 (+1.7)
Belgium	30.3 (+1.9)	37.8 (+2.9)	19.7 (-0.1)
Bulgaria	23.7 (+4.1)	22.1 (+0.4)	23.5 (+11.4)
Cyprus	32.2 (+6.6)	25.3 (+2.6)	45.0 (+23.2)
Czech Republic	26.4 (+2.0)	26.0 (+0.6)	29.3 (+6.0)
Denmark	30.7 (+1.6)	36.8 (+0.7)	23.3 (+3.9)
Estonia	28.9 (+4.6)	32.8 (+3.5)	41.9 (+14.6)
Finland	29.1 (+2.7)	35.8 (+1.5)	22.2 (+3.3)
France	29.6 (+1.7)	34.2 (+0.9)	36.6 (+12.5)
Germany	24.7 (+2.0)	28.4 (-0.4)	22.8 (+2.0)
Greece	25.0 (+2.6)	26.2 (+1.2)	20.0 (+5.0)
Hungary	28.0 (+1.3)	29.0 (0.0)	35.7 (-0.8)
Ireland	25.3 (+7.1)	33.2 (+7.5)	31.5 (+11.0)
Italy	24.6 (+2.7)	23.7 (+0.4)	17.8 (-1.7)
Latvia	28.1 (+1.5)	29.3 (+1.8)	40.4 (+17.5)
Lithuania	25.0 (+2.3)	33.4 (+3.5)	55.7 (+19.9)
Luxembourg	19.3 (+0.6)	22.2 (-1.6)	3.6 (-21.7)
Malta	22.3 (+0.7)	29.8 (0.0)	n.a. (n.a.)
Netherlands	28.7 (+2.5)	31.6 (+1.3)	30.6 (+5.0)
Poland	23.6 (+1.5)	27.3 (+1.1)	21.5 (+4.7)
Portugal	29.3 (+1.2)	24.4 (+1.3)	10.6 (-11.5)
Romania	20.4 (+2.5)	18.7 (+0.5)	18.0 (-1.4)
Slovakia	22.7 (-0.5)	29.7 (+1.4)	32.6 (-8.6)
Slovenia	27.4 (+3.5)	25.9 (+1.6)	38.3 (+7.0)
Spain	26.3 (+4.2)	26.7 (+3.3)	9.8 (-5.7)
Sweden	29.7 (-0.4)	38.0 (-1.3)	24.6 (+3.4)
United Kingdom	27.3 (+2.2)	36.2 (+4.0)	10.7 (-4.9)

Source: Cambridge econometrics (2013)

#### 4.3.2. Comparisons of SGI provision at regional level

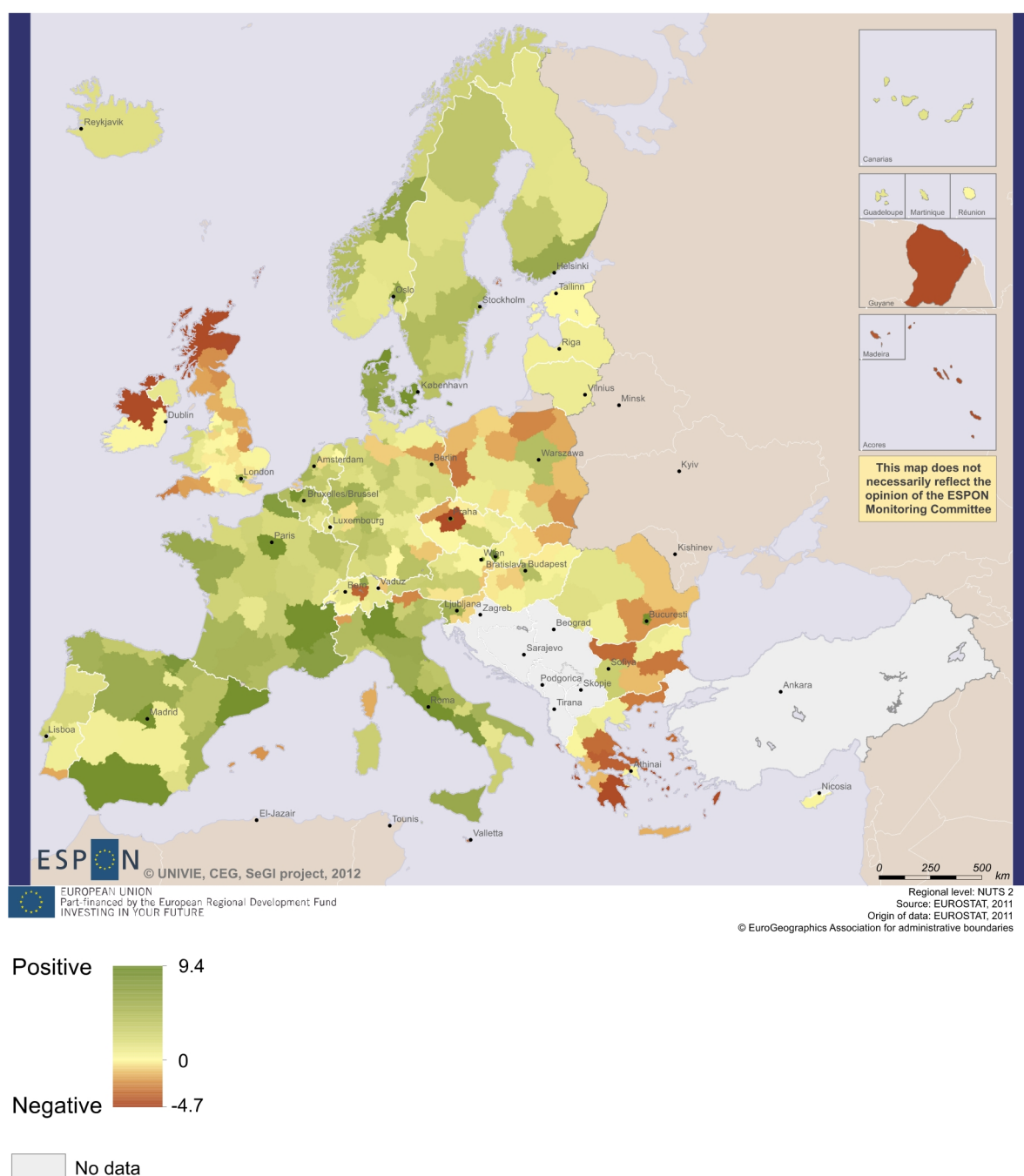
The picture presented above regarding national-level spending, employment and value-added on SGI provision is, unfortunately, not sufficient to clearly define the level of access to SGI for regular citizens. The national picture hides intra-national inequalities, which at times can be very high. This section shows some telling examples of such regional inequalities in the sectors of education, healthcare, business and broadband. As this section shows, even the regional picture is not sufficient in order to properly identify gaps in SGI provision and access within regions. The ESPON SeGI project has produced a series of synthetic indexes of SGI provision, of which those dealing with education, health care and social services are shown below. These are used as a comparison tool for SGI provision and access across regions, but as we shall see, they are often not sufficient.

Educational SGI (Map 1) are assessed based on enrolment in non-compulsory pre-primary and upper-secondary education and in tertiary education. It is noted that deviations from the European average are in this respect moderate, and the lowest values can be found in the British Isles and in Eastern parts of the EU. However, in some respects, high enrolment in one type of education compensates for lower enrolment in other fields, e.g. low proportion of children in pre-primary education combined with high proportions of students in tertiary education. High enrolment in tertiary education is observed in metropolitan regions, where

universities are concentrated. This creates a bias in the analysis; the objective is not to have higher education facilities equally spread out across Europe, but to ensure that European youth can access the education they wish in accordance with employment opportunities.

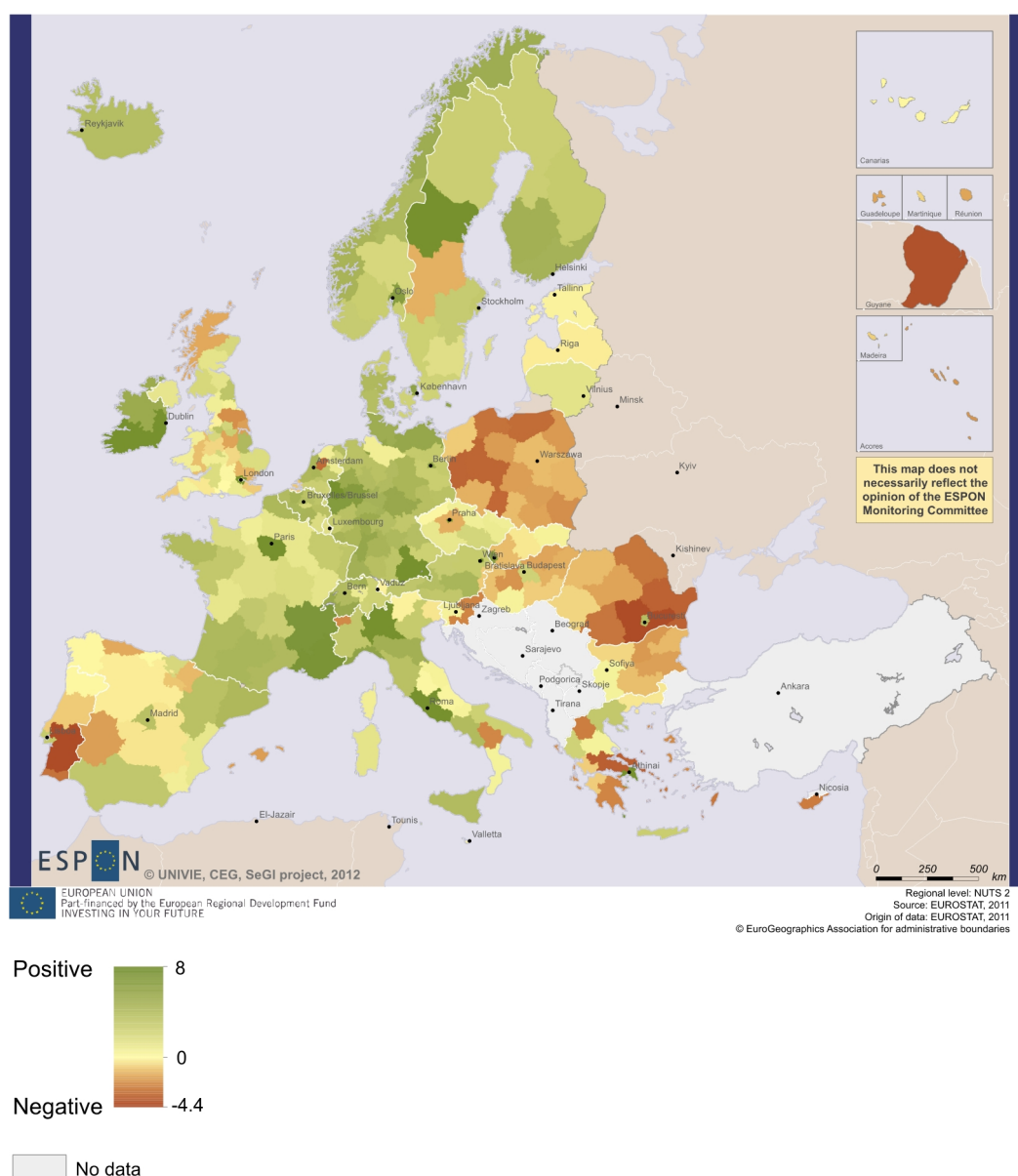
The synthetic indicator on health care-related SGI (Map 2) suggest that the highest quality of services is found in Western Europe (except for parts of the Iberian Peninsula) and in metropolitan regions. The fact that numbers of hospital beds are incorporated in this index may create a bias, as hospitals do not necessarily target the needs of the region in which they are located only. Furthermore, some healthcare systems have focused on limiting inpatient care, without necessarily reducing the quality of services that are provided.

**Map 1: Regional index of educational SGI<sup>14</sup>**



**Source:** Rauhut et al. (2013a)

<sup>14</sup> This index synthesises figures on numbers of enrolled pupils in pre-primary and upper-secondary education and in tertiary education.

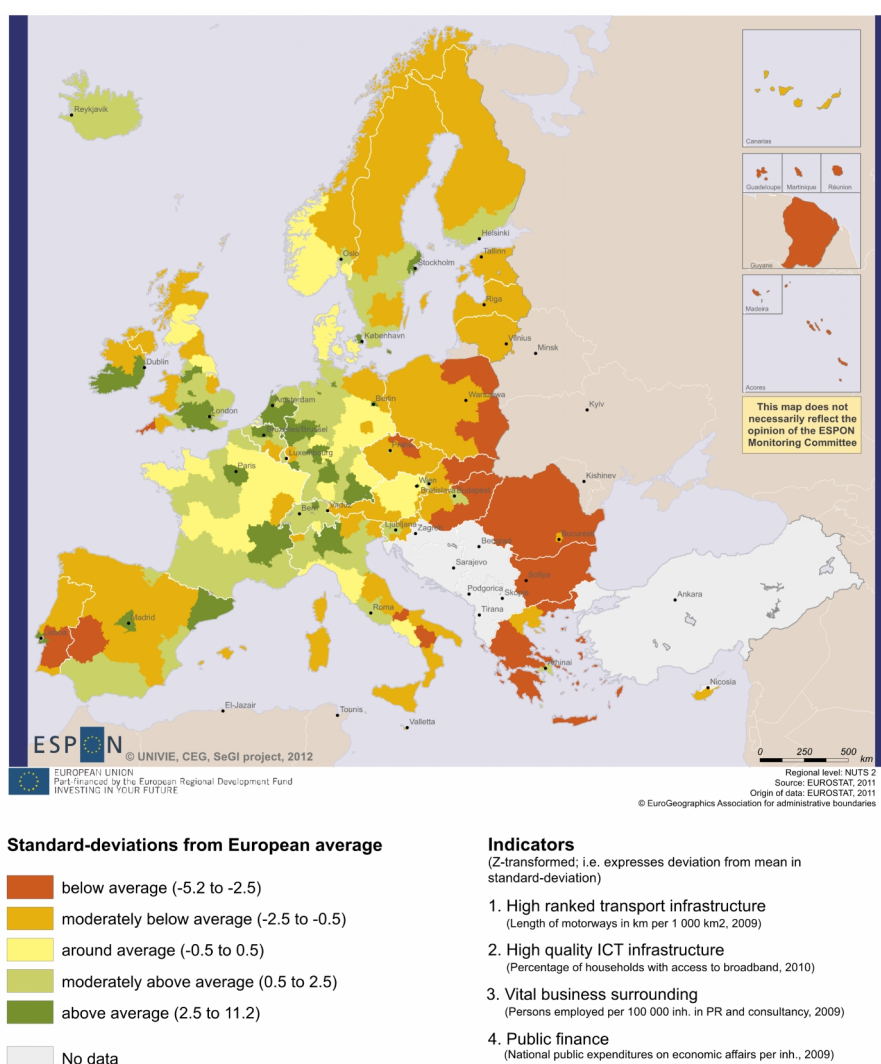
**Map 2: Regional index of health care-related SGI<sup>15</sup>**

**Source:** Rauhut et al. (2013a)

The composite indicator of business-oriented SGI (Map 3) aggregates four indicators respectively representing transport, ICT infrastructure, so-called 'vital business surrounding' and public finance. This analysis resulted that EU15 countries score better in SGEI regional SGEI provision, while in EU13 countries only capital regions are above the EU average according to this aggregate indicator. This pattern is observed both in the geographical outer rim countries (Finland, Sweden, Norway and the UK) and in the south (Spain, Portugal and Greece). Generally, SGI provision follows a core-periphery pattern both at the European and national scales, in addition to the East-West divide.

<sup>15</sup> This index synthesises figures on number of hospital beds, doctors and nurses per inhabitant.

### Map 3: Regional typology of business-oriented SGI



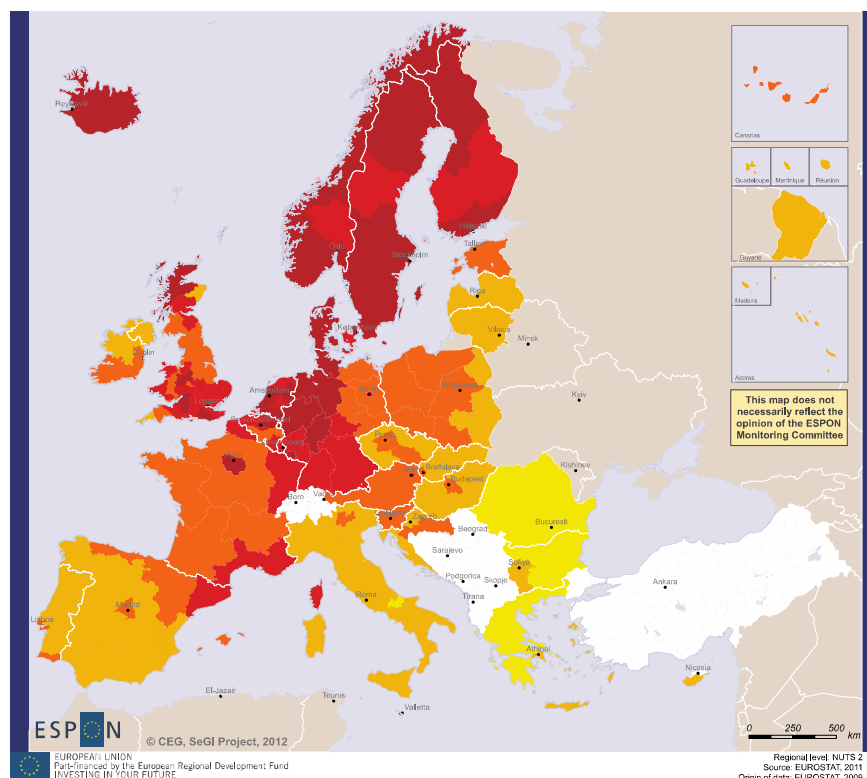
**Source:** Rauhut et al. (2013a)

It is obviously true that access to SGI is, overall, better in large metropolitan areas. However, such a representation fails to reflect the extent to which SGI needs are satisfied. Similar values in Northern Sweden and in the Central Macedonia region around Thessaloniki in Greece correspond to very different realities. An indicator such as 'length of motorways per 1000 km<sup>2</sup>' may be useful to compare metropolitan regions, but is of more limited use when the SGI of a sparsely populated area is assessed against that of an urbanised region. Regional/national disparities should be put in local context.

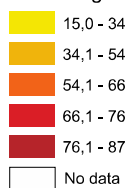
Some more specific indicators are of more direct policy relevance. Access to broadband (Map 4) can be related to the EU objective that 'at least 50% of European households subscribing to internet connections above 100 Mbps by 2020' (Pillar 4 of the Digital Agenda for Europe, (European Commission, 2012b)). This shows a North-South and East-West divide in Europe. It also suggests that there is a major potential for exchanges of good practice within the European Union, as a lever to reach these objectives. However, the potential impact of improved broadband access will depend on the capacity of individuals and companies to use associated possibilities. The percentage of individuals who have never used a computer is one possible measure among many of this capacity (Map 5).



**Map 4: Access to broadband at NUTS 2-level in Europe**



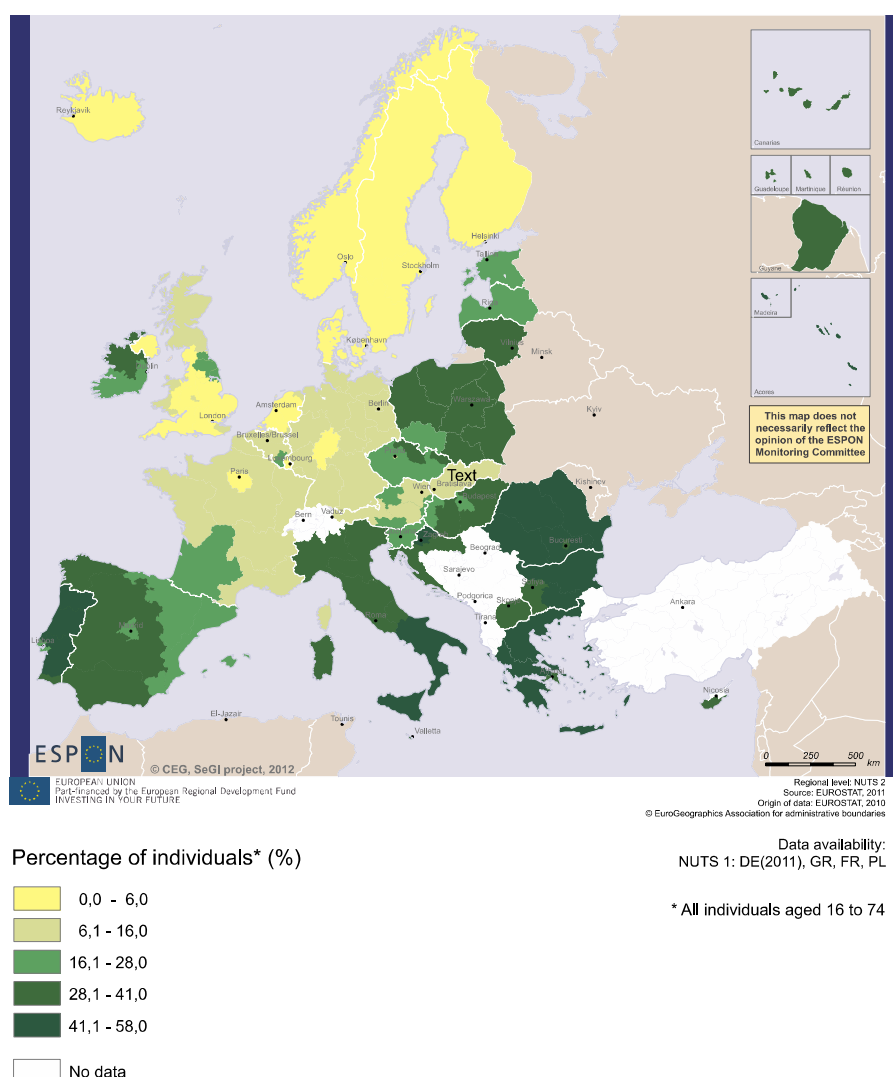
Percentage of households (%)



Data availability:  
NUTS 1: DE(2011), GR, FR, PL

**Source:** Rauhut et al. (2013a)



**Map 5: Percentage of individuals who have never used a computer (2009)****Source:** Rauhut et al. (2013a)

The policy implications of these different perspectives can be illustrated by comparing the respective approaches to broadband development in Florence and Amsterdam (see Text Box 24). Florence focused on providing infrastructure to the inhabitants and businesses of the region, and expected initiatives taking advantage of the new possibilities deriving from this access to emerge spontaneously. Amsterdam, on the other hand, focused on increasing demand for high-speed internet services, and expected networks expand as a result of this increased demand.

**Text Box 24: Offer and demand-oriented approaches to broadband development****OFFER AND DEMAND-ORIENTED APPROACHES TO BROADBAND DEVELOPMENT**

PPP in broadband services can help local authorities provide cost-effective access to broadband wherever they live. Nuciarelli et al. (2010) describe several types of broadband PPP in Italy and the Netherlands.

In Italy, the initiative 'Firenze Wireless' was driven by customer demand to increase network capacity. This allowed local authorities to correct broadband access disparities between rural and urban areas through a region-wide initiative covering the whole province.

- Project purpose: reduce digital divide, attract business activities
- Physical infrastructure ownership: 100% Province of Florence
- Start-up funding: EUR 5.5 million Province of Florence, plus 20% the winner of the public tender
- Network operation: Megabeam S.p.A. (private)

In the Netherlands, the initiative 'CityNet' in Amsterdam stemmed from top-down decision to increase demand for high-speed internet services. This city-wide PPP initiative aimed to correct a market failures in broadband provision.

- Project purpose: attract companies and residents, create opportunities for citizens in communication, healthcare and education
- Physical infrastructure ownership: 30% municipality, 70% private investors
- Start-up funding: EUR 18 million, of which 33% municipality and 67% other investors
- Network operation: KPN (private)

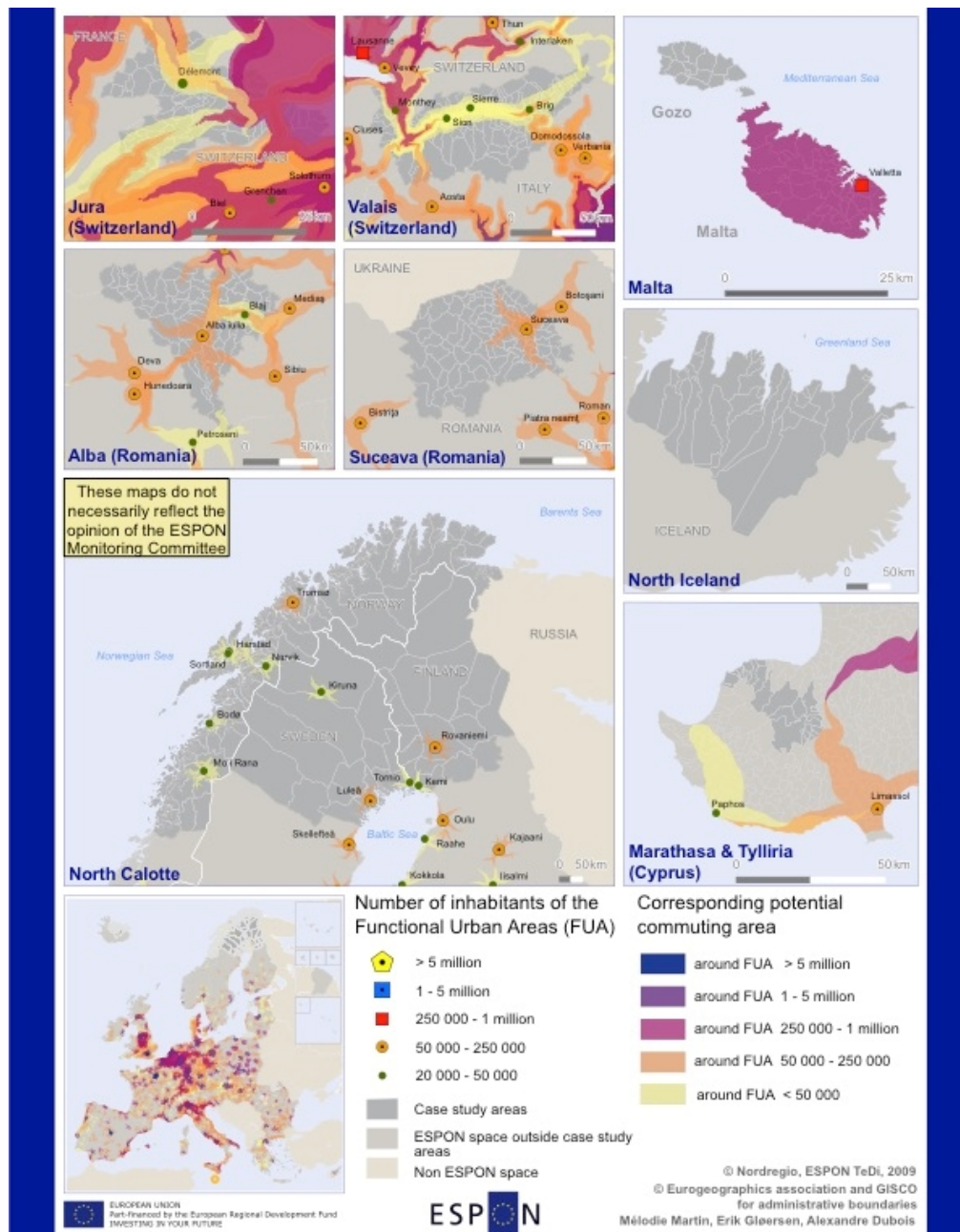
The two PPP projects adopted different business models: Amsterdam adopted a market-based model where risks are shared and mutual financial contributions are made, while Florence adopted a public utility model in which the province took on the entire project risk and deployed the model by anticipating targets of public interests (bridging the digital divide, attract businesses). This shows that PPP depend in shape and risk sharing ratio on their objectives.

**Source:** Nuciarelli et al. (2010b)

This illustrates how measures of access to SGI need to be accompanied by indications of local needs and competences. Together, these different forms of information form the evidence-base needed for policies seeking to use SGI as a lever of development.

Total access to SGI is largely determined by access to urban areas. Map 6 shows commuting or daily mobility areas around cities and towns of different sizes. It illustrates how the dichotomy between accessible and non-accessible may be of no-relevance for some areas (e.g. main island of Malta, central parts of Switzerland) and a major feature of the territorial structure in other parts (e.g. Cyprus, North Calotte). Regional average values as shown in Map 1 to Map 5 fail to reflect these essential sub-regional contrasts. This implies that policy targets for SGI should be formulated in terms of a ratio of population benefiting from a certain threshold of service quality, rather than as regional averages which even out extreme contrasts. However, even with such indicators, forms of sub-regional monitoring are required to pursue territorial cohesion.

**Map 6: Access to urban nodes in selected EU regions**



Source: Nordregio et al. (2010)

### **4.3.3. Disparities concerning geographically specific areas**

Mountain regions, islands, northernmost sparsely populated regions, cross-border regions and outermost regions are recognised as territories with specific geographical features in the Treaty (art. 147 TFEU). The 2010 study on SGI for the European Parliament (DEAS et al., 2010a) observed that such EU territories are often lagging in economic development and growth. However, this finding is partly contradicted by the 2009 European Commission note on these territories (Monfort, 2009). Based on a statistical analysis at the NUTS3 (Nomenclature of Territorial Units for Statistics, level 3) level, it concludes that “*categories of specific territories [e.g. mountainous, insular, sparsely populated and outermost region] are far from constituting homogenous groups of regions*”.

On this basis, the note concluded that a case by case approach should be adopted, with policy interventions designed to fit to each specific context rather than to a category. The ESPON GEOSPECS project argues that the statistical findings on which this conclusion is based are not necessarily relevant, as it observes that “*specific situations for balanced social, economic and environmental development linked to geographic specificity are primarily observed at the sub-regional level, e.g. remote valleys and individual small islands*” (University of Geneva et al., 2012).

The central SGI-related challenge of geographically specific areas is related to the limited number of potential users in each locality and daily mobility areas (so-called ‘bassins de vie’). This leads to an insufficient demand for specialised services, and lower economies of scale. Concerned areas therefore become less attractive for private SGI providers; more generally, living up to Public Service Obligations in these areas generates higher costs. However, mountainous, insular or sparsely populated areas are concerned to different degrees: Mountainous regions comprise densely populated and easily accessible valleys, just as sparsely populated regions include cities. The challenges of an island such as Sicily, with 5 million inhabitants, have little in common with those of the island of Scilly off the south-western tip of the Cornish peninsula with 2,200 inhabitants.

Admittedly, some parallels may be drawn. Maritime transport is, in different ways, an issue for all islands without a fixed link. Mountain areas are more exposed to issues of seasonality in transport conditions and the particular vulnerability of their ecosystems need to be taken into account. All sparsely populated, when delineated at the scale of individual localities, are confronted to challenges linked to the absence of economies of scale. However, evidence collected by the ESPON GEOSPECS project (University of Geneva et al., 2012) does not suggest a need for dedicated SGI policies targeting selected categories of territories with specific geographic features.

**Text Box 25: Growing trends to keep SGI provision under local control****GROWING TRENDS TO KEEP SGI PROVISION UNDER LOCAL CONTROL**

To increase resource efficiency and to better address the needs of local communities, some municipalities and regions are slowly moving towards a localised production and control of some SGI provisions.

In Malta, the government's strategy for the 2014-2020 period involves developing a desalination plant in Gozo, a remote Maltese island. At the moment, the island of Malta pumps water to Gozo. A desalinisation plant would allow this island to have a secure water supply, reduced energy needs and a reduced pressure on the sea-level aquifer system on the island.

Security of supply as well as consumer price stabilisation is also a concern for several German municipalities. This concerns especially those SGI that require expensive infrastructure: from 2005 to 2013, at least 72 new municipal utilities were created, mostly in communities ranging from 10,000 to 50,000 inhabitants. Examples include:

- **Baden-Wurttemberg:** since late 2012 about 190 municipal networks were taken over by municipalities after the expiry of their concession contracts, mainly concerning energy supplies.
- **Hamburg:** the city bought its local electricity infrastructure in 2014
- **Berlin:** the city bought its water infrastructure in 2013

There is a trend of 're-municipalisation', as local authorities regain control of public infrastructure in many parts of Europe. It does not only concern energy production and provision.

**Source:** Parliamentary Secretariat for the EU Presidency 2017 and EU Funds (2014); Berlo and Wagner (2013); Berlin.de (2013); Hamburg.de (n.d.)

Instead, areas with geographic specificities demonstrate the need for local and regional adaptations of SGI policies, with some recurring findings:

- Logics of 'compensation for handicaps' do not function, because challenges are usually result from a combination of factors and relatively complex cause-effect relationships.
- It is not meaningful to pursue an objective of equality of access to SGI, as promoted by some as a principle of territorial cohesion. The diversity of territorial preconditions across the European Union implies that SGI provision levels and modes of provision vary. The focus needs to be on satisfying the needs of local communities and industries.
- There is a fine balance between pan-European norms for SGI provision, ensuring a satisfactory access to basic services, and regulatory constraints which may limit local development possibilities.
- The potential of E-services is particularly important in small, isolated communities. Policies to promote broadband access in these areas can therefore have a major impact on development, limiting out-migration.

Continued polarising demographic trends lead to population decline in a majority of areas beyond commuting distance from towns and cities in all European countries. This implies that remote rural communities tend to fall below critical population thresholds to maintain basic SGI such as schools, post offices and health centres. This typically concerns small islands, isolated mountain communities and sparsely populated areas. This ‘flipside of European metropolisation’ calls for adequate policy responses to avoid a progressive depopulation of concerned areas. Expenses that incur when enforcing USOs in remote and isolated areas need to be considered against the potential cost of depopulation. Admittedly, so-called “fly-in/fly-out” models have been widely adopted for mining activities in Canada and Australia (Storey, 2001); involved companies argue that this generates significant savings compared to establishing permanent settlements in connection to mining sites. Ultimately, the issue is which model of society Europe’s wishes to pursue: should economic development be organised around functioning communities, or does one prefer to dissociate places of production and living.

In this regard, the Policy Road Map for Northern Sparsely Populated areas (Gløersen, 2009) calls for a strategic European settlement policy. This implies considering long term implications of a concentration of population in a limited number of urban areas. Policies to preserve polycentric and decentralised settlement patterns would limit the need for measures to enforce USOs, as SGI would to a greater extent be provided by for-profit economic actors or, in the case of public provision, with limited additional costs.

However, on-going demographic polarisation processes are likely to continue and need to be addressed politically. Pro-active SGI policies can both limit demographic polarisation, and help local communities to adapt to a situation with lower number of inhabitants. There are many examples of good practice to be drawn from geographically specific areas in this respect, as they are in many respects forerunners when it comes to dealing with issues such as demographic shrinking and ageing. A good example of this is Seniorpolis of Ristijärvi in Finland, which sought to create a pilot area in fields such as senior housing, senior caring, senior learning and senior entertainment in cooperation with universities, research institutes and technical high schools, in a small municipality of less than 1500 inhabitants (see Text Box 26).

#### **Text Box 26: Ristijärvi Seniorpolis: turning ageing into an asset**

##### **RISTIJÄRVI SENIORPOLIS: TURNING AGEING INTO AN ASSET**

Ristijärvi, a small municipality of 1,500 inhabitants in the sparsely populated Finnish region of Kainuu has tried to use its ageing population as a development asset.

The Seniorpolis expertise centre develops business operations that promote well-being and lifestyle opportunities for senior citizens, focusing on SGI such as housing, learning, education, care.

Seniorpolis, in cooperation with universities, research institutes and technical high schools promotes know-how and business concepts within different senior citizen services. Seniorpolis offers Ristijärvi municipality as a pilot area to test new technology and different products to be offered to senior citizens. Seniorpolis is developing Living Lab concept to Kainuu region, together with different organisations. Living lab means real time and life testing. Instead of seeing senior citizens as a challenge, Ristijärvi municipality is shifting towards making ageing population as an opportunity. In the strategy of Ristijärvi municipality, senior citizens are seen as remarkable element.

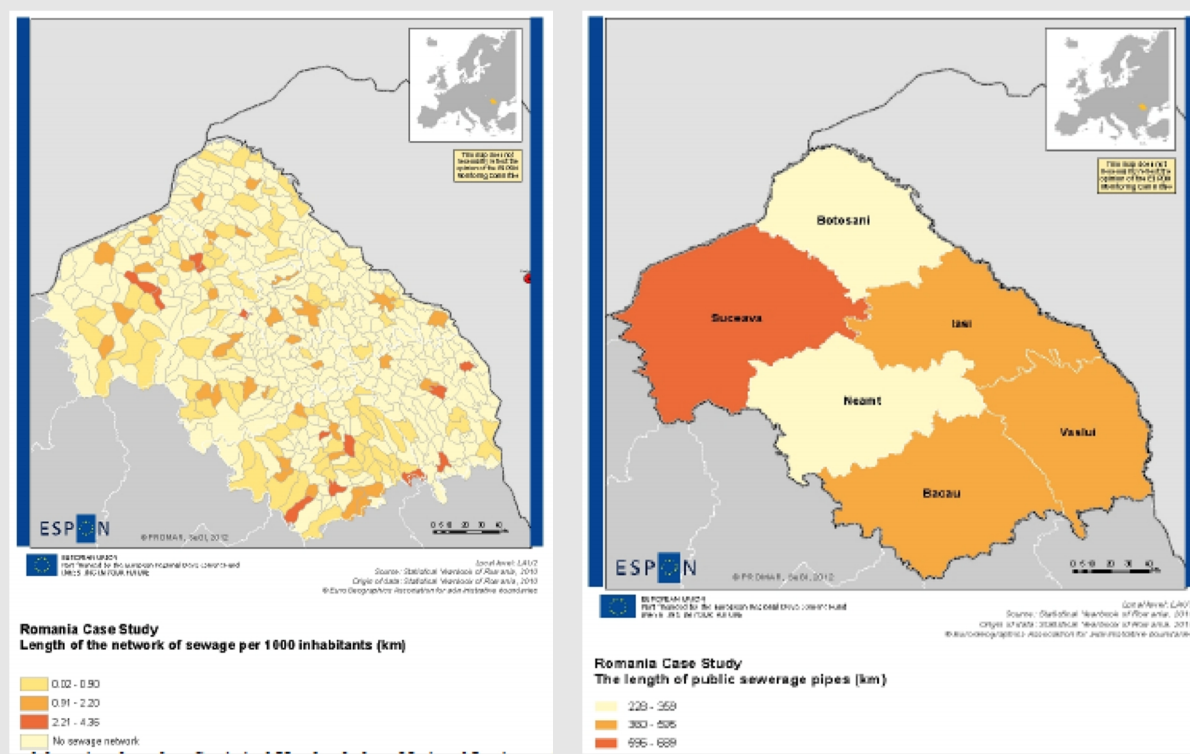
**Source:** Ruract (2010)



**Text Box 27: Lack of SGI access hidden in regional statistics****LACK OF SGI ACCESS HIDDEN IN REGIONAL STATISTICS**

SGI availability is dependent on the ease of access to services, which can become a problem especially in remote rural areas. The example of access to sewage and drinking water in the North-East region of Romania is representative of this dependency. The region represents about 15% of the country's surface and hosts 3.7 million people, or 17% of Romania's population. 56% of these people live in rural areas, often cut off from basic SGI infrastructures: only 54.8% of towns are served with potable water, while only 13.8% of towns are connected to the gas network. A staggering 81.5% of towns are shrinking in population, with most of them due to aging.

The figures below illustrate how local-level disparities remain unnoticed using region-wide average value. The map at the local scale in particular shows the number of communities without any sewage network. These represent a significant proportion of communities even in counties which appear to have a relatively good performance in the aggregate values map on the right.



**Source:** Rauhut et al. (2013a)

'Inner areas' are territories where an adequate offer of or access to essential services of general interest is not available in order to insure a certain level of citizenship among population (Lucatelli, 2014; Ministro della Coesione Territoriale, 2013). The notion is referred to the Italian Partnership Agreement (PA) for the 2014-2020 programming period. The ESPON GEOSPECS project uses the term 'Inner Peripheries', and rather defines it as areas 'in the shadow' of neighbouring metropolitan areas which, as a result of different social and economic processes are perceived to be disconnected from growth and development dynamics. Limited access to SGI is also from this perspective considered as a defining feature. However, this category helps to demonstrate that absolute thresholds of

demographic or economic mass are not necessarily sufficient to guide European SGI policies: inner areas exemplify how relatively lower values in interstitial spaces caught between metropolitan areas may generate insufficient SGI provision.

Deprived urban neighbourhoods are in many respects in a similar position to 'inner areas'. In spite of their relative closeness to concentrations of population and economic production, their access to SGI is in many cases inadequate or insufficient. This may be linked to the absence of functioning local services and to an insufficient ability to access more distant services, e.g. due to a lack of transport, the high cost of available transport options or a confidence barrier. These issues have been addressed in European Commission communications on cohesion policy in cities (European Commission, 2006b).

#### **Text Box 28: How austerity can limit access to SGI for the most vulnerable**

##### **HOW AUSTERITY CAN LIMIT ACCESS TO SGI FOR THE MOST VULNERABLE**

A study by Claire Bynner (2012) on access to public services in an ethnically diverse low-income neighbourhood in Glasgow finds that public spaces like libraries are important in offering residents a space for social interaction and opportunities to maintain transnational connections. However, barriers such as limited literacy or lack of language skills can prevent access to such facilities or discourage their use and limit their benefits.

The study also finds that informal community support favours access to SGI for residents in deprived areas. Social connections are especially important for new migrant residents to find out or use certain SGI. The author argues that the idea of 'Big Society' described in Text Box 15 on page 41, where communities would have the capacity to take on additional responsibility for engaging residents in delivering public services, is difficult to apply in this case. The study found that budget cuts influence views on who can access the service, as staff is encouraged to adopt a more narrow understanding of contribution to 'public interest'. Library assistants could for example exclude individuals believed to be undeserving or undesirable to a greater extent. Further funding cuts are thought to increase uncertainty on how these services can be rationed.

**Source:** Bynner (2012)

#### **4.3.4. Disparities and challenges for cross-border SGI provision**

The final step in our analysis of SGI provision and access in Europe concerns border areas, which have a different situation than any of the above-mentioned types of territories: regardless of size, accessibility, location or population, these areas always have to cope with two different, sometimes very different, rules and regulations concerning SGI provision and access. It is therefore important to analyse their challenges and see, through examples, how these are addressed. Such analysis will help us later on in explaining how the ESIF framework can come in handy for such areas.

Two main types of specificities characterise border areas. On the one hand, they are 'interface areas'<sup>16</sup> bridging different national and regional systems. As such, they can capitalise on economic assets such as cross-border trade and flows of goods and persons.

<sup>16</sup> "Economic and cultural exchange takes place across borders; ports on coasts are a focal point for transport, the exchange of goods, and logistics." (University of Geneva et al., 2012)



This function is particularly developed along open borders, e.g. within the EEA. On the other hand, they are '*artificial peripheries*' and so-called '*half-circle economies*' (University of Geneva et al., 2012), as exchanges and interactions may be limited by institutional, linguistic, cultural and functional (e.g. transport infrastructure related) barriers with neighbours on the other side of the border. This is typically the case along outer borders of the European Economic Area and the Schengen area.

From the perspective of SGI provision, border areas appear as '*artificial peripheries*' rather than '*interface areas*'. SGI are embedded in national institutional frameworks in ways that make transnational provision difficult. There is for example very limited provision of cross-border SSGI in Europe. A study of four SSGI in 22 European countries (long-term care, childcare, employment and social housing) found that such services are largely absent across borders. Social care and long-term care services are absent, while only three countries (Germany, Ireland and the UK) have cross-border provision of childcare (Polacek et al., 2011). Employment services across borders are also '*not a significant feature of employment services as yet*', while social housing is very little present, mainly '*in the form of acquisition of rental housing stocks by foreign investors, like for instance in Germany*' (Polacek et al., 2011).

### **Text Box 29: Decades of cooperation leading to cross-border water sewage system**

#### **DECADES OF COOPERATION LEADING TO CROSS-BORDER WATER SEWAGE SYSTEM**

Although borders seem to hamper the provision of SGI, there are some good practice examples of how cross-border cooperation can implement and provide SGI successfully on the long run despite diverse financial and regulatory backgrounds.

As for example the Entsorgungsverband Saar (EVS), a regional waste disposal collective in the German region of Saarland that entered in cooperation with the French Communauté d'Agglomération Sarreguemines Confluences. Both have successfully implemented a common cross-border waste water treatment infrastructure (EVS, 2005). The sewage treatment plant, situated in Sarreguemines (FR) collects and treats the wastewaters of 50 600 French and 10 900 German citizens. The extent of the services over the benefiting villages of Blies-Schweyen, Bliesguersviller, Frauenberg (FR), Habkirchen and Bliesransbach (DE) represents today's state of the pilot project that started in 1976 (Hasselbach, 2013; Ville de Sarreguemines, n.d.). In 2005, the sewage treatment plant in Sarreguemines was reconstructed. The financial contribution from both sides and the community contribution in form of Interreg III-A support have made it possible to modernise the water treatment procedures in the concerned area. The experiences have been incorporated in the implementation of further cross-border water treatment projects with the latest one rolling out in 2010 between Luxembourg and Germany with participation of the EVS.

Cross-border approaches towards the provision of SGI thus do create positive synergy effects that can lead to additional transnational cooperation in other sectors. Furthermore, as the example illustrates, the bundling of the services permits to lower the implementation and provision costs and helps to decrease the interference into natural landscapes.

**Source:** EVS (2005); Hasselbach (2013); Ville de Sarreguemines (n.d.)

Additional barriers include technical constraints, economic disparities (e.g. between lagging and advanced areas or between wealthy and poor areas), political barriers and cultural challenges (DEAS et al., 2010a).

Cross-border cooperation in SGI provision needs to overcome legal and institutional challenges. Since cross-border SGI delivery has a more complex architecture and is subject to various legal constraints, it may negatively hinder cross-border cooperation.

Cross-border SGI provision can decrease costs and foster cohesion. Such provision can provide revenues to local suppliers and achieve economies of scale and allows for the pooling of resources between two communities. Examples include:

- **economies of scale:** the Franco-German cooperation described in Text Box 29 above is a good example for achieving economies of scale.
- **achieving critical mass:** a joint professional training facility between Norway, Sweden and Finland for students from the North Calotte<sup>17</sup> to gain professional competences, achieving the necessary critical mass in the context of very sparsely populated regions.
- **sharing a common development strategy:** the Öresund region between Sweden and Denmark is working to become a world-leading science region. Cross-border integration of higher education institutions was an important component of this strategy. However, the university cooperation initiated in 1997 was discontinued in August 2012, because of differences between Swedish and Danish national policies with regards to tuition fees. This was said to make it impossible to operate joint courses (Garlick et al., 2006; Pehrsson, 2012).

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<sup>17</sup> A region covering the provinces of Nordland, Troms and Finnmark in Norway, the region of Lapland in Finland and the county of Norrbotten in Sweden.

**Text Box 30: Utbildning Nord – a transnational professional training facility**

**UTBILDNING NORD**  
**A transnational professional training facility**

'Utbildning Nord' is a transnational professional training institution established in Övertorneå on the border between Finland and Sweden, only few kilometres south of the Polar Circle. It is the result of cooperation between Finnish, Norwegian and Swedish authorities that started in the early 1970s, and has in total provided training to around 20,000 job-seekers.

The institution is run as a foundation, with board representatives from national-level labour market authorities of the three countries. Public and private actors from the national, regional and local levels intervene in its governance. Four-year agreements between national authorities provide a general framework for activities. Representatives from the labour markets of the northernmost regions of Finland, Norway and Sweden participate in a 'planning group' that meets four times a year. There are also yearly meetings with representatives from relevant branches of activity, e.g. trade unions, employer's organisations, trade organisations and companies. Finally, representatives from employment agencies in the northernmost regions of Finland, Norway and Sweden are present on-site.

A large proportion of students live on the school premises during the duration of their course. Courses are offered to unemployed persons of the north Calotte between 20 and 60 years old, in three languages (Finnish, Norwegian and Swedish).

Employment agencies in each country grant the right to attend 'Utbildning Nord'; most of its resources stem from tuition fees paid by these agencies.

Utbildning Nord considers itself as a permanent instrument of transnational integration, both by establishing a multilingual and multicultural group of teachers and employees and by allowing its students to get impulses from other countries. It has also participated in extensive exchanges with neighbouring Russia, which have inter alia led to the production of a website describing workplace safety provisions in the different countries of the area in five languages (<http://conect.utbnord.se>).

Running this institution as a transnational foundation is challenging in many respects. However, it makes it possible to reach the critical mass needed to run high quality professional training course within a wide range of specialised fields in northernmost regions characterised by low population densities and long distances.

The Director of 'Utbildning Nord' highlights two factors of key importance to run such an institution: First, a well-established tradition of dialogue and cooperation and second, a stable and strong commitment of national authorities. These aspects need to be taken into account before envisaging to launch similar initiatives in other parts of Europe.

**Source:** ConEct (2015)

EU-level instruments such as the European Groupings of Territorial Cooperation (EGTC) foster cross-border integration by allowing institutions to cooperate across borders, act with one name, have a legal personality, apply for funding and employing staff. EGTCs can also be used to provide cross-border SGI, such as healthcare through a hospital on the Spanish-French border (see Text Box 52, page 115).

E-services can effectively address cross-border SGI administrative barriers. A study published under the umbrella of the European Commission (Capgemini et al., 2013) points out the potential of cross-border provision of online SGI to foster territorial cohesion. Online SGI and e-government services are attractive due to preliminary low administrative barriers and limited requirements in terms of infrastructure investments.

A key challenge in this respect is to allow users of e-services to reliably identify themselves across national borders. A series of initiatives such as the Directive on a Community framework for electronic signature (e-Signature Directive - Directive 1999/93/EC), adopted in 1999 and the proposal for a 'Regulation of the European Parliament and of the Council on electronic identification and trust services for electronic transactions in the internal market' (European Commission, 2012c), which was adopted in June 2012, help promoting such initiatives. As noted in the DG Communications Networks, Content & Technology study on cross-border E-services, these initiatives "*mark a growing trend to regulate more broadly and therefore enforce the implementation of online cross-border services*" (Capgemini et al., 2013).

### **Text Box 31: European examples of good practice in terms of e-signature**

#### **EUROPEAN EXAMPLES OF GOOD PRACTICE IN TERMS OF E-SIGNATURE**

In the EU, electronic signatures are useful, among other things, for helping service providers from one Member State conduct all formalities needed to operate in another Member State through electronic means. This option is ensured by the EU Services Directive (Directive 2006/123/EC), which establishes a 'Single Contact Point' (SCP) in each Member State to deal with these formalities. As a EU-wide network, SCPs must be able to technically sign, issue and mutually recognise documents and certificates among each other in a compatible way (this is also specified by Commission Decision 2009/767/EC and Commission Decision 2011/130/EU).

Technical tools for ensuring interoperable e-signature systems are offered to SCPs for free by the European Commission through its action 'Interoperability Solutions for European Public Administrations'. However, these are not the only tools out there for smoothening cross-border cooperation. Countries such as Estonia have been using e-signature services since well before: Estonia introduced its system, one of the world's most advanced, in 2002 after a parliament decision in 2000 giving electronic signatures the same legal weight as paper ones. Estonians now use their e-signature system for voting, filling tax returns and almost any service that requires signature. The website [e-estonia.com](http://e-estonia.com), an initiative of the Estonian ICT Export Cluster co-funded from the European Regional Development Fund, describes the story of two young parents who officially named and registered their new-borns online, where they also applied for state benefits.

Estonian e-signature services also apply to companies from any Member State willing to open up offices in the country: entrepreneurs can set up their business in Estonia entirely online using their national identity document (ID) cards, which they can also use to view annual reports, personal/commercial data, to monitor data processing, record amendments, inquire about possible tax debts and so forth.

**Source:** European Commission (2015f); [e-estonia.com](http://e-estonia.com) (n.d.)

Improved SGI provision is also promoted through transnational cooperation, e.g. in the framework of macro-regional strategies and European territorial cooperation (ETC) programmes. Macro-regional strategies such as the EU Strategy for the Baltic Sea Region (EUSBSR) can help align priorities on SGI provisions across countries. In terms of SGI provision, the EUSBSR focuses on aligning strategies for transport, energy and health, among others. Notable projects in these areas include:

- Rail Baltica Growth Corridor, a strategy promoting transport policies for developing multimodal logistics and modern railway infrastructure in Eastern Baltic Sea Region.
- Baltic Energy Market Interconnection Plan, aiming to extend the Nordic electricity market model to the three Baltic States by creating new physical connections, removing cross-border restrictions to energy trade, reducing cross-border electricity congestion and establishing a common energy reserve, removing regulated energy tariffs, fully opening the retail market and establishing a common power exchange in the Nordic and Baltic States.
- ImPrim, a network promoting high quality primary healthcare through transfers of good practice, network building and model solutions for incorporating primary healthcare in regional development plans.

ETC programmes can foster cross-border cooperation independently of macro-regional strategies. The INTERREG (former acronym for European Territorial Cooperation – ETC) Baltic Sea Region Programme for instance the MarTech liquefied natural gas (LNG) project. This project aimed at transferring tested and proven LNG knowledge and technology to South Baltic countries that are currently building LNG terminals. The objective is to allow these countries to diversify their energy imports, and to improve the resilience of their energy provision in a geopolitically turbulent situation.

#### **4.4. Effects of the economic crisis on SGI and policy measures**

##### **KEY FINDINGS**

- The crisis caused budget cuts throughout Europe, resulting in widespread measures like pay freezes, staff reductions, reorganisation and efficiency cuts in public expenditure that affect SGI provision especially at local level.
- Member States adopted different approaches to cope with the crisis, from stimulus packages in the North to targeted reductions in public spending and to public service reforms.
- Most cuts were made in welfare, healthcare and the pension system
- Some commentators argue that spending cuts have been made without paying adequate attention to long-term societal challenges such as climate and demographic change.
- The crisis fostered the rise in trends for delegating SGI provision to private and social actors and for forming public-private partnerships for efficiency reasons, amid some fears that this will affect quality, transparency and long-term effects of public finance.
- Following the crisis, social actors are on the rise as SGI providers due to their resilience and long-term oriented features.

The recent economic crisis has had an extensive impact on the provision of SGI in the EU. The most relevant ones for this study, which are assessed here are the effects due to:

- a) The reduction in national and regional budgets
- b) The emergence of new organisational forms for SGI
- c) The new and increased needs resulting from the crisis

These aspects allow us to describe the adaptive capacity of SGI following the consequences of the still-present crisis.

#### **4.4.1. The reduction in national and regional budgets**

The value-added and investments in SGI is increasing despite the crisis. As mentioned in section 4.3.1, according to (Cambridge econometrics, 2013) SGI<sup>18</sup> accounted for 26.6% of total value added, 29.5% of employment and 22% of investment in total EU27 economy in 2010. Their value added, employment and investment in SGI all increased between 2006 and 2010<sup>19</sup> (Cambridge econometrics, 2013). This indicates that SGI could have a counter-cyclical nature that could stabilise the economy in tough times since they are less sensitive to economic downturns and hold up better than other sectors. Despite the indication, this is no definitive evidence as to the possible counter-cyclical effect of SGI.

The crisis formed a core-periphery pattern in impact: the EU's core was lightly affected while the periphery much heavier. This is found by a 2014 European Parliament-commissioned study (Milio et al., 2014): a core formed by Germany, most of Poland and partly neighbouring regions (most of Slovakia and Czech Republic) was lightly affected, whereas heavy crisis effects were felt in peripheral areas like most regions of Ireland and Spain, parts of Italy, Greece, Cyprus and the Baltic States. **Sectors** were also differently hit: manufacturing and construction were the worst hit, while non-market services the least.

EU intra-national differences shrunk, while variation in unemployment and urban/rural inequalities increased. At regional level, the study (Milio et al., 2014) identifies Member States<sup>20</sup> where regional inequalities did not increase, whereas others (notably UK and France) where such differences in GDP/capita increased.

**Nordic Member States**<sup>21</sup> responded to the crisis by an initial stimulus package to sustain growth and job creations, followed by budget cuts and wage restraints (Hansen and Mailand, 2013). In Denmark, municipalities responded to budget cuts by reducing the number of school units, reorganising central management, digitalising the public benefits system, outsourcing services and experimenting new and cost-efficient ways of working.

In **the UK**, budget cuts reduced government funding for local authorities by 28% since 2010 and will reach 37% by 2015, that is a 25% fall in spending power (Morse, 2014). The most deprived communities are hardest hit – Hastings et al. (2012) demonstrate that these authorities systematically lost the most spending power. Such cuts cannot be fully absorbed by efficiency measures. Thus, savings in service provision were necessary, with staffing costs falling more sharply than running costs. Statutory services like social care and waste disposal were more protected, and cuts focused on areas like planning, development and

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<sup>18</sup> In this study, SGI are understood as all public services, including non-economic SGI such as public administration and compulsory social protection.

<sup>19</sup> In nominal terms, therefore not adjusted for inflation.

<sup>20</sup> Poland, Czech Republic, Slovakia, Italy, Denmark, Spain, Latvia, Hungary, Sweden and Slovenia.

<sup>21</sup> Denmark, Finland and Sweden.

housing. Services were also reorganised, e.g. through joint service provision in 'hubs' involving multiple local communities and so-called 'Big Society solutions to budget concentration'. This latter group of solutions imply that citizens and voluntary groups are encouraged to deliver services that were traditionally delivered by the local authority.

Local responses to the crisis in some respects varied significantly between local authorities: some chose to further target efforts to groups and territories with the greatest needs, while others chose distribute cuts across all services. Hastings et al. (2012) conclude that *'an across the board retrenchment of local government service provision will always have a more severe impact on disadvantaged people'*.

**Text Box 32: How budget cuts disproportionately affect the poor: example from the UK**

**HOW BUDGET CUTS DISPROPORTIONATELY AFFECT THE POOR:  
EXAMPLE FROM THE UK**

In the UK, a study (Hastings et al., 2012) found that when local budgets were reduced in the UK in 2010, the most deprived communities suffered the most. Through analysing the budgets of local authorities and through interviews with 25 senior executives in English local authorities, the study finds that larger cuts in both proportionate and absolute terms were made by more deprived communities in comparison with more affluent ones.

Cuts were made 'across the spectrum of pro-rich to pro-poor in terms of usage and benefit. While pro-rich services are clearly taking large cuts, it must be remembered that affluent households have the capacity to supplement their consumption of local authority service provision in ways that more disadvantaged groups do not'. (Hastings et al., 2012) The study points that only half of the authorities studied guided their budgetary decision-making to prioritise the needs of the most vulnerable community members. Of these, an overwhelming majority were deprived communities.

**Source:** Hastings et al. (2012)

In **Ireland**, Robbins and Lapsley (2014) show that the public service reform plan was more focused on increasing efficiency rather than on ensuring equity, even though it emphasised democratic accountability. The reform aimed at cutting back costs through reducing both the number of agencies and staff numbers, in line with the country's bailout programme requirements.

A comparative analysis of **12 EU Member States**<sup>22</sup>, Iceland and Norway (Kickert et al., 2015) show that across-the board cuts often occurred as a first step in reaction to the financial crisis of 2009. In some countries that experience shorter and less severe difficulties to align revenues and expenditures, such measures would suffice. In other countries, political priority-setting was needed. This led to targeted cuts with resolute reductions of spending in selected fields, some of which could modify the structure, quality and organisation of SGI. In most countries, public cutbacks were made at public administration level, mostly through hiring and pay freeze, but also through staff reductions, reorganisation and efficiency cuts. Concerning SGI, most cuts were made in health,

<sup>22</sup> Belgium, Estonia, France, Germany, Hungary, Iceland, Ireland, Italy, Lithuania, Norway, the Netherlands, Slovenia, Spain and the UK.



education and welfare. The study confirms an earlier Organisation for Economic Co-Operation and Development (OECD) study (OECD, 2012) on this trend and on the fact that the size of fiscal consolidation was primarily related to the country's budget deficit and debt. Countries that received bailouts (Ireland, Spain, Italy) plus Estonia and Lithuania made immediate cuts at the onset of the crisis, while other countries managed cuts gradually.

In a comparative analysis of **Greece, Italy, Portugal** and **Spain**, Di Mascio and Natalini (2015) find that all four countries carried out across-the-board cuts in a decremented way - an initial top-down approach to determine the size of the cut followed by decisions by individual ministers and agency heads on where to cut from. This method fitted well with the countries' governance structure often determined by patronage and clientelism. The crisis, however, did not disrupt the existing public management structures, meaning that they were not significantly modernised. *'Governments failed to connect cutback management to ambitious administrative modernisation programmes'* (Di Mascio and Natalini, 2015).

### **Text Box 33: Effects of education cuts in Southern Europe**

#### **EFFECTS OF EDUCATION CUTS IN SOUTHERN EUROPE**

A report commissioned by Education International (Symeonidis, 2015) points out that because of austerity measures, the status of teachers in many European countries declined dramatically, with a tendency to de-professionalise teachers and undermine their organisations. As the salaries and working conditions of many European teachers decreased, job satisfaction also decreased. It notes that in Greece, while teachers' salaries were significantly reduced, secondary education expanded in both teachers and students. In places such as Cyprus, Greece, Spain and Ireland, the public discourse often blamed teachers and public servants as partly responsible for the crisis.

Another report from the same institution (Education International, 2010) based on a 2009 survey highlights that the crisis induced cuts in education budgets in half of European countries, mostly because of a reduced overall government expenditure. In Romania, teachers' salaries dropped by 25%, while in Latvia by up to 30%, with 6,000 teachers out of a total of 35,000 being laid off. Apart from budget cuts, the education sector is also affected by the cancellation of planned investments, and a slow retreat of the public sector from education.

A good example of this is Italy, where the public higher education system with around 55,000 full-time researchers and professors in 90 universities in 2012 (8,000 fewer than in 2008), is seen by some as oversized (Arienzo, 2012). While trying to reduce the country's public debt, concerns emerge that the state is slowly retreating from the higher education and research sector. Critics argue that the State is trying to reduce the number of universities and to allow private actors to offer parallel services. On 14 December 2010, the Italian government passed a law to reform university governance and turn it into a sort of managerial administration, reducing the role of the university's elected bureau and senates. In addition, public financing was reduced, student fees increased and a new model of student loans introduced. Critics believe this paves the way for private actors to penetrate the higher education market, creating a dual system with many low-profile and few excellent universities (Arienzo, 2012).

**Source:** Symeonidis (2015); Education International (2010); Arienzo (2012)



In **Greece**, where employment rates dropped from 49.4% in 2008 to 40.1% in 2012, big public sector cuts were made in the pensions system, unemployment and housing benefits, among others. Public servant wages were reduced by 8% in 2010, a reduction cumulative with other austerity measures imposed on their benefits, according to a European Parliament commissioned study (Karantinos, 2013). In healthcare, Simou and Koutsogeorgou (2014) find that public expenditure decreased by 19.5% annually between 2009 and 2011. Cutbacks were made through cutting salaries, reducing the workforce, pension cuts, cuts in medical supplies procurement and merging of healthcare units and increasing the efficiency of hospitals.

**Looking beyond the crisis, there is a weak link between macro challenges and reforms.** Some commentators like Pollitt (2014) find that there is a weak connection between public sector reforms and the challenges posed by megatrends such as demographic and climate change, technological innovation and public trust. Most governments are not preparing for major future challenges, focusing instead on short-term issues of fiscal restraint, *'making cuts and savings - often opportunistically'* (Pollitt, 2014). The gap between the long-term vision urged by these megatrends and the governmental response is largely due to the political system, overwhelmed by increased electoral volatility, the emergence of new parties, more media and the personalisation of politics.

Some argue that consultancies emphasise economic and financial concerns far more than social and political ones, going so far as arguing that most public services can be supplied by the private sector, *"with no loss of public values and no damage to the public interest"* (Pollitt (2014)). However, the social and political implications of such a change are very often ignored. Pollitt (2014) concludes that politicians are not given concrete routes to steer policy towards a vision while balancing social, political and economic concerns. In the next section we explore how some public actors reach such compromises by adopting new delivery forms for SGI.

#### 4.4.2. New organisational forms adopted by SGI

Until the 1970s public services in Europe were almost exclusively delivered by the state. SGI provision has since changed - we now have **publicly-provided** services increasingly under the *'New Public Management'* umbrella<sup>23</sup>, and services outsourced to the **private sector** or to the **third sector**. Section 3.3 provided a detailed overview of such governance arrangements. And while the previous section explored the change in publicly provided services, this section focuses on the three most common practices in SGI outsourcing: direct private sector outsourcing, PPP and outsourcing to social actors, notably social enterprises.

##### 4.4.2.1 Private sector outsourcing

After the recent financial crisis and its budgetary implications for SGI provision, academics and think tanks started paying more attention to the role of the state in SGI provision. This is also important in a supra-national governance system like the EU, where the borders between community and national/regional legislation slowly fade away. A predominant view is that EU Member State are slowly losing their SGI provision competences. Clifton (2014) introduces the phrase *'straitjacketing the state'* to refer to the diminishing role of states in

<sup>23</sup> A bundle of reform concepts and practices like performance measurements, the use of contracts to coordinate and the introduction of private sector strategies like competitive tendering and performance related pay (Osborne and Gaebler, 1993)

providing public services because of the competence creep of the EU in regulating SGI provision. Her argument is that their ability to deliver public services is placed under EU scrutiny. The Council of European Municipalities and Regions argues that the EU affects 60% of items on local authorities' agendas (Council of European Municipalities and Regions, 2015). The UK Local Government Association states that more than half of local government activity derives from EU legislation (Local Government Association, 2013).

With a lower budget and the same duties, it might be problematic for local governments to fulfil their SGI duties. Especially because *"the mere threat of possible discipline from the Commission casts a long shadow over governments' tasks in delivering public services in the future"* (Clifton, 2014). In addition, due to cost-efficiency requirements from the European Court of Justice's 'Altmark' judgement, *"the design of the tenders [for SGI provision] focused on cost and did little to guarantee service quality, adequate investment, social cohesion and low fares for users"* (Bennett, 2006). Under these conditions, outsourcing SGI provision sometimes can become a necessity, both from a budget and a legal perspective.

Pollitt (2014) is sceptical about contracting in times of austerity, and mentions four reasons for this, backed by several sources each. According to his research, contracting can be troublesome because

- 1) It can create a straitjacketing effect, making it difficult for governments to **act independently**. This is related to (Clifton, 2014) discourse presented above. One study (Newman, 2013) finds that in the UK even the act of commissioning services is being outsourced.
- 2) It makes it difficult for governments to **achieve horizontal integration** between their policies.
- 3) It increases risks of **corruption and clientelism**.
- 4) It can increase the **public distrust** in government, since implementation lies within responsibility of administration whereas private market forces and private engagement must be brought together in SGI provision (Fassmann and Humer, 2013).

#### Text Box 34: Public entrepreneurship in SGI in Cologne

##### PUBLIC ENTREPRENEURSHIP IN SGI IN COLOGNE

The municipal utility company SWK group of the city of Cologne highlights that SGI provision in line with public interests, in particular aiming at local and regional welfare, and market orientation can be combined. It is a provider for SGI that aims at economic, ecological and social sustainability. The group as well as its subsidiaries are private law companies owned by the public. The group is committed towards the provision of energy, drinking water, public transport, street cleaning and waste management.

The SWK group is considered as entrepreneurial division of the city of Cologne that provides the mentioned infrastructure services. The example shows that an orientation towards providing SGI in public ownership can decrease transaction costs, increase service quality, safety and innovativeness. The diversity of SGI provided by the SWK group uncouples the public services from negative market forces by cross-financing SGI if necessary.

Source: Greiling (2013)

A study conducted by the OECD (2013) illustrates that contracting of public services bears critical issues to be addressed in regards to influencing public decision-making. Since distrust in government is correlated positively with the perception of corruption, it shall be reflected profoundly what services are more resilient to public distrust. *“Transparency, integrity and fairness in the decision-making process are crucial to safeguard the public interest”* (OECD, 2013). Indeed, an IMF working paper suggests that the intensive lobbying activities of the financial, insurance and real estate industries have had at least in the US a direct impact on venture capital lending (Igan et al., 2009). The paper concludes that *“the prevention of future crisis might require weakening political influence of the financial industry”*.

#### 4.4.2.2 PPP

**PPP** increased in importance in SGI provision with EU-level political and regulatory support since the 2008-2009 crisis,

- within Cohesion Policy, a notable example during the 2007-2013 programming period was the financial engineering initiatives JESSICA for urban development and energy efficiency/renewable energy. JESSICA projects include the creation of PPP waste management facilities and social housing provision in London, or PPP for urban revitalisation around Gdansk in Poland. PPP and financial instruments will play a larger role in the 2014-2020 framework, as testified by the larger role envisaged by financial instruments and PPP (European Commission, 2014c, 2014d)
- outside of Cohesion Policy, the European Investment Bank has been a major promoter of partnerships between national/regional authorities and private investors in supporting major infrastructure projects. A notable example is the project bond initiative developed with the European Commission (EPEC, 2012b).

PPP increase in popularity as solutions to efficiency or budget constraints, especially following the crisis. There is a discrepancy between predominantly negative or mixed assessments of PPP in the academic literature, and the extent to which they are embraced by EU Member States, as well as regional and local authorities. The rationale behind this choice varies. A Eurofound (2015) report shows that while Member States with well-established welfare systems (Sweden and the UK in their study) consider PPP as an instrument to improve efficiency and quality, Member States with less extensive welfare systems (Spain and Lithuania) refer to budgetary constraints to justify the use of PPP.

The recent increased use of PPP in SGI delivery leads Bozeman (2007) to point to a potential loss of public values<sup>24</sup>. Reynaers and De Graaf (2014) find an academic divide in thinking but too few empirical studies to prove the balance between public values and PPP in public service delivery: some argue public values are threatened while others think they are safeguarded or reinforced. **Efficiency and effectiveness** can be better through PPP (Osborne and Gaebler, 1993) since some private entities can have more **accountability** than public ones (Flinders, 2010). Some say they are less accountable since the state loses control over SGI (Wettenhall, 2003). **Democracy** (e.g. citizens participation) can be threatened under PPP or it can be enhanced since citizens as customers can have more leverage over the services they receive than as voters (Christensen and Lagreid, 2009).

<sup>24</sup> “those [values] providing normative consensus about (a) the rights, benefits, and prerogatives to which citizens should (and should not) be entitled; (b) the obligations of citizens to society, the state, and one another; and (c) the principles of which governments and policies should be based” (Bozeman, 2007).

**Transparency and quality** can also be threatened under PPP since the risk for corruption and nepotism increases according to some commentators (Pollitt, 2014). However the vast majority of private entities are required by law to a certain degree of transparency and quality, which is not always the case for public entities.

#### **4.4.2.3 Social enterprises**

**Civil society and NGOs** are also increasingly important actors in SGI provision, especially as a result of the crisis. The predominant actors in this field for SGI provision are social enterprises, as argued by Guerini and Roelants (2013) and as described in section 3.3.3. Guerini and Roelants (2013) link the SGI-proneness of social enterprises with the way they satisfy the criteria of quality, affordability, accessibility (formulated by the authors as 'geographical coverage'), availability (formulated as 'inclusion and participation of all stakeholders involved'), and longevity. They go on explaining why these social actors can address the SGI needs left by the crisis. Social cooperatives are run democratically, with every member having a right to vote, therefore **participation and inclusion** are ensured. This also improves **quality**, since service users participate in decision-making. Their services are **affordable** due to this democratic control and to the fact that capital is not remunerated. **Geographic extension** is proportionate to their inclusiveness in local communities, where cooperatives aim for long-term sustainable growth, ensuring their **longevity**.

Another advantage is that social cooperatives are resilient and long-term oriented. The international organisation of worker, social and producers' cooperatives active in industry and services, states (CICOPA, 2015) that there are over 2,800 European cooperatives among their members, dedicated to employing disadvantaged people. Together they employ over 28,000 disadvantaged workers. In Europe, of the over 53,000 cooperatives analysed, 15% operate in the manufacturing sector, with 12% in retail and 10% in human health and social work. The report outlines the resilience and continuous growth of social cooperatives in times of crisis, with Italian cooperatives increasing their output by 32.4% between 2008 and 2013, French cooperatives growing in numbers in 2013 and 2014 and over 4,000 cooperatives founded in Spain between 2010 and 2014. Looking ahead, European social cooperatives want a more favourable business environment, a more fair competition in public procurement. The Danish cooperative *Kooperationen* for example states that "*it is difficult to win tenders if you are a cooperative with decent wages and working conditions*" (CICOPA, 2015). Technical assistance may also help cooperatives to produce better tenders.

Such civil society involvement in SGI provision, and the rise of social enterprises, stems from the profound societal, demographic and economic changes occurring throughout the EU – from modifications in family patterns, to population ageing and to migration. Arguments pro and against this trend are similar to those for PPP. McQuaid (2000) for instance thinks that involving local community actors in SGI provision increases democratic participation. However, transparency and quality might be questioned in some cases, as well as the potential for clientelism. In the next section we evaluate the new and emerging needs in SGI as a consequence of these macro patterns and of the crisis.

#### **4.4.3. New and emerging needs resulting from the crisis**

The crisis lead to new needs in SGI provision, but it also showed the vulnerability of SGI such as social and health care. It provided a signal for governments to become more prepared for current and emerging needs like demographic and climate change or technological innovation. As Pollitt (2014) finds it (see above), the vast majority of public

sector reforms triggered by the crisis have a short-term focus and do not address these megatrends. As this disproportionately affects the disadvantaged, particular attention should be given to provide better SGI to the vulnerable, of which refugees will play a major role in the near future.

Three broad explanations why vulnerable people don't reach public services are described by Bynner (2012) as:

- **service rationing**, when services are allocated in order to limit the demand levels and by managing competing claims for particular services;
- **practical barriers** like affordability, availability of transport and awareness; and finally
- **cultural acceptability** and political consciousness.

In addition, she notes that a high prevalence of services leads to people becoming more isolated and more dependent on such services. With austerity and the scaling back of services, poor people are especially hit because of their dependence on such services.

The most affected public services are welfare, healthcare and the pension system (OECD, 2012). Concerning **welfare**, besides the cuts described above, a study (Eurofound, 2015b) finds that, in 16 EU Member States, *'there is at least one type of benefit for which one third of people who are entitled to it do not receive it'*. The authors explain this non-take-up as due to lack of awareness, costliness or complexity of access and social barriers, in a very similar fashion as Bynner (2012).

Pollitt (2014) identifies evidence of governments reacting to at least one megatrend, namely demographic change through the constriction of **pension rights**. This was done through raising retirement age, moderating pension indexation and adding automatic pension adjustment mechanism to make the system sustainable. The OECD (2012) notes that the crisis was a major accelerator for pension reform.

A report on **access to healthcare** in times of crisis (Eurofound, 2014) finds that the crisis created new groups of people that were not considered vulnerable previously and that have been particularly hit through reduced income, job loss, staff shortages, discrimination and especially the loss of some social services for which they do not qualify anymore. The new needs created in the healthcare system by these persons were dealt with through measures like economising, using other public resources, leniency in enforcing co-payments, reducing hospital stays, re-organising work and workers and prioritising the most urgent needs and services. In Spain, a study (Carmona López et al., 2015) finds that budget cuts in healthcare services in 2012 denied the right to regular healthcare to several groups, especially immigrants outside the social security system. This came after public health expenditure decreased from 9.6% of GDP in 2009 to 9.3% in 2011, in a country that had one of the best access to healthcare in the EU for undocumented migrants (International Organisation for Migration, 2009).

**Text Box 35: Access to healthcare in Southern Europe after austerity measures****ACCESS TO HEALTHCARE IN SOUTHERN EUROPE AFTER AUSTERITY MEASURES**

Petmesidou, Pavolini and Guillén (2014) studied cross-country healthcare systems under austerity in Italy, Spain, Portugal and Greece. They find the systems in Spain and Italy as more integrated and more decentralised in managing funding and delivery than those of Greece and Portugal, allowing the former two to keep private expenditure low. In addition, while Spain and Greece rapidly increased their public spending on health between 2000 and 2008, this trend was moderate in Italy and Portugal. The crisis triggered austerity measures in these countries that shift healthcare costs away from the state. These, as the researchers show, have some consequences:

**Italy:** Cuts create further barriers to access and worsen the quality of healthcare services (Petmesidou and Guillén, 2015). Although the cuts were relatively modest, some health indicators worsened, such as unmet need for a medical examination, increasing by 2.5 percentage points for the bottom quintile of earners between 2006 and 2012, and by 5.5 percentage points for those aged over 75 in this group.

**Spain:** although significant cuts were made, data suggests they only had a moderate impact on healthcare access for residents. However, austerity increased differences between regional healthcare systems. In 2012, the Royal decree 16/2012 limits the right to social security coverage to several groups, mainly immigrants: free access for immigrants is only limited to pregnancy and emergency care, except the under-age irregular immigrants. This change came together with other changes like the reduction in hospital beds and medical staff, as well as an overall reduction in the assignment of family doctors (Carmona López et al., 2015).

**Greece:** cuts between 2009 and 2012 reduced public healthcare spending by at least a third, mostly through efficiency gains, but also through higher costs. This affected service provision and healthcare. Two million people became uninsured. In terms of public health, one can notice rising infant mortality, mental disorders, cardiovascular diseases, HIV incidences and suicide rates.

**Portugal:** between 2011 and 2013, total public health expenditures fell by a third, leading to an increase in out-of-pocket expenditure (5% increase between 2009 and 2012). Here, fees for visiting primary care centres or for using emergency services doubled in 2012. The most severe changes were brought by the three-year Economic and Financial Adjustment Programme negotiated with the Troika in mid-2011, according to a World Health Organisation-commissioned study (Sakellarides et al., 2014). The study points out that the programme did not include an early health impact assessment of the crisis and its associated austerity measures. The study finds a negative impact of the crisis on mental health and healthcare-seeking behaviours especially among the vulnerable.

**Source:** Carmona López et al. (2015); Sakellarides et al. (2014); Petmesidou and Guillén (2015); Petmesidou et al. (2014)



**Text Box 36: Access to healthcare services for asylum seekers****ACCESS TO HEALTHCARE FOR ASYLUM SEEKERS**

The Dublin Regulation of July 2013 determines which Member State is responsible for an asylum claim, depending on the refugee's entry point in the EU, as well as family links. They are a particular group within the broader 'undocumented migrants' group, which comprises all third-country nationals not entitled to stay, reside or work in a Member State. The universal right to health as a basic human right regardless of administrative status is ratified in the International Covenant on Economic, Social and Cultural Rights and the EU Charter of Fundamental Rights.

For asylum seekers, legal recognition is shown to be the most important factor determining access to healthcare, but legal entitlement does not guarantee access. In addition, insurance-based health systems are more problematic for refugees than tax-funded systems (Bradby et al., 2015). Case studies in the same report point to lack of services such as antenatal care due to language barriers, transport difficulties, lack of social network or being too exhausted and stressed. In fact, the longer the asylum procedure, the greater the psychiatric disorders, particularly when involving detention or the threat of deportation.

For undocumented migrants, the study of De Vito, de Waure, Specchia, Ricciardi (2015) on access to health also finds that informal barriers to service include language, cultural differences, lack of social networks or lack of knowledge on the healthcare system. Formal barriers include large administrative burden, lack of knowledge on undocumented migrants' entitlement to care, or the lack of legal protection: while in some countries healthcare providers must report undocumented migrants to immigration authorities, this is forbidden in others. Studies point to different patterns, including the higher prevalence of viral diseases in undocumented migrants compared to native-born residents, their increased exposure to mental health risk factors and psychiatric disorders, and their increased vulnerability to chronic and acute illnesses. In most countries, undocumented migrants only have access to emergency care and/or sometimes to care for specific conditions like infectious diseases, pregnancy or child health.

**Source:** Bradby et al. (2015); De Vito et al. (2015)

#### **4.5. Conclusion: diversity of models and situations**

The European model of social market economy is « defined in the making », with two main options:

- The currently prevailing approach is to let market forces operate freely, and design public interventions to compensate for the fact that the needs of some social groups, territories or other categories of European citizens are not met.
- The alternative is to regulate the market, e.g. through incentives, so that the services produced satisfy political expectations with regards to public service obligations and universal service obligations. This option is preferred within sectors such as telecommunications, energy and transport.

It is challenging to formulate general European principles on how ESIF should promote SGI considering the diversity of situations across Europe. Geographically specific areas such as mountains, islands and sparsely populated areas in particular illustrate the need for tailor-made solutions. However, there are specific opportunities at the cross-border and transnational levels for which the added-value of European interventions to encourage cooperation and transfers of good practice is easily identifiable.

The economic crisis has challenged established welfare models in Europe's worst hit countries. This raises the question of how ESIF interventions could best be designed to preserve the social, economic and territorial cohesion in these countries. It should also be noted that the crisis has led to the emergence of new forms of SGI delivery, e.g. social actors and voluntary actors. One may consider different ways in which these emerging trends could be taken into account in the design and implementation of ESIF measures.



## 5. SGI AS LEVERS OF TERRITORIAL COHESION AND REGIONAL DEVELOPMENT

This section considers how SGI contribute to regional development and the different ways in which policies from the local to the European level use SGI as a development lever. The focus is on ESIF. The analysis consists of two main parts:

- 1) **First**, the extent to which different SGI contribute to regional development is assessed.
- 2) **Second**, we examine the role of ESIF in providing and leveraging SGI infrastructure and provision.

Findings from these two analyses, combined with results from previous sections, eventually feed into the development of recommendations for the preparation of the post 2014-2020 funding period. The objective is to enhance Cohesion Policy's contribution and improve SGI provision in Europe.

### **To what extent do different SGI contribute to regional development?**

In this section, we look into the relation between SGI and regional development from different perspectives:

- Review of the importance of different SGI dimensions (availability, accessibility, affordability, and quality) in order to contribute to regional development.
- Review of the respective contributions of different SGI to regional development. We considered that additional or improved SGI' contribution to enhance regional development may depend on (a) the level of regional development, (b) the scope and quality of pre-existing SGI, (c) the needs and perceptions of regional actors and (d) geographical, social, and cultural situations.
- Analysis of the importance of stakeholder involvement (ownership) for obtaining regional development effects.
- Review of the development and role of SGI during the economic crisis and, when it considered to be overcome, afterwards. We especially seek to establish whether (a) new/innovative services were developed, (b) bottlenecks occurred or widened and (c) changes in the quality provided SGI provision affected regional development.

These sub-questions are primarily analysed by reviewing corresponding literature and documents. In as far as desk research did not yield sufficient results on the different perspectives of the relation between SGI and regional development results, they were complemented by case studies.

### **Which role do ESIF play in providing and leveraging SGI infrastructure and operation?**

In the 2014-2020 programming period, ESIF can play a role in financing SGI-related provisions, or helping public authorities team up with private or third sector actors in risk-sharing agreements through ESI-funded financial instruments. ESIF contribution to SGI provision is also analysed through examples from the 2007-2013 period, considering different perspectives in the ESIF – SGI interplay:

- Review of the regulatory framework to point out what changed in the 2014-2020 period and how SGI are considered. This refers in particular to which SGI are covered, the approach to innovative services and regions with specific geographical characteristics or lagging regions, the rules are regarding the quality of ESI-funded SGI, and which co-funding and financing rules (grants, financial instruments) apply.
- Review of the design for implementing the regulatory framework. Member States and regions developed their PAs and OPs based on ESIF regulations. We assess how they apply the regulatory definitions of the scope of relevant TOs. We also explore whether ESIF contributes to SGI provision in fundamentally different ways in some countries or regions.
- Review of the role of ESIF ex-ante conditionalities linked to minimum provision levels of SGI. Regulatory provisions are compared with their 'translation' or 'meaning' in the OPs. We ask how ex-ante conditionalities are understood in OPs and whether there are structural differences between OPs or countries.
- Review of the added value of providing SGI using ESIF support. Two aspects are considered: first, are ESI-funded SGI different from other SGI in that, for instance, they focus more on regional harmonisation, help avoid service disruptions during crisis periods, promote higher service quality standards or help speed up SGI implementation? Second, we focus on the contribution of SGI to territorial cohesion, identifying at which level SGI may have an effect on territorial cohesion and whether this impact can be expected to be positive or negative.

### **Development of recommendations**

The overall recommendations of the study focus on lessons to prepare the post 2014-2020 funding period and to possibly enhance the role of SGI in Cohesion Policy. Thus, recommendation development draws on the combination of results from all tasks, including case study analyses.

## **5.1. Introduction**

A brief review of the main terms used is required before considering SGI as levers of territorial cohesion and regional development in the context of EU cohesion policy. This review provides a conceptual framework for the analysis. Specifying terms such as territorial cohesion and regional development is particularly important.

The term 'territorial cohesion' is not unambiguously and finally defined. It is a concept described in different policy documents such as the TFEU, the Green Paper on Territorial Cohesion (European Commission, 2008b), the 5<sup>th</sup> Cohesion Report (European Commission, 2010b) and the Territorial Agenda 2020 (TA 2020, 2011). Based on these documents, six main storylines of territorial cohesion can be drawn up. Each of them focuses on different aspects of European territorial development (Böhme and Gløersen, 2011, p. 1).

- inclusive, balanced development and fair access to services;
- better use of the territorial diversity and development of endogenous potentials;
- smart growth in a competitive and polycentric Europe;
- support of regions with geographical specificities;
- environmental dimension with sustainable development;

- developing and applying new participative forms of governance for the coordination of policies and territorial impacts.

The two first storylines reflect the most widely accepted understandings of territorial cohesion (Böhme and Zillmer, 2015).

The term regional development is not clearly and unambiguously defined either. It is used with different thematic perspectives and may be applied at different territorial levels. Often it refers to measures taken to support economic development in a specific region. More generally, it is linked to a reduction of disparities, a convergence of living conditions and to higher degrees of sustainability (Haas and Neumair, 2015).

One justification for regional development measures is that they may counterbalance processes that lead to increased regional disparities, or that slow down economic and social convergence. This reasoning is in particular invoked to justify European cohesion policies. The capacity of European territories to implement efficient growth-oriented policies presupposes enhanced regional competitiveness (Alden, 2012, pp. 21–22), which in turn requires SGI of sufficient quality. As the European Commission (2011a) highlights in its Communication on the Quality Framework for Services of General Interest, the provision of highly available, easily accessible, affordable and high quality SGI is fundamental for the growth and jobs agenda.

## 5.2. SGI and regional development

### KEY FINDINGS

- Contributions of SGI to regional development are **not straightforward**. Nevertheless, a principal rationale is applied for decisions on SGI provision: Through changes of the **economic and/or social framework** SGI shall trickle down to increasing **welfare**.
- As regards the SGI **different dimensions** of their provision have to be distinguished – i.e. SGI availability, accessibility, affordability and quality.
- **Different types of SGI** fulfil different functions and thus have different effects and impacts on regional development.
- The level of **regional development** and different needs and perceptions in relation to different **geographical, social and cultural situations** also affect the provision of SGI, related decisions and their effects on regional development.
- Policy documents make the role of SGI to regional development to different extents explicit. They may be linked to both **growth targets** and **cohesion objectives**.

### 5.2.1. Approaches of SGI contributions to regional development

The contribution of SGI to regional development can be approached from different perspectives. First, SGI-related infrastructure investments (e.g. roads, railways, hospital buildings etc.) generate a significant number of employment opportunities and an inflow of money in regional and local economies, as detailed in section 4.3.

Second, SGI provision constitutes an essential framework for all economic activities. For example, SGI help to provide skills to employees, educate consumers, provide means of transportation, energy and health services. The extent to which these frameworks

contribute to development in individual places or regions depends on the four parameters of availability, accessibility, affordability, and further described in Text Box 37 below.

Third, SGI encompass different sectors. The provision of health services, social housing, transport services, energy, water and broadband represent only a few SGI fields. We focus on them to illustrate how SGI can contribute to regional development since, as argued before, these are among the most visible and prominent SGI for the general public. Their different functions and roles in regional development are illustrated through case studies in Text Box 38 to Text Box 44 below.

Transport infrastructure is generally considered as essential to regional development. But its concrete impact on regional development depends on, among other things, the specific demand and supply for such services. It may even hinder regional development objectives, if, for instance, main transport routes bypass certain regions and redirecting transport flows.

Energy infrastructure, similarly to transport, is central to any economic activity. Regional development is affected more directly by how energy is provided rather than its overall availability, which is generally fulfilled in EU regions. This does not only refer to energy sources but also to other dimensions like the type of grids used, the demand for different types of enterprises or the pricing policy.

Other network infrastructures for SGI provision are usually less ambiguous as shown, for instance, with broadband access. It is not a necessity for every economic activity, but if available, it can contribute to regional development by affecting labour productivity irrespective of firm location. For water supply, scarcity is more urgent for impacting regional development than its overall availability, although privatisation touched upon the quality and pricing of water in the past.

**Text Box 37: The four essential parameters for SGI contributions to local and regional development**

**THE FOUR ESSENTIAL PARAMETERS FOR SGI CONTRIBUTIONS TO LOCAL AND REGIONAL DEVELOPMENT**

**Availability** assesses whether a service exists in adequate supply at the location of potential users of the service (people, businesses/firms, local communities/regions). While for some SGI the location of service provision is crucial other SGI are less location dependent. The latter may be provided through networks and thus be made available over larger distances. In these cases availability depends on other measures than location only.

**Accessibility** describes how easy and convenient it is for potential users to actually use the service. Accessibility is subject to spatial, temporal, monetary, cultural or any other type of barrier. In other words, even if an SGI is principally available, due to barriers it may not be accessible for some potential users. Thus, only if no barriers exist that may not be overcome, a SGI may be considered accessible.

**Affordability** focuses explicitly on the monetary dimension of accessibility. On the demand side affordability may refer to expenses a potential user has to cover, the availability of compensations and expenses covered by third parties. On the supply side affordability deals with the adequacy of funding of the SGI provision by public authorities. Demand and supply of SGI are interrelated and is not easily defined, since price benchmarks may be assessed differently by different people and groups. Thus, affordability depends on the context and is subject to normative assessment.

**Quality** assurance systems for SGI are all the more important as payment is often disconnected from consumption. Users of SGI may in many cases not select away a provider of services of poor quality, e.g. in the field of transport, health or education. Thus, high-quality service provision is considered as one central element of SGI provision in the EU. While it is not conclusively defined what high-quality SGI implies for all different SGI, at least for social SGI some quality principles have been developed. Besides some overarching principles including the previous dimensions, they cover also quality principles for the relationships between service providers and users, between service providers, public authorities, social partners and other stakeholders as well as for human and physical capital.

**Source:** Bjørnsen et al. (2013); European Commission (2011a, 2004); Social Protection Committee (2010)

**Text Box 38: Ambiguous effects of transport infrastructure on regional development**

**AMBIGUOUS EFFECTS OF TRANSPORT INFRASTRUCTURE  
ON REGIONAL DEVELOPMENT**

Increased accessibility constitutes a central aspect in regional development activities. Current regional development policies therefore target the establishment of reliable transport networks for business and individuals (Rauhut et al., 2013b, p. 215). However, the perspective of policy-makers needs to be complemented by the aspects of accessibility investment conditionalities and variations in transport demand.

As Rietveld and Bruinsma (2012, p. 1) highlight, transport investments cannot a priori be presumed to lead to regional development in spite of the fact that accessibility is generally well correlated with high economic performance,. There are often historical reasons to the high accessibility of wealthy regions, as they have been able to afford large-scaled transport investments. Less affluent regions may inversely have struggled to deploy even basic transport systems. This does not imply that bringing transport infrastructure to a lagging region will transform it into a prosperous one.

The impact of transport investments depends on a number of inter-related factors, e.g.:

- the degree of accessibility: the same investment may tends to foster only only limited increases in accessibility in central regions, and more extensive improvements in rural areas (Spiekermann et al., 2013, vol. 1).
- the extent to which a transport investment creates opportunities that local industries and businesses are able to seize. Typically, transport infrastructure addressing an identified development bottleneck, e.g. increasing the capacity of a congested transport axis limiting export possibilities, is likely to have an immediately identifiable economic effect. More generally, there is evidence that transport investments that are not accompanied by measures to prepare and accompany local business run the risk of having detrimental effect in peripheral areas, as they expose them to enhanced competition from external actors.

Furthermore, variations in transport demand illustrate the general dependency of transport infrastructure towards regional market alignments. As multiple examples from Europe show, variations in market developments have a direct impact on accessibility to/from a certain region for a certain good. Thus regional development via enhanced accessibility must be flexible towards demand-induced changes. The supply and demand dynamics hence represent an important factor for regional development (Rietveld and Bruinsma, 2012, p. 72).

**Sources:** Rauhut et al. (2013b, p. 215); Rietveld and Bruinsma (2012, p. 1, p. 72)

**Text Box 39: Access to energy and regional development****ACCESS TO ENERGY AND REGIONAL DEVELOPMENT**

While the fact that energy provision is indispensable for any form of regional development cannot be questioned, effects of improvement in energy provision on the economic performance of individual regions or localities are particularly difficult to describe in general terms.

First, **each region is to different extents both a producer and consumer of energy**. As far as electric power is concerned, decentralised energy production, or distributed generation, is increasingly presented as a possible complement to traditional centralised models. These types of generation may free resources that used to be allocated to the purchase of energy.

Second, **different types of electricity generation and energy complement each other**. Meeting peak demand in a reliable way presupposes well-integrated grids combining different types of production facilities. Improvements of energy provision must therefore be approached in an integrated and systemic way; considering regions in isolation is not meaningful.

Third, **characteristics of regional energy systems can influence regional development pathways**. One must for instance consider the size of production facilities and distribution networks, their modes of ownership and operation (e.g. public or private) possession and their orientation towards energy export or local consumption (Müller et al., 2011).

Fourth, **energy intensity in industries varies significantly**. A 2014 by the European Commission DG for Economic and Financial Affairs notes that “*the EU manufacturing sector has so far responded to energy price increases through sustained energy intensity improvements*”. Additionally, between 2005-2009 it observes a “*restructuring towards sectors with lower energy costs*” (European Commission, 2014e).

Fifth, **energy saving measures targeting households and businesses have a major effect on total energy demand**. A 2011 study by the Buildings Performance Institute Europe<sup>25</sup> for example suggests that, on average every EUR 1 million of expenditure in energy saving building renovation generates 17 new jobs (BPIE, 2011). The effects of such energy saving measures can therefore be compared to expected economic effects of additional energy provision.

**Sources:** BPIE (2011); European Commission (2014d); Müller et al. (2011)

<sup>25</sup> The Building Performance Institute is a not for profit research institute located in Brussels

**Text Box 40: Access to broadband affects regional development through labour productivity**

**ACCESS TO BROADBAND AFFECTS REGIONAL DEVELOPMENT THROUGH LABOUR PRODUCTIVITY**

Access to broadband and Next Generation Access networks is important to promote innovative capacity and competitiveness in regional development. A 2009 report for DG Information Society and Media on 'the Impact of Broadband on Growth and Productivity' considers that "*companies adopting broadband-based processes improve their employees' labour productivity on average by 5% in the manufacturing sector and by 10% in the services sector*" (Fornfeld et al., 2009). Furthermore, broadband access makes it possible to enhance specialisation in knowledge intensive activities and to implement innovative organisational solutions.

Closing the Digital Divide is a major issue on the European policy agenda. This divide is both social and territorial. In social terms, a 2013 study by the Joint Research Centre Institute for Prospective Technological Studies for the European Commission finds that **the income-based digital divide in internet use has been reversed** if one considers the population that has access to the internet. This implies that total internet usage does not depend on total income. However, the types of internet usage vary. This usage is also influenced by levels of education, e.g. with higher usage of human capital and goods and services websites among the population with tertiary education (Pantea and Martens, 2013). In territorial terms, the European Commission notes that while 62% of the total EU population has access to 30 Mbps broadband, this only holds true for 18% of the population in rural areas (European Commission, 2015g). While **broadband technology** could theoretically help to overcome obstacles linked to geographical distance and peripherality, it **in practice contributes to accentuate contrasts between core and periphery in the EU**. However, there are a number of examples of good practices of rural and isolated communities having managed to obtain good internet access and to use the possibilities offered to generate growth and development.

**Sources:** Fornfeld et al. (2009); Pantea and Martens (2013); European Commission (2012c)



**Text Box 41: Water scarcity affecting regional development****WATER SCARCITY AFFECTING REGIONAL DEVELOPMENT**

The impact of water provision on regional development becomes obvious in situations of water shortage. These situations tend to occur more frequently: a 2012 Non-Paper by the European Commission DG Environment observed that **droughts have cost EUR 100 billion over the past thirty years**, and that reduced water availability has a “*direct negative impact on citizens and economic sectors such as agriculture, tourism, industry, energy and transport, and may affect competitiveness and the internal market*” (European Commission, 2012d).

One of the objectives of the European Water Framework Directive was to provide incentives to control or reduce water demand through adequate pricing policies. Water provision has traditionally been subsidised in most European countries. However privatisation combined with increased needs for investments to meet new environmental norms and to maintain an ageing water provision infrastructure have led to **higher water prices, and lower rates of public subsidy** (Becker, 2007).

Policies to improve water production and provision infrastructures and to encourage a better allocation of water provision may not have immediate effects on regional economies, except in situations of immediate water shortage. However, such **policies improve the long term resilience of regions, especially in the face of climate change**. It should be noted that water shortage is not only an issue for regions of southern Europe, but also in some major metropolitan regions.

**Sources:** Becker (2007); European Commission (2012d)

Other SGI not provided by means of network infrastructure fulfil different roles and often provide more specific contributions to regional development. Nevertheless, also their contributions are of different character. For instance, health and education services as such represent a considerable economic activity and the services positively impact on labour productivity. Overall cost-benefit analyses on health services are however not easily quantifiable. Education services are furthermore a useful example for illustrating the difficulty in balancing centralised and decentralised service provision, since their effects on regional development also depend on their locations. Finally, social housing is considered a direct means to lever regional income disparities. However, its impact on regional development in terms of providing adequate housing to low income households and thereby increasing the attractiveness of a location also depend strongly on the conditions of social housing – its financing, pricing etc.

### **Text Box 42: Improved health and regional development**

#### **IMPROVED HEALTH AND REGIONAL DEVELOPMENT**

There have been significant attempts to measure the contribution of health to economic development at the European level, e.g. in a 2005 study for the European Commission, DG Health and Consumer Protection (Suhrcke et al., 2005). This study notes that the 'cost of illness' is difficult to quantify, but that there is ample evidence **to demonstrate the impact of health on earnings and wages, as well as on participation in the labour force and age of retirement.**

Additionally, the health sector has an impact on the economy because of the volume of induced public expenditure. According to Eurostat, healthcare expenditure exceeds 10% of GDP in six EU Member States (the Netherlands, France, Belgium, Germany, Denmark and Austria). At the other end of the scale, it is less than 6% of expenditure in Latvia (2010 data), Estonia and Romania (Eurostat, 2015).

**Sources:** Suhrcke et al. (2005); Eurostat (2015)

### **Text Box 43: Education and regional development**

#### **EDUCATION AND REGIONAL DEVELOPMENT**

Generally, education contributes to regional growth across Europe through research and development (R&D), creation of human capital, knowledge and technology transfer and the creation of a favourable milieu and other education related services (Lilles and Rõigas, 2015). Therefore, aligning educational offers with the regionalised needs of labour markets is important so that education can contribute to regional development and territorial cohesion.

Nevertheless, certain education facilities cannot be decentralized due to their type of services provided, such as R&D centres and universities, since they benefit vastly from agglomeration advantages in terms of collecting and exchanging knowledge, experiences and skills. The positive effects of these enhanced educational services must thus be diffused to a wider range of regions by encouraging young graduates to settle in other territories than in those where they obtained their education. This illustrates the limitations but also the potentials of decentralising higher educational systems.

**Sources:** Lilles and Rõigas (2015)

**Text Box 44: Social housing as a lever of regional development****SOCIAL HOUSING AS A LEVER OF REGIONAL DEVELOPMENT**

The economic impact of social housing is all the more difficult to evaluate as the definition of 'social' and scope of social housing activities vary extensively between European Member States. Contributions of the social housing sector to economic development vary accordingly.

Construction in general is considered as a barometer of economic activity; real estate market 'bubbles', and their collapse in the aftermath of the financial crisis, have been observed in a number of European countries. The specific contribution of social housing to economic development could be measured by the extent to which it contributes to provide balanced, stable housing markets providing all categories of workers with a dwelling that corresponds to their needs within reasonable commuting distance from their place of work.

European housing markets are monitored regularly by the European Commission. The Alert Mechanism Report 2015, prepared as part of the so-called macro-economic imbalances procedures, describes the increasing heterogeneity of housing markets of the EU in 2013. This is linked to the fact that some housing markets have bottomed out, while others are still in a process of downward adjustment and other housing markets experience increasing prices (European Commission, 2014). This diversity of situations is an additional factor making it difficult to identify a general role of social housing in economic development across Europe.

**Sources:** European Commission (2014f)

Finally, the contribution of any specific SGI to regional development may also vary territorially depending on the level of regional development and different needs and perceptions as they occur in different geographical, social and cultural situations.

Table 2 provides some indications on how these different dimensions interplay in their contribution to regional development. These are further complemented by text boxes below on empirical examples of the relations between specific SGI provisions and their aspects and territorial situations. These examples show that it is not sufficient to adjust the level of SGI provision as such to specific needs but also their specific payment conditions etc. for achieving an appropriate and targeted SGI provision.

**Table 2: Potential contributions of selected SGI to regional development**

	<b>AVAILABILITY</b>	<b>ACCESSIBILITY</b>	<b>AFFORDABILITY</b>	<b>QUALITY</b>
<b>Health (generalist)</b>	Ensure that there are sufficient generalist health services to meet public demand and to carry out preventive actions.	Better health for the entire population, irrespective of place of abode	Reduce poverty by enabling all social groups to access health services when they need it. Reduce the proportion of the population living on benefits	Reduce long-term costs of insufficient monitoring of individual health. Overcome the dependency of health quality to the economic situation (Koivusalo, Meri, 2015, p. 373 ff.)
<b>Social housing</b>	Ensure that the housing needs of the entire population are met	More balanced labour markets and diversified residential development (Huber et al., 2006, p. 180)	Reduce poverty, limit exclusion from the labour market due to lack of stable place of abode	Durable and sustainable housing reduces maintenance costs and energy demand (Huber et al., 2006, p. 180)
<b>Transport</b>	Improve mobility and flexibility of labour markets. Provide sufficient high quality public transportation to limit the appeal of individual cars.	Decrease regional disparities in terms of access to services and range of economic development possibilities (DEAS et al., 2010a, 2010b) Connections across national borders help reducing territorial divisions and support the development of intra-EU trade.	Limit isolation of deprived neighbourhood and lagging regions.	Enhance reliability, energy efficiency, sustainability of transport.
<b>Energy</b>	Ensure that lack of energy does not become a development bottleneck	Ensure that the population & economic players can switch between energy providers and types of energy depending on their needs, technical evolutions and market situations.	Ensure that the energy needs of the entire population are met, i.e. that low-income households do not suffer from lack of energy.	Provide European regions with a secure, safe, climate-friendly, sustainable energy.

	AVAILABILITY	ACCESSIBILITY	AFFORDABILITY	QUALITY
<b>Water</b>	Ensure that lack of water does not become a development bottleneck.	Guarantee balanced access to water for households and enterprises, and between regions in the same river basin (Bauby et al., 2010, p. 583)	Fair water provision to the entire population Ensure stable water prices also in times of shortage and in areas where water is scarce (Bauby et al., 2010, p. 581)	Avoid regional disparities in regards to quality; maintain the high quality standard of water (Bauby et al., 2010, p. 581) Address critical developments due to climate change
<b>Broadband</b>	Access to high capacity telecommunication networks is a key factor of competitiveness and economic growth. The provision of digital services and the capacity to operate successfully in a global business environment increasingly rely on fast and effective broadband connections. (European Commission, 2014f, p. 40)	Guarantee the accessibility of fast internet connection to households and to the ICT sector to distribute or generate innovations equally across the territory (DEAS et al., 2010a; European Commission, 2011a, p. 12)	Increase further the affordability especially for households and commerce to guarantee equal conditions for economic and social development across the EU (European Commission, 2011a, p. 12, 2007b)	Avoid a further divergence between new and old Member States and between urban and rural regions regarding the quality of the broadband connections. (European Commission, 2007, p. 107)

**Source:** own elaboration based on sources mentioned in the table

**Text Box 45: How health care affordability is influenced when emphasising primary care**

**HOW HEALTH CARE AFFORDABILITY IS INFLUENCED  
WHEN EMPHASISING PRIMARY CARE**

Much emphasis has recently been put on redirecting people in need of medical treatment away from expensive specialist care towards cheaper primary care. This increase in efficiency has been pursued mainly in order to increase the (economic) efficiency of healthcare related services. One way to achieving this is to introduce incentives for patients. In Latvia for instance, co-payments required in order to make use of specialist medical treatment have been increased whereas the co-payments for primary care have remained unchanged. A similar approach has been pursued in Portugal, where for both types of services, co-payments have been increased, however in quantitative monetary terms costs for emergency care have increased more in order to stimulate people to use primary over emergency care services. In Sweden, a cost threshold of approximately 100 euros was introduced for primary care beyond which the costs are taken over by the state.

Not all measures steering medical treatment demand, however, include financial pull or push factors. As for example in Sweden, one primary care service provider increased the number of opening hours and situated the unit close to emergency care units in order to ease patient exchange and to foster trust of patients in primary care. Other initiatives focus on service providers, such as in Romania where the total value of commissioned services has been cut to different extents for hospitals and primary care. The Latvian case also illustrates that besides the differentiation in budget cuts, capacities have been strengthened by providing additional financial support for primary care centres when hiring an additional nurse.

**Source:** Eurofound (2014, p. 38)

**Text Box 46: Links between water affordability and quality: France****LINKS BETWEEN WATER AFFORDABILITY AND QUALITY  
FRANCE**

For some SGI increasingly privatised over the past decades, there has been a trend away from privatisation in recent years in Europe and abroad. One of the flagship cases is the re-municipalisation of Paris' water services in 2010 due to the continuous increase of water prices over many years. Before 2010, the water provision was organised and priced by the two largest French companies, Suez and Veolia, both acting on multinational scales. Due to the SGI provision by private enterprises, commercial rationales have led to poor network performance, too little infrastructure investments and higher prices as services provided by public authorities. This has caused the rejection or reversal of privatisation in many urban centres, also outside France.

Even though re-municipalisation processes are seen as a step towards economic democratisation, service providers fear an increase in competitiveness after private service providers have been transformed in public utility companies. As apparent from in German energy networks, re-municipalisation is indeed used as a tool to strive further economic competition, as the European Federation of Public Service Unions states (Terhorst and Hall, 2011).

**Source:** PSIRU (2012, p. 2); Terhorst and Hall (2011)



**Text Box 47: Quality of combined waste management and energy production through the London Green Fund**

**QUALITY OF COMBINED WASTE MANAGEMENT AND ENERGY PRODUCTION THROUGH THE LONDON GREEN FUND**

The London Green Fund's seeks to make London one of the greenest low carbon capital cities by 2025 by supporting investment in sustainable green infrastructure. One example is a biogas waste and composting facility that transforms waste into renewable energy instead of sending it to landfills. Its investments in eco-friendly SGI-related infrastructure improve the availability of innovative waste management in London. The ERDF has contributed with EUR 70.8 million, and initiated further investments, notably EUR 59 million public funding and EUR 112.1 million from private sources (t33 et al., 2015a).

The JESSICA initiative helped to obtain ERDF funding. Since then, the London Green Fund contributes to the 'London Plan' and uses the ERDF as the major source of investment in the energy efficiency and environmental sector. ESIF support compensates for the lack of public financial means caused by national austerity measures since the beginning of the crisis. However, the legal and institutional frameworks of EU Cohesion Policy can create additional challenges for the implementation of projects with an SGI dimension. For example, these regulations can make it difficult to re-invest incomes generated by activities of the London Green Fund. However, ESFI has contributed to make the London Green Fund a success.

SGI-related initiatives of the Fund are similar in the 2007-2013 and 2014-2020 programming periods. In the field of energy networks, the current funding period, however, puts more emphasis on decentralised energy production. Overall, the broader scope of activities funded in the 2014-2020 programming period has made it possible to increase SIG-relevant ESIF-support to the Fund. Paradoxically, the current financial crisis has made it easier for the Fund to provide affordable SGI, because it led to lower interest rates.

Overall, the London Green Fund illustrates how ESIF can help to improve SGI provision by accompanying market dynamics.

**Source:** Quellenec-Reid (2015); t33 et al. (2015a)

**Text Box 48: Combining different dimensions of SGI provision: Urban Development Fund Pomorskie, Poland**

**COMBINING DIFFERENT DIMENSIONS OF SGI PROVISION  
Urban Development Fund Pomorskie, Poland**

The Urban Development Fund in Pomorskie has supported 4 major cities in the region, Gdansk, Gdynia, Sopot and Slupsk. It aimed to increase socio-economic efficiency. Among others it wanted to ensure easy access to major urban centres and their public transport systems and to enhance the security and quality of the urban space for contributing to regional development. The fund has addressed the improved infrastructure of different SGI including for instance in the fields of education, transport, cultural services, public space and energy provision. Thus, the example addresses several dimensions of SGI provision by making urban functions available to a greater share of the population, by addressing urban deprivation through better accessibility and by providing better quality SGI, e.g. in the transport sector.

The ERDF has supported the implementation of SGI in Pomorskie through a contribution in the form of a financial instrument with EUR 33.87 million. The European investments have mobilised other financial sources, such as EUR 5.98 million regional co-financing and EUR 20.11 million of private funding sources.

**Source:** t33 et al. (2015b)

SGI investments are subject to strategic decision-making processes that may take different forms depending on the type of SGI, capacity and responsibility lying at different government and governance levels, funding sources available for investments etc. These decisions can be driven by dialogue, legislative procedures etc. The actual investment is furthermore dependent on different interests and may be financed through public and/or private resources. SGI investment itself may be more exogenously or endogenously driven (see examples in section 5.2.2). Many SGI investments address economic framework conditions, some of them directly as for instance investments in transport infrastructure, energy provision, broadband availability etc. They aim is to improve the attractiveness of a region for businesses by improving its environment. Other SGI investments may be more directly targeted towards the social framework conditions. These will also indirectly influence the economic framework and business environment. Nevertheless, not least education and health-related SGI investments often aim at improving the attractiveness of a region for the population – whether for the local population or for attracting in-migration.

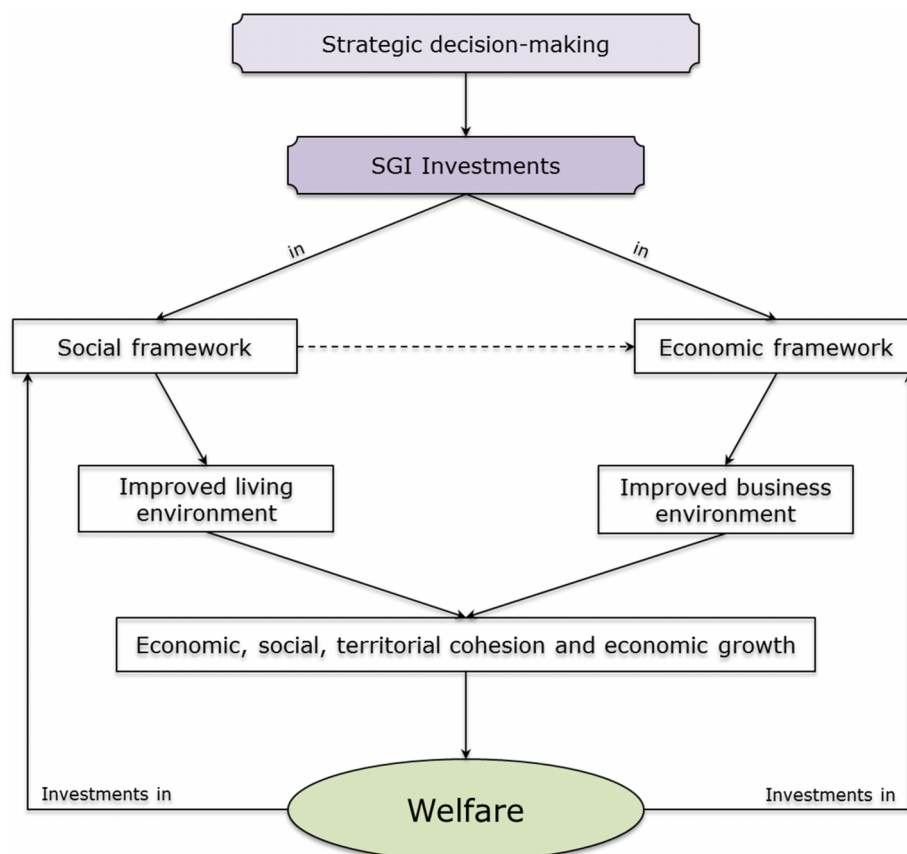
**Text Box 49: Targeting smart and inclusive growth and living conditions through SGI infrastructure**

**TARGETING SMART AND INCLUSIVE GROWTH AND LIVING CONDITIONS  
THROUGH SGI INFRASTRUCTURE**

ESIF may contribute to increase of quality of life in regions where it supports SGI infrastructure. Charleroi, Liège, Namur and a series of medium cities in Wallonia (Belgium) have implemented an integrated urban development initiative in support of sustainable development towards smart and inclusive growth. This initiative targeted both local citizens and visitors. Several priority axes sought to improve living conditions: increased connectivity between regional centres, reduction of greenhouse gas emissions and increase of service quality and accessibility.

**Source:** WalEurope (2014)

These improvements in the economic and social environment shall usually contribute to one or several cohesion objectives and economic growth, which in turn support the creation of welfare. This may not only include wealth in terms of income creation but also in terms of non-monetary welfare. Thus, welfare is here a broader synonym for regional development. Typically, these developments are then expected to create or support additional SGI or other investment that further contribute to regional development (Figure 1). According to this framework, SGI function as 'pump-primers' of regional development. By investing in social or economic frameworks, the policies expect to trigger a self-sustaining development process with multiple feedback investments before new SGI investments are needed. This neo-classical rationale does apply to all ESIF funded regional development programmes. SGI investments are hence seen as exogenous stimuli that shall create investment friendly environments that enhance and increase exogenous as well as endogenous public and private investments into SGI related infrastructures (see section 5.2.2).

**Figure 1: Rationale for the contribution of SGI to regional development**

Source: own elaboration

### 5.2.2. Understandings of SGI contributions to regional development in EU policy documents

The links between SGI and regional development are addressed in EU policy documents. The understanding of how SGI would contribute to regional development is however not always clearly spelled out, especially in strategic documents covering multiple themes and sectors.

The Europe 2020 Strategy is a case in point. Some of its targets are linked to the provision of SGI (e.g. education and energy). Although the strategy does not directly address SGI it considers them indirectly as a means for achieving its objectives by “*fully exploiting possibilities to improve the effectiveness and efficiency of the existing EU budget through stronger prioritisation and better alignment of EU expenditure with the goals of the Europe 2020 to address the present fragmentation of EU funding instruments*” (European Commission, 2010c) shall become active to achieve the set objectives and goals, namely education, information and communication technologies, clean and efficient energy provision, decarbonisation of the transport sector and the promotion of labour mobility.

The link to SGI is more prominent in the Territorial Agenda 2020. In this document SGI are explicitly mentioned as crucial for regional development, not least as means to enhance territorial cohesion. It “*calls for a more strategic approach to enhance territorial cohesion as the design and implementation of regional development is important. ... The fair and affordable access to services of general interest, information, knowledge and mobility are believed to be essential for territorial cohesion*” (TA 2020, 2011). The provision of SGI shall

enhance competitiveness and 'sustainable and harmonious territorial development' across the EU by minimising physical and non-physical infrastructure barriers. In terms of economic development, the Territorial Agenda 2020 points out that the provision of physical network related infrastructure such as access to all modes of transport, broadband and trans-European energy networks is constitutionally important (BMUB, 2011, p. 8). However, the Territorial Agenda 2020 does not describe the role of individual SGI for regional development. It mostly considers them in general as a group of important framework conditions for development. Their pivotal role for regional development is mainly pointed out with respect to networks (transport, energy, ICT).

The regional competitiveness index presented in the 6th Cohesion Report (European Commission, 2014f) includes SGI-relevant measures. The corresponding indicators include many SGI. The index combines indicators from eleven pillars. As regards SGI in particular the pillars (3) Infrastructure, (4) Health and (5) Quality of Primary and Secondary Education and (6) Higher Education and Lifelong Learning are mentioned. Infrastructure thereby encompasses different types of SGI, especially as regards transport, energy and ICT networks. Similarly, Juncker's European Investment Plan (European Commission, 2014c, p. 9) also focuses on investments in different SGI-related infrastructure areas. Apart from the previously mentioned network infrastructures, this encompasses transport infrastructure in industrial centres, education, research and innovation, and renewable energy and energy efficiency.

The EC communication for a quality framework for services of general interest (European Commission, 2011a, p. 9) differentiates between different groups of SGI and names those SGI that are considered to be 'essential' services to which access shall be ensured. These are namely postal and basic banking services as well as transport, energy and electronic communications. For instance, with regard to transport and based on the White Paper on the Roadmap to a Single European Transport Area (European Commission, 2011f) it requests the generation of a virtuous circle for public transport modes by increasing density and frequency of services.

The role of individual SGI in regional development is generally addressed in sector-specific policy documents. The EC Social Investment Package (European Commission, 2013d, pp. 2014–2020) illustrates this by using health services as an example. It requests a *"need for reforms of healthcare systems with the twin aim to ensure access to high quality healthcare and to use public resources more efficiently"* (European Commission, 2013d, p. 5). The contribution of health care services to regional development is developed along the benefits of health on labour productivity: *"...timely access to healthcare can prevent higher healthcare costs in the long run, increase productivity of the workforce and facilitate people's active participation in society"* (Eurofound, 2014, p. 1). One way of mitigating territorial differences is the use of ICT-based service provisions (e.g. telehealth, remote monitoring and telecare) (Eurofound, 2014, p. 39).

### 5.3. Contribution of ESIF to the provision of SGI

#### KEY FINDINGS

- ESIF offer financial support for quite a variety of SGI in the 2014-2020 programming period. Nearly all TOs address one or another SGI in different ESIF regulations. Simultaneously, this excludes all sectors not covered by the thematic objectives.
- ESIF support **infrastructure development** for SGI provision as well as the improvement of SGI provision in terms of accessibility, availability, quality and possibly affordability. ESIF programmes, however, **may not support the mere operation of SGI** as such.
- ESIF OPs for the 2014-2020 period were to be developed with a **strategic approach**. This may also be visible for SGI: If different SGI are addressed by an OP their interplay is considered.
- SGI have explicitly been considered as **tasks of EGTCs** in the amended EGTC regulation to contribute to cohesion across national territories. So far, however, hardly any EGTC manages SGI infrastructures or provides SGI.
- Innovative SGI are more usually addressed by **ETC** Programmes rather than by regional or national mainstream programmes. They may be used as inspiration for further enhancing innovative SGI support also in mainstream programmes.
- Different needs of different Member States are **visible in the PAs and OPs in how they address SGI**. This includes e.g. different thematic perspectives, differences between newly developed and upgraded infrastructure. Geographical distinctions often only refer to an **urban-rural** differentiation.
- The **rationale in the OPs** and their intervention logics (including the actions for SGI) are broken down from ESIF regulations and PA. The strategies may be driven by either **exogenous or endogenous development factors** or a combination of both.
- Actions of cross-border ETC programmes may not only aim to improve SGI provision but often also seek to **harmonise levels of SGI** availability, affordability and quality or to **overcome lagging network infrastructure in border regions**. In the latter case they may complement actions from mainstream programmes.

As pointed out by the Seventh Report on Economic, Social and Territorial Cohesion. (European Commission, 2011g, p. 5), cohesion policy programmes may support regional development strategies. Thus, they are a relevant means for the provision of SGI. For the use of cohesion policy it is important to differentiate between the support to SGI infrastructure and the operation of the infrastructure, which finally delivers the SGI under consideration. Depending on the type of SGI and the institutional arrangements in the different Member States, the delivery of SGI is principally subject to national and or regional decisions and funding, whether provided publicly or privately (see section 3.3).

Thus, EU cohesion policy may be a relevant means to support the creation and development of SGI relevant infrastructure. This division of responsibility is not least mirrored, e.g., in the communication of the EC Social Investment Package, where the Commission offers support to Member States and urges them to act in fields like SGI.

The review of the ESIF 2014-2020 framework focuses on the relevant ESIF regulations, namely the CPR (Regulation (EU) No 1303/2013), the CF, ERDF, ESF and EAFRD. It furthermore included the amended EGTC regulation as an important element of cohesion policy.

### 5.3.1. General elements

ESIF offer financial support for variety wide range of SGI in the 2014-2020 programming period. Nearly all TOs address one or another SGI in different ESIF regulations as is indicated in ANNEX C: Thematic perspectives of ESIF in relation to SGI on page 176. Even though the table does not specify how environmental services and urban regeneration are addressed, they are considered in ESIF regulations. The extent to which these actions may be directly linked to SGI remains blurry. Thus, they were not included in the table below. However, it is worthwhile to mention that the priority on ecosystems within the EAFRD regulation may be considered to be the most explicit one linked to ecosystem services.

The ERDF regulation deals more explicitly with SGI than other funds, as it focuses on infrastructure development in many sectors. Similarly, the CF provides support to SGI relevant infrastructure, but with a focus on fewer sectors, namely energy, transport and waste and water. ESF and EAFRD may support SGI provision for only a few sectors, mostly focusing on employment, education and access to information. As to be expected, the type of support from these two latter funds aims more at capacity building and improving SGI provision rather than the development of infrastructure. Thus, one may conclude that

- ESIF support SGI-related infrastructure investments as well as improvements of SGI provision in terms of accessibility, availability, quality and possibly affordability. ESIF programmes, however, do not support SGI provision as such.
- ESIF can support SGI in fields covered by the TOs of the 2014-2020 period. This excludes sectors such as social housing, broadcasting and postal services.
- There are no specific provisions for SGI-related projects. This implies that general rules regarding the quality of ESIF funded projects, procedures and financing rules (grants, financial instruments) apply for SGI related projects as they do for any other project under the same specific objective of the individual ESIF programmes.

#### Text Box 50: ERDF-financed support for broadband in England

##### ERDF-FINANCED SUPPORT FOR BROADBAND IN ENGLAND

European funding from ERDF is used for broadband-related business support activities in South Gloucestershire. A Superfast Broadband Business Support Programme for the South West is in the process of being developed with support from the ERDF, as a complement Broadband Delivery UK infrastructure projects. South Gloucestershire Council is currently working with other local authorities in the south west region of England to bid for these funds. The Council has been allocated GBP 255 000. The money would be spent on encouraging business to take up the opportunity of superfast broadband by means such as focus groups, individual sessions, online portal for advice and open days.

**Source:** Rauhut et al. (2013a)



SGI are also explicitly addressed in the amended EGTC regulations of December 2013. By amending the EGTC regulation the scope of possible EGTC members and actions was broadened, as shown in the textbox below.

**Text Box 51: Art 3 par. 1(e) and Art. 7 par. 4 EGTC regulation**

**EGTC REGULATION**

**Art. 3 par 1(e)**

The following entities may become members of an EGTC ... undertakings entrusted with operations of services of general economic interest in compliance with applicable Union and national law ...

**Art. 7 par 4 (last subparagraph)**

...in compliance with applicable Union and national law, the assembly of an EGTC, ..., may define the terms and conditions of the use of an item of infrastructure the EGTC is managing, or the terms and conditions subject to which a service of general economic interest is provided, including the tariffs and fees to be paid by the users.

**Source:** Regulation (EC) No 1082/2006 as amended by Regulation (EU) No 1302/2013

The regulation thus explicitly takes SGEIs into account without specifying the sectors concerned. In contrast to the support from ESI-Funds provided for SGI, the amended EGTC regulation deals with the operation and delivery of SGI. In this context, EU cohesion policy thus supports the operation of SGI in a cross-border context, as shown below.

**Text Box 52: Health care services provided by the EGTC Hospital de la Cerdanya**

The EGTC Hospital de la Cerdanya is so far the only EGTC established for providing SGI in the health sector. The EGTC was created in 2010 to allow the joint construction of the hospital and its further management; in September 2014 it was opened to the public. This EGTC is a legal solution and binational governance tool for operating a cross-border hospital providing health care to both the Spanish and French population in a remote area of the Pyrenees. Thus, it is also an example of how to solve SGI provision in remote border areas. The EGTC members are the French government, the Catalan region and the corresponding health and insurance agencies.

The first experience with operating the hospital however indicates practical difficulties of SGI provision across borders – at least for the case of healthcare services. Being located on the Spanish side of the border, the EGTC aims to reach a share of 40 % French and 60 % Spanish patients after five years of operation. During the first few months French patients accounted for below 20 % with some increases in French patients' visiting the hospital in the following months. One year after opening the hospital the more recently higher rates of French patients are consolidating.

The hospital's construction costs were co-financed by ERDF. Thus, the ERDF was used to set up the infrastructure. Operating costs, in contrast are fully covered by the members representing the health systems of the Spanish region and France. The division of operating costs between the two countries reflects the expected shares of patients from each country and will be subject to revision after five years of experience.

**Source:** Hospital de Cerdanya (n.d.)

In cross-border cooperation, the EGTC tool is currently not used in energy, water or transport infrastructure. Linked to environment related SGI so far two EGTCs may represent corresponding examples, although their objectives do not explicitly tackle SGI. These are the EGTC Parco Europeo/Parc Européen Alpi Marittime – Mercantour and the Parc Marin International des Bouches de Bonifacio EGTC. Both EGTCs were founded in 2013 and are located in French-Italian border areas. They deal with national and nature park development aiming at environmental protection.

**Text Box 53: Environmental protection-related SGI and the use of ESIF by EGTCs**

**ENVIRONMENTAL PROTECTION-RELATED SGI AND THE USE OF ESIF BY EGTCs**

The **EGTC Parco Marino Internazionale delle Bocche di Bonifacio** is mentioned in the OP Italy-France Marittimo. The EGTC was developed under Priority Axis 3 on natural and cultural resources of the 2007-2013 cross-border programme (Marittimo - IT FR - Maritime, 2014, p. 25). Apart from environmental protection and ensuring the strait's heritage, the EGTC aims to contribute to children education and exchange in the field of environmental education (PMIBB, 2012).

Improved possibilities to participate in EU programmes as a single beneficiary and to apply for UNESCO World Heritage status as a single body were important drivers for the foundation of the **EGTC Parc Européen Alpi Marittime – Mercantour**. The two parks constituting the EGTC have cooperated before as project participants in cross-border cooperation (Alcotra), transnational cooperation (Alpine Space) and also in programmes directly managed by the European Commission (such as LIFE). The EGTC foresees the use of ESIF in the 2014-2020 programming period (Zillmer et al., 2015). The Convention of the EGTC defines four tasks that are partly also related to SGI provision:

- monitoring and biodiversity protection;
- restoration and enhancement of the natural and cultural landscapes;
- awareness, environmental education and education to bilingualism;
- sustainable mobility, sustainable agriculture and tourism.

**Source:** PMIBB (2012); Marittimo - IT FR - Maritime (2014, p. 25); (Zillmer et al., 2015)

**Text Box 54: EXCURS: Role of national parks: Berchtesgaden National Park**

**EXCURS: ROLE OF NATIONAL PARKS**  
**Berchtesgaden National Park**

'Nature shall remain nature' is the motto of German national parks. Their objective is to protect nature, and in this way to contribute to sustainable development.

In addition, Berchtesgaden National Park fulfils other missions, in the fields of education, research and tourism. In the field of education it seeks to improve the understanding of the environment among children and adults and to increase engagement for the environment.

Another objective of the park is to offer recreational space. This recreational function is strongly linked with tourism, which in turn is a crucial component of the regional economy with above EUR 500 million total turnover in 2013 and nearly EUR 5,000 turnover per inhabitant (Zeiner, 2014). According to estimations the national park has approximately 1.2 million visitors a year.

General access to the park and its use of hiking tracks, participation in educational services etc. is free of charge. Only few services such as the access to information centre and the use of private alp pastures are charged. The newly built main national park information centre 'House of mountains' has been co-financed with the Bavarian ERDF programme 2007-2013 and is supported by public-private partnership consisting of public funding, public and private foundations as well as companies.

**Sources:** Bayrisches Staatsministerium für Wirtschaft und Medien, Energie und Technologie (n.d.); Nationalparkzentrum Berchtesgaden (2015); Nationalparkverwaltung Berchtesgaden (2015); Zeiner (2014)

**5.3.2. Ex-ante conditionalities**

Ex-ante conditionalities for the CF, ERDF and ESF are covered in Annex XI of the CPR, thereby pointing out to which investment priorities of which funds they shall be applied. The ex-ante conditionalities do not explicitly refer to SGI. However, they have been formulated for many investment priorities. Thus, the relevance of ex-ante conditionalities for SGI supported with ESIF and the implications for using ESIF for improving infrastructure and provision of SGI can only be assessed against the previously identified investment priorities that address SGI more or less directly.

With the exceptions of TOs 4 and 8 all thematic ex-ante conditionalities regarding the remaining TOs, which are relevant for SGI, are also relevant for actions supporting SGI. The ex-ante conditionalities of TO 4 do not concern the identified investment priorities supporting SGI provision and for TO 8 only one ex-ante conditionality (namely 8.3) can be directly related to SGI.

As indicated and summarised in Table 3, nearly all relevant thematic ex-ante conditionalities refer to the existence of strategic policy frameworks within the respective sector. Within these frameworks ex-ante conditionalities shall ensure that accessibility, availability and quality of different services will be improved. Thus, different elements of SGI provision are tackled in ESIF regulations. Affordability is less apparently considered in the SGI relevant ex-ante conditionalities, possibly with the exception of TO 9 within the ESF. However, in this context, the conditionality of the existence of a water pricing policy (6.1) may be most interesting. This conditionality states that the policy shall provide

'adequate incentives for users to use water resources efficiently'. Thus, it does not primarily seek to promote affordability but rather seeks to ensure a better allocation of water resources through market and pricing mechanisms.

**Table 3: Thematic ex-ante conditionalities of the CPR and EAFRD in relation to SGI**

TO	TYPE OF EX-ANTE CONDITIONALITY	RELEVANT FUNDS IN RELATION TO SGI
TO 1 (research and innovation)	Existence of a national or regional <b>smart specialisation strategy</b> in line with the National Reform Program Existence of a <b>multi annual plan</b> for budgeting and prioritisation of investments for R&D infrastructure	ERDF
TO 2 (ICT)	2.1 <b>Strategic policy framework</b> for digital growth	ERDF
	2.2 Existence of national or regional Next Generation Network <b>Infrastructure Plans</b>	ERDF & EAFRD
TO 6 (environment and resource efficiency)	6.1 Existence of a <b>water pricing policy</b>	ERDF & CF & EAFRD
	6.2 Particularly, development of <b>waste management plans</b> for economically and environmentally sustainable investments in the waste sector	ERDF & CF
TO 7 (sustainable transport)	7.1 Existence of a <b>comprehensive plan</b> or plans or framework or frameworks for <b>transport investment development</b> within the comprehensive transport plan or plans 7.2 Existence of a specific section on <b>railway development</b> within the comprehensive transport plan or plans 7.3 Existence of a specific section on <b>inland waterways and maritime transport, ports, multimodal links and airport infrastructure</b> within the comprehensive transport plan or plans	ERDF & CF
	7.4 Existence of <b>comprehensive plans for investments in smart energy infrastructure</b> , and of regulatory measures	ERDF
TO 8 (employment)	8.3 Clear <b>strategic policy framework</b> and ex ante assessment for reforms of labour market institutions	ERDF & ESF
TO 9 (social inclusion)	9.1 Existence and implementation of a <b>national strategic policy framework for poverty reduction</b>	ERDF & ESF
	9.2 Existing national <b>Roma inclusion strategic policy framework</b> 9.3 Existence of a national or <b>regional strategic policy framework for health</b>	
TO 10 (education)	Existence of national and/or regional <b>strategic policy frameworks</b> for 10.1 <b>reducing early school leaving;</b> 10.2 <b>increasing tertiary education</b> attainment, quality and efficiency; 10.3 <b>lifelong learning;</b>	ERDF & ESF
	10.4 increasing the <b>quality and efficiency of vocational education</b> and training.	
TO 11 (institutional capacity)	Existence of a <b>strategic policy framework</b> for reinforcing the Member States' <b>administrative efficiency</b> including public administration reform	ESF

Source: Regulation (EU) No 1303/2013; Regulation (EU) No 1305/2013

All listed plans and strategic policy frameworks need in turn to be developed in line with other sector specific frameworks, regulations, EU directives etc. Again this is not specified for relevant SGI but applies generally to all programmes and actions under the respective thematic fields.

None of the general ex-ante conditionalities, i.e. those not linked to TOs, have a direct or exclusive relation to SGI.

### **5.3.3. Innovative SGI under consideration**

Similarly to the more general review of SGI in ESIF regulations, it can be stated that innovative SGI can be supported by ESIF but that they are not explicitly mentioned. ESIF regulations in many aspects aim at supporting innovative actions, products, processes etc. This implicitly also includes innovative actions in relation to SGI. Thus, ESIF support is feasible for both, new SGI falling under the TOs of the 2014-2020 ESIF regulations and innovative elements of existing SGI such as new ownership structures, new ways of delivering SGI, new modes of provision to the user etc. Especially the aspect of improved SGI provision in terms of accessibility, availability and quality, as foreseen by some investment priorities of ESIF, may include innovative actions for supporting SGI provisions. Within ESIF innovative SGI may mostly be supported under ETC. While cross-border cooperation programmes more often also focus on infrastructure development as such, in particular transnational cooperation programmes are used for innovative actions and thus also innovative SGI support. This is strongly linked to these programmes' focus on strategies, concepts etc., which aim to develop new ways of thinking and collaboration/cooperation. The example below illustrates this for one Alpine Space project of the 2007-2013 programming period. It furthermore highlights how specific geographic areas can be a concern of SGI related ESIF actions.

**Text Box 55: Alpine Space project ACCESS 'Improving accessibility of services of general interest – organisational innovations in rural mountain areas'**

**ALPINE SPACE PROJECT ACCESS  
'IMPROVING ACCESSIBILITY OF SERVICES OF GENERAL INTEREST –  
ORGANISATIONAL INNOVATIONS IN RURAL MOUNTAIN AREAS'**

The ACCESS project in the framework of the INTERREG IVB Programme enhances “*the maintenance of a spatially and socially equal accessibility to services of general interest (SGI) is a core issue to the functionality of mountain areas and any regional development strategy both on a national as well as on a transnational level. All over the Alpine Space sparsely populated areas are facing difficulties to maintain existing services due to their poor profitability and due to the need to respond to new or changing needs of the local population.*” (INTERREG Alpine Space, 2011b)

ACCESS originated from the previous pilot project PUSEMOR (Public Services in Mountainous Regions) under INTERREG IIIB that addressed public services in mountainous areas and hence has satisfied the demand for adjusting national or regional political strategies by a transnational perspective and thus to contribute to the development of common objectives regarding SGI. Thereby, ACCESS has generated a broad inter-institutional learning process amongst the involved authorities. The financial support by the European community through the ERDF was essential for the realisation of the project.

The use of ESIF offered the possibility to support and implement innovative ideas for SGI provision that would not have been supported by national funding resources. For instance the actions ‘Freiamt bringt’s’ and ‘Wohlfach bringt’s’ represent innovative approaches to ensure a basic level of services for people, being limited in their mobility. The services included the in-house delivery of convenience goods to two German villages in the Black Forest that were requested via a local internet platform. Around 50% of all actions, initiated by ACCESS do still operate today, four years after termination of the project.

However, the financial crisis has increased the fiscal pressure on the authorities involved. Especially in relation to SGI provision and implementation, resources became increasingly limited in the project area. Therefore, ACCESS has started pro-actively promoting local participation. In search of alternatives, ACCESS made use of local synergies and drivers while promoting and improving local networking effects. The innovative actions have hence been realised through a bottom-up approach.

Although, the results on the project level may only be of pilot character, the impact of ACCESS on SGI politics is visible beyond the reference area. The good practices and lessons learned were incorporated into the Reports on the State of the Alps by the Alpine Convention as well as into the development of the Macro-regional strategy for the Alpine Space.

Nevertheless, because of lacking coherence of relevant regulatory frameworks, many interferences hamper SGI provision as approached in the ACCESS project. On that account, innovative approaches towards SGIs can only emerge when regulatory requirements are open to allow for flexibility and experimental scope for development is guaranteed. In addition, ACCESS has highlighted the need for more integrated spatial development approaches. Instead of project-based incentives, more valuable assets can be generated by inter-sectoral strategies combining and harmonising spatial strategies (Egger, 2015).

**Sources:** Alpine Space Programme (n.d.); INTERREG Alpine Space (2011a, 2011b)

### 5.3.4. Geographically specific areas and lagging regions

According to Article 174 TFEU (The Member States, 2012a) geographically specific areas comprise in particular “*rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as ... very low population density and island, cross-border and mountain regions*”. The CPR stresses in Article 11 that the Common Strategic Framework shall address among others geographically specific areas and specific challenges of outermost regions. Similar considerations are requested in Article 15 of the CPR (Regulation (EU) No 1303/2013) for the PAs. Neither these nor the corresponding articles in the funds’ specific regulations explicitly refer to SGI. They may however be implicitly be considered and support from ESIF for SGI provision be provided if for instance specific SGI needs occur because of the natural or demographic handicaps. This may indeed also be translated into very specific solutions for delivering SGI but may already also affect the approaches to be taken to define realistic objectives in accordance with territorial principles.

For outermost regions, however, Article 12 of the ERDF (Regulation (EU) No 1301/2013, article 12) regulation allows for exemptions of the thematic concentration for the additional allocation attributed to these regions to offset additional costs incurring from their geographical specificities. These allocations may among others be used for supporting transport services. In addition, this allocation “*may also be used to help finance operating aid and expenditure covering public service obligations and contracts in the outermost regions.*” (Regulation (EU) No 1301/2013, article 12 part 2). This represents thus the only case for which ESIF may not only be used to develop SGI relevant infrastructure or improve the delivery of SGI but may also be used to deliver SGI as such, if the SGI is considered a PSO.

## 5.4. Design for implementation

Given the broad variety of SGI that may potentially be supported by ESIF, as indicated in section 5.3.1, the following review of PAs and OPs is more focused on only few SGI sectors that are of particular interest. These are namely health care, social housing, transport, energy, fresh water and broadband ICT. Thus, mainly TOs 2, 4, 6, 7 and 9 are subject to below discussion.

The following aims at illustrating how the regulatory framework has been translated in the programming. It does neither represent a full nor a representative review. Nevertheless, potentially as different as possible countries and regions were included in the review in order to take different regional development levels and different geographical, social and cultural needs into account.

### 5.4.1. Partnership agreements

Five PAs were reviewed, namely those of Austria, Estonia, Ireland, Malta and Romania. This selection included EU15 and EU12 countries and takes into account geographic specificities (e.g. Malta as a small island country, Austria for mountain areas). Below table gives an overview of selected fields of SGI and how they are covered in different partnership PAs.



**Table 4: PAs and indicated objectives for selected SGI**

FIELD OF SGI	AUSTRIA	ESTONIA	IRELAND	MALTA	ROMANIA
<b>Health care</b>	EAFRD resources for construction and maintenance of medical (and social) service facilities in rural areas	Development of a health system that meets requirements is foreseen	ESI funding for the provision of next generation broadband to facilitate the roll out of e-health initiatives	Improve health care with a focus on healthy living, active ageing and e-health	Stepping up reforms in the health sector to increase its efficiency and quality
<b>Social housing</b>	-	-	Retrofitting of social housing for reducing CO2 emissions	Increase of the share of social housing, with new social housing built as energy neutral buildings	Integrated approach for social inclusion issues by facilitating the access to education, employment, health, housing and social services for those belonging to disadvantages groups

FIELD OF SGI	AUSTRIA	ESTONIA	IRELAND	MALTA	ROMANIA
<b>Transport</b>	-	Improving local, national and international connections and movement options for competitiveness	-	Decrease of infrastructure related traffic problems and construction of new infrastructures	Improvement of infrastructure to better accessibility, connectivity and maintenance of infrastructure
<b>Energy</b>	Implementation of smart grids foreseen	Establishing sufficient energy connections with a more sustainable energy mix	Ensure secure and sustainable supplies of competitively priced energy to all consumers	Diversify the energy production while reducing energy use through efficiency gains and savings	Improvement of badly insulated residential and public buildings combined and in district heating transmission and distribution systems needed

FIELD OF SGI	AUSTRIA	ESTONIA	IRELAND	MALTA	ROMANIA
<b>Water</b>	Sustainable water management shall be implemented	Interventions to ensure access to drinking water that meets quality requirements and compliant wastewater collection and treatment	Need to manage the use of water in urban areas and to provide additional waste-water treatment in certain urban centres	Focus on improving the availability of ultra-fast broadband connections	Extension and modernisation of the water and wastewater infrastructure especially in rural areas
<b>Broadband</b>	ICT infrastructures are subject to improvement in line with innovations	Fast broadband infrastructure all over the country	Deliver high speed broadband availability across the country	Strategic infrastructures must be set up, also considering the geographical specificities of Malta as an island	Extending Next Generation Access in rural areas

**Source:** Department of Public Expenditure and Reform (2014); Ministry for European Affairs (2014a); Ministry of Finance of the Republic of Estonia (2014a); ÖROK (2015)

The limited review of only these few partnership agreements allows for some general horizontal comparisons and upcoming patterns:

- In the reviewed EU15<sup>26</sup> Member States SGI related investments focus more strongly on maintenance, upgrading and other improvements rather than the principal development of respective infrastructure. The latter is more profoundly found in the reviewed EU12<sup>27</sup> Member States, though often also combined with different types of improvement, including for instance more efficient and/or higher quality service delivery.
- But also within EU12 Member States different needs become apparent. For instance in Romania huge infrastructure investments from the Cohesion Fund are planned whereas transport interventions in Estonia focus more on public transport provision and multimodality in the European periphery.
- Transport is not considered in the reviewed EU15 Member States but is mentioned in all EU12 Member States covered. This may at least partly result from the Member States' negotiations with the EC, since also Austria and Ireland foresee transport related investments but will cover them from national and/or regional resources.
- In contrast, health care, energy and broadband interventions seem to be high on the agenda of all PAs. As regards energy, this may be among others the result of the thematic concentration requirements regarding TO 4. As pointed out in the ERDF regulation TO 4 belongs to those thematic objectives all regions have to concentrate certain shares of their ERDF allocation depending on their stage of development (Regulation (EU) No 1301/2013).

<sup>26</sup> Abbreviation referring to the 15 EU Member States prior to the eastern enlargements in 2004.

<sup>27</sup> Abbreviation referring to the 13 EU Member States which joined in 2004 and 2007.

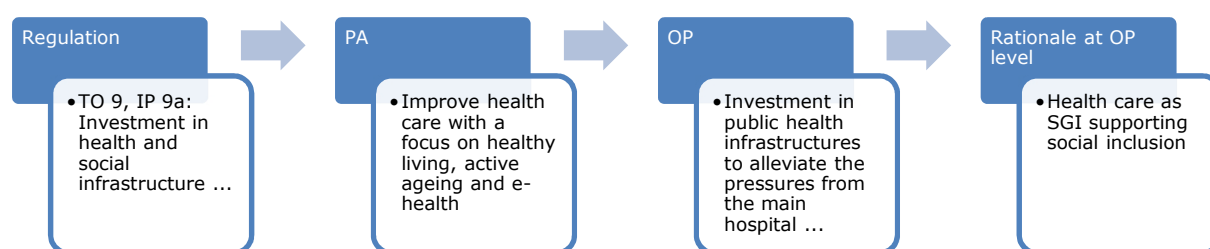
- Social housing is considered in some PAs. The focus differs however as may be concluded from the fact that social housing is not explicitly mentioned in the ESIF regulations. For instance in Romania it is part of an integrated approach for disadvantaged groups thereby focusing on objectives of TO 9, in the other identified cases the CO<sub>2</sub> reduction is more central. This may be linked either to new social housing (Malta) or the refurbishment of existing social housing (Ireland).
- Geographically specific areas are considered in different ways. In some cases, e.g. Austria, Romania and Estonia, geographical differentiations refer only to urban and rural areas. As far as Austria is concerned it may be rather surprising that no reference to mountain areas is made. The PA of Malta and Ireland make more specific links to the relevance of geographical specifics for SGI. In Malta the islands characteristic affects transport, energy production and water supply solutions. In Ireland, especially remoteness with low population density matters for health care and broadband provision.

#### 5.4.2. National and regional operational programmes

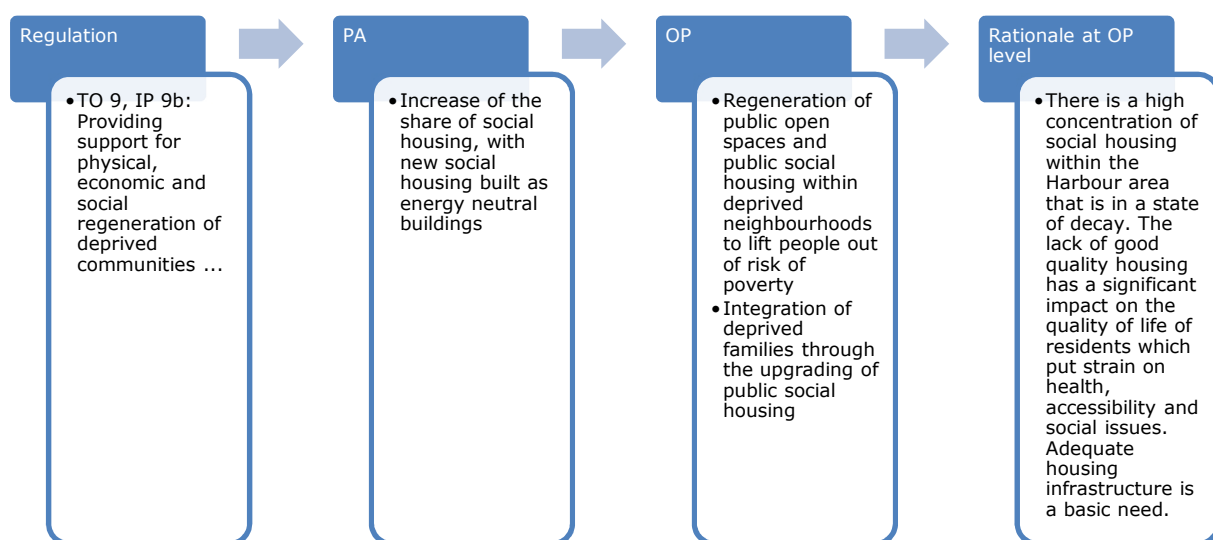
Selected 2014-2020 ERDF OPs have been reviewed. They principally translate the general outlines of the PAs into specific objectives and actions. Reviewed OPs all referred to the TOs outlined in the previous section; i.e. in the Austrian and Estonian ERDF OPs no social housing actions are indicated as they are not tackled in the PAs. This may however be different if the OPs of other ESI-Funds are reviewed, since they are not linked to as many SGI themes as the ERDF. Similarly, in countries with regional ERDF OPs, some themes covered in the PAs may only be covered by some OPs rather than by all of them.

In the following some logical chains illustrate the translation process of SGI related ESIF from regulation to the OP. In the next step of the translation process, concrete projects may be added, once the programmes are completely running.

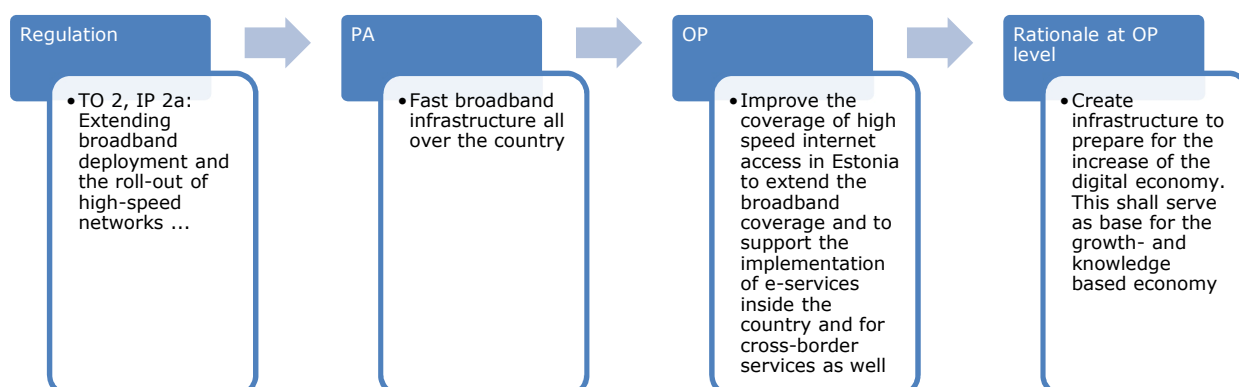
**Figure 2: Logical chain in the field of health care in ERDF OP Malta**



**Source:** own elaboration based on Ministry for European Affairs (2014a, 2014b); Regulation (EU) No 1301/2013

**Figure 3: Logical chain in the field of social housing in ERDF OP Malta**

**Source:** own elaboration based on Ministry for European Affairs (2014a, 2014b); Regulation (EU) No 1301/2013

**Figure 4: Logical chain in the field of broadband in ERDF and CF OP Estonia**

**Source:** own elaboration based on Ministry of Finance of the Republic of Estonia (2014a, 2014b); Regulation (EU) No 1301/2013

The provision of SGI through ESIF supported initiatives represents a primary pillar for European regional development actions. The operationalisation of generic development objectives (e.g. Europe 2020) through OPs into specific strategies in European regions results in a multitude of different development approaches. In relation to SGI, exogenous and endogenous development approaches can be identified, as illustrated by Text Box 60 below.

**Text Box 56: Exogenous and endogenous development approaches in the Wales and West Valleys ERDF OP 2014-2020****EXOGENOUS AND ENDOGENOUS DEVELOPMENT APPROACHES IN THE WALES AND WEST VALLEYS ERDF OP 2014-2020**

The example of the OP of West Wales and the Valleys for the period of 2014-2020 illustrates the exogenous and endogenous development approaches through SGI provision utilised to foster regional development (WEFO, 2014). As in other OPs, SGI are not considered separately and explicitly, but as one possible leveraging tool for regional development via EU support. Thus, regional development through SGI provision does not occur one-dimensionally but through combining different approaches across Priority Axes.

As for exogenous development strategies, the underlying example illustrates multiple approaches. Priority Axis 2 for instance targets increasing attractiveness of the programming area for social and economic activities by enhancing broadband connectivity (through Next Generation Access) of the region. The improvement of the regions' connectedness shall attract skilled labour and enterprises from outside the region. Furthermore, Priority Axis 3 features the specialisation in wave and tidal energy technologies in the programming area by increasing the number of specialised businesses that shall then create jobs and growth. In terms of endogenous development approaches, the OP endorses typical characteristics for the UK. Regional and especially local administrations and stakeholders from various sectors are involved in regional committees. They identify and prioritise individual projects to be supported by ESIF that are tailored to the regional and local needs. The managing authority decides subsequently what projects are eligible and organises their implementation in close cooperation with the involved stakeholders and in line with the locally identified needs and potentials.

Although this approach seems more difficult and lengthy, it delivers satisfying results for enhancing local potentials. The organisational structure, including both low- and high-level stakeholders, emerged due to the UK's unique public institutional landscape. The structure of Priority Axis 4 results from this process. It promotes the improvement of local networking and business relations for the established enterprise milieu rather than the general increase of attractiveness of the region. For this improvement the OP bundles infrastructural investments in transport, labour mobility, education infrastructure, tourism development and ICT support for enterprises (Smithson, 2015; WEFO, 2014).

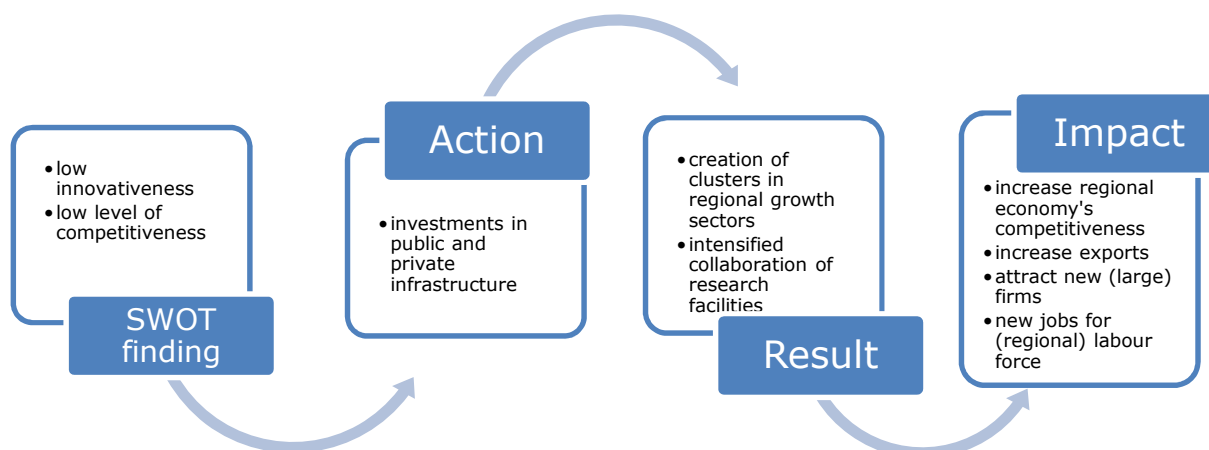
As for the general contribution to SGI, the ESIF again represent important incentives for mobilising additional investments from public and private sources. The leveraging effects have contributed notably in West Wales to the realisation of infrastructure projects that would not have been funded by mere national resources. Although the Union support signifies around EUR 1.2 billion for the 2014-2020 programming period, ESIF support may not be seen as the driving policy for SGI in the region. However, it has introduced an 'evaluation culture' through the close monitoring and evaluation of ESIF projects.

In terms of future programming periods, the sensitivity towards the legitimisation of infrastructure investments should be increased by the European Commission. Even though infrastructure investments do not show immediate results, their intangible impacts address structural weaknesses in the medium- and long-run, which is a central objective of ESIF (Smithson, 2015).

**Sources:** Capello (2014); Smithson (2015); WEFO (2014)

The following example of innovation infrastructure addressed in the Thuringian ERDF OP 2014-2020 illustrates the intervention logic of SGI relevant infrastructure investments. It consists of both, exogenous drivers e.g. if new firms shall be attracted and endogenous drivers for instance drawing on the economic growth sectors of the region.

**Figure 5: Intervention logic for innovation infrastructure in the Thuringian ERDF OP 2014-2020**



**Source:** own elaboration based on Freistaat Thüringen (2014)

As shown, promotion of SGI appears both in the endogenous and exogenous components of the development strategy. This implies that there is a mix of place-neutral (exogenous) of place-based (endogenous) approaches (Barca et al., 2012) within the OP.

In addition, one should acknowledge that attempts to attract in-migrants and external investments through investments in SGI-related infrastructure entail risk-taking for public authorities. This is especially true at the regional and local levels, where the financing of such endeavours presupposes a 'return on investment' in the form of higher tax income, tolls or enhanced growth. Budgetary crises that occur when implemented policies fail to generate the foreseen economic effects raise questions of accountability and risk spreading (Müller, 2003).

Previous examples refer to ongoing programmes that are not yet evaluated. Thus, their SGI related interventions may not yet been assessed regarding their regional development impacts.

The evaluation of development targets, addressed in OPs is realised in recurrent implementation reports and additional evaluation reports. In regards to evaluation of ESIF supported regional development, the evaluation serves to isolate (positive and negative) policy effects from other factors. However, the utilisation of so-called 'impact indicators', implying the measurability of each form of impact has not resulted in the intended feedback loops that shall improve the regional policies and their output (Gaffey, 2013).

**Text Box 57: Impacts of additional public funding****IMPACTS OF ADDITIONAL PUBLIC FUNDING**

It is commonly recognized that additional public spending and public funding, such national or supranational (such as ESIFs) contributions may execute a positive impact on European development and growth objectives. Nevertheless, the added value of public spending depends on various endogenous and exogenous influences such as economic, institutional, political and fiscal that are impacting the outcome ultimately (Del Bo et al., 2011, p. 23).

Furthermore, as Núñez Ferrer and Katarivas (2014) state, the benefits of ESI funding support the various thematic fields differently. Supranational spending exercises a large positive contribution to support to small and medium-sized enterprises (SMEs) and to innovative businesses. In addition, the EU budget provides funding for cohesion targets that would otherwise not be similarly considered with mere national budgets. Furthermore, the authors distinguish between so-called hard, or **tangible contributions** in the form of direct financial investments such as implementing costs or leveraged investments from other private sources and the soft contributions of ESIF that may be described as **intangible benefits** such as common institutional learning processes and the alignment of strategic national planning among the Member States as well as environmental protection. While highlighting the various contribution, it becomes apparent that the value added is very high and that the support that ESIF provide is not negligible. However, whether the EU contribution will achieve its full potential largely depends on the quality with which the supranational funds are planned and implemented by the national authorities (Núñez Ferrer and Katarivas, 2014).

Especially in reference to SGI, ESIF play a significant role. For the 2007-2013 programming period, ERDF and the Cohesion Fund have supplied EUR 240 billion in basic infrastructure of which 40% were allocated to transport and environmental services. Thus, the supranational funds provide local authorities with the financial resources they need in order to mobilise financial resources required for SGI related investments (DEAS et al., 2010a, p. 169)

**Source:** DEAS et al. (2010a); Del Bo et al. (2011); Núñez Ferrer and Katarivas (2014)

Notably, the evaluation practices of SGI related ESIF funded regional development actions are affected by a lack of explanatory legitimacy. First, the assessment of SGI through statistical means implies deviations caused by aggregation on the level of indicators that root back to the shortcomings of quantitative data to display cause-effect relations. Second, the measurement by indicator ignores the complex relations of utilisation-, supply- and requirement-dynamics of SGI that cause spatial inequities. Hence the differentiation from the assessment following the localised needs of the services remains weak and unsatisfactory (Goddard and Smith, 2001). In addition, the usual difficulties for measuring impacts of (possibly relatively small) ESIF investments in relation to other investments are also valid in the case of SGI. In order to overcome these difficulties some evaluation and implementation reports draw on qualitative story-telling examples as illustrated in following box.



**Text Box 58: Case studies for complementing impact information****CASE STUDIES FOR COMPLEMENTING IMPACT INFORMATION**

The example of different Dutch implementation reports highlights that the inclusion of context and qualitative information can complement the quantitative information and enhance the understanding of legitimacy and integrity of the SGI related ESIF investment. The Annual Implementation Report for the ERDF of Gelderland & Overijssel of 2014 (Managementautoriteit Oost-Nederland, 2014) shows how the display of case studies and examples per priority axis can positively influence the appreciation of the co-funded investments. For instance, the statistical indicator of 'Number of projects improving access to alternative forms of transport' is undermined with several street infrastructure provision and improvement projects for motorized and non-motorized vehicles in the city of Zwolle. Thereby the accessibility by both, sustainable and common means of transport to the city is improved and bottlenecks are being removed. Thus, in this case, in addition to improving accessibility, road safety was improved, congestion reduced and motorway access changed. The measures furthermore included other public space investments for contributing to attractiveness of the area of the infrastructure investment.

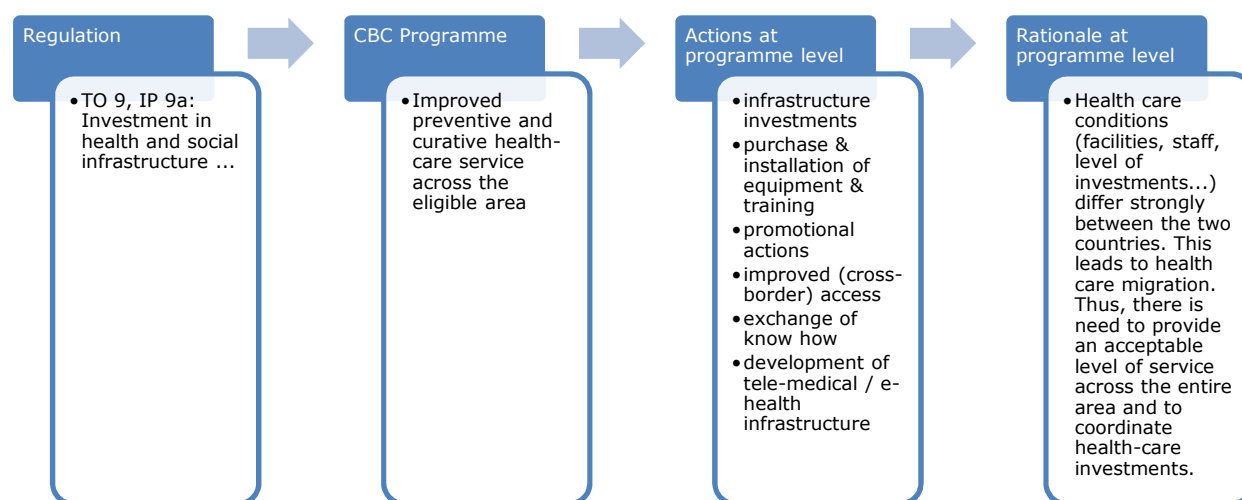
**Source:** Managementautoriteit Oost-Nederland (2014)

**5.4.3. Cross-border operational programmes**

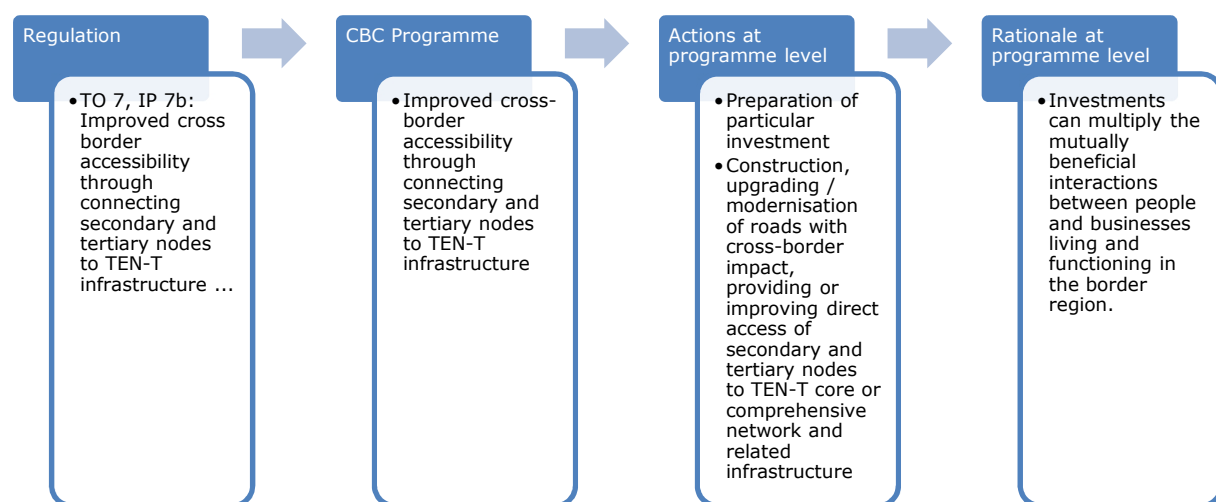
Selected 2014-2020 cross-border OP (Romania-Hungary) has been reviewed in order to identify possible structural differences in comparison to national or regional programmes under the ERDF. In addition, as of the specific role of cross-border programmes, their rationale cannot directly be linked back to one PA. The PAs of all countries participating in a cross-border cooperation (CBC) programme matter. However, since the above analysis indicated that the focus of the PAs was rather directly translated into more precise specific objectives in the corresponding OPs (as anticipated by the regulations), a similar comparison between the PAs and the CBC programmes is not deepened in the following.

Cross-border programmes typically can aim at (a) bridging disparities across borders and/or (b) connecting territories that are not well linked in terms of available infrastructure as a result of a border. Examples of underlying rationales are depicted in the following figures on health and transport for the Romanian-Hungarian CBC programme. The example of the planned actions for improving health care in the border region (see Figure 6) focus on solutions of existing disparities that result in health care migration. Similar support from CBC programmes could be thought of for other SGI that are provided at different levels or in different quality. These actions typically aim not only at improving accessibility to the SGI but also seek harmonise levels of SGI availability, affordability and quality.

The example on the transport infrastructure in contrast illustrates how CBC programmes may be used to overcome lagging network infrastructure in border regions and how these actions may complement the objectives and actions of national or regional programmes focussing on transport infrastructure.

**Figure 6: Logical chain in the field of health care in the 2014-2020 CBC Programme Romania-Hungary**

**Source:** own elaboration based on Regulation (EU) No 1301/2013; Széchenyi Programme Office Non-profit Ltd. (2008)

**Figure 7: Logical chain in the field of transport in the 2014-2020 CBC Programme Romania-Hungary**

**Source:** own elaboration based on Regulation (EU) No 1301/2013; Széchenyi Programme Office Non-profit Ltd. (2008)

Similar rationales may be found in other cross-border programmes for investments in transport infrastructure. Health care is less frequently tackled in cross-border programmes as indicated in below table. In fact, only six of 44 cross-border cooperation programmes approved so far tackle thematic objective 9 (see Table 5). In particular in cases where considerable health provision disparities exist, these rationales are applied in cross-border cooperation programmes. In addition, similar approaches are also found in programmes where SGI are difficult to provide e.g. as a result of geographical features (mountain areas) or similar.

**Table 5: Relevance of TOs in CBC programmes 2014-2020**

TO	NUMBER OF CBC PROGRAMMES
TO 6 (environment and resource efficiency)	40
TO 1 (research and innovation)	26
TO 11 (institutional capacity)	24
TO 7 (sustainable transport)	20
TO 3 (SME)	17
TO 8 (employment)	16
TO 5 (adaptation)	15
TO 10 (education)	13
TO 4 (low carbon)	8
TO 9 (social inclusion)	6
TO 2 (ICT)	1

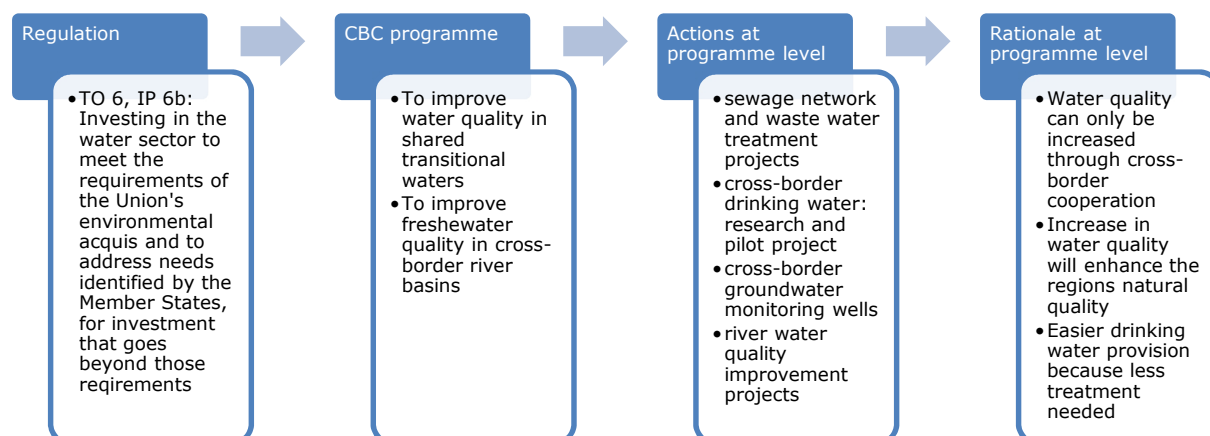
**Source:** own elaboration based on European Commission<sup>28</sup>

Apart from transport cross-border cooperation programmes 2014-2020 most often cover the thematic objectives dealing with environmental protection (TO 6) and research and innovation (TO 9). The latter two however often refer to issues other than SGI. In contrast, TO 2 dealing among others with broadband provision is hardly considered in CBC programmes.

Within TO 6, actions improving water quality are those most relevant for SGI considerations. Common measures to improve the quality of ground-water bodies as well as the establishment of common water quality monitoring networks can be found in numerous OPs. Given, that aquifers and rivers represent important components of the European freshwater provision mechanisms, and commonly spread across administrative borders, CBC helps to prevent avoidable pollution. The targeted activities in relation to water management need a high level of cooperation between authorities, which is considered by the CBC programme as indicated in Figure 8.

<sup>28</sup> The review is based on 44 cross-border cooperation programmes 2014-2020, available at: [http://ec.europa.eu/regional\\_policy/en/atlas/programmes?search=1&keywords=Interreg+V-A&periodId=3&countryCode=ALL&regionId=ALL&objectiveId=ALL&tObjectiveId=ALL](http://ec.europa.eu/regional_policy/en/atlas/programmes?search=1&keywords=Interreg+V-A&periodId=3&countryCode=ALL&regionId=ALL&objectiveId=ALL&tObjectiveId=ALL)

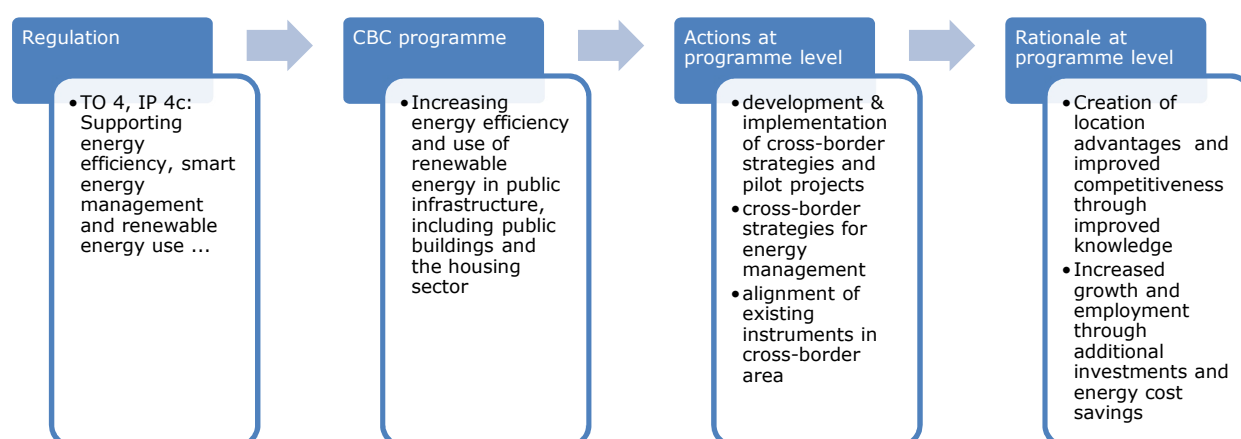
**Figure 8: Logical chain in the field of water management in the 2014-2020 CBC Programme United Kingdom-Ireland**



**Source:** own elaboration based on Special EU Programmes Body (2015)

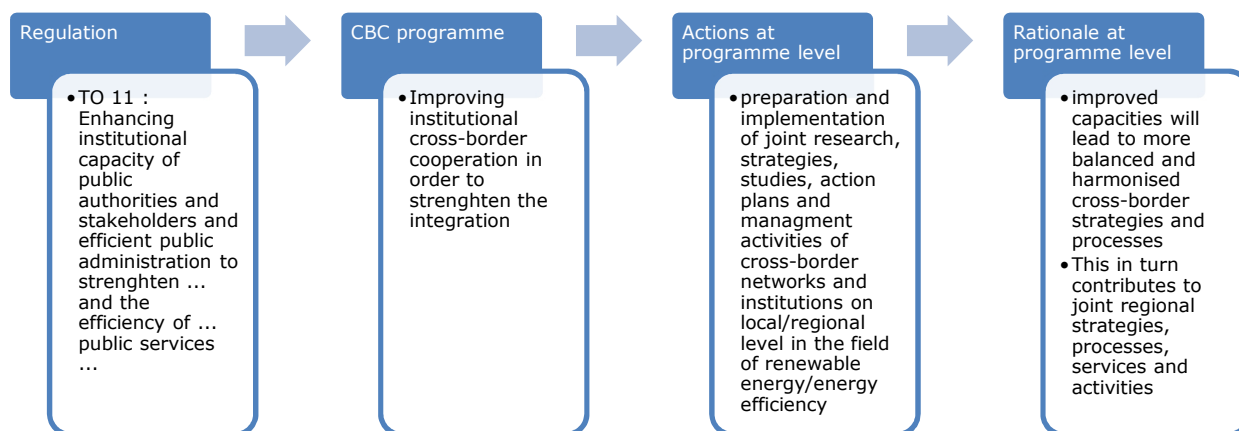
Energy-related SGI are subject of some CBC programmes under TO 4 and are partially also covered under TO 11. Under TO 4 CBC programmes typically deal with improving cross-border energy management and the development of common strategies. Infrastructure investments are usually only relevant as far as pilot actions are concerned. When energy related SGI are considered under TO 11, the programme e.g. aims to improve the quality of regional energy supply by better capacity building in the cross-border region. Below figures illustrate the corresponding rationales under both TOs.

**Figure 9: Logical chain in the field of energy management in the 2014-2020 CBC Programme Alpenrhein-Bodensee-Hochrhein**



**Source:** own elaboration based on Regierungspräsidium Tübingen (n.d.)

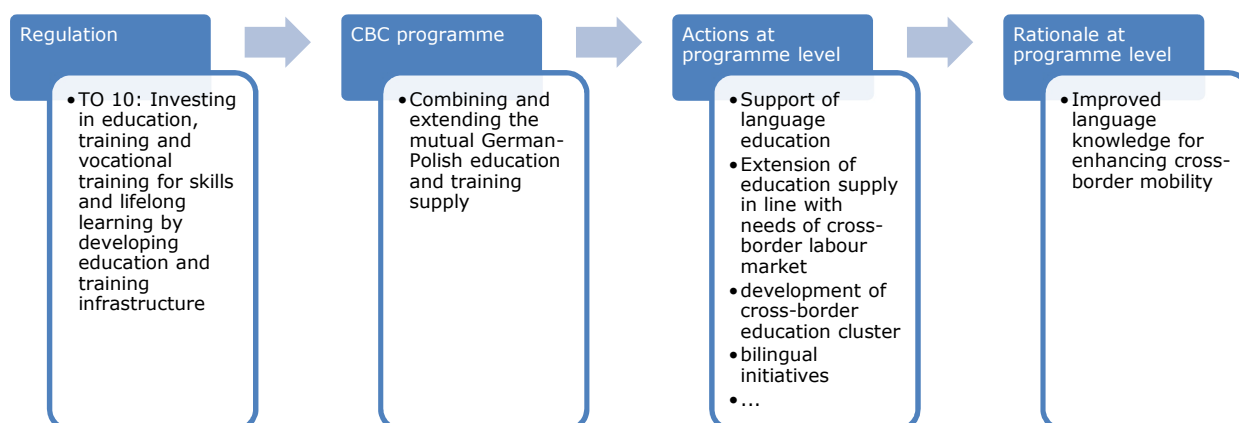
**Figure 10: Logical chain in the field of regional energy supply in the 2014-2020 CBC Programme Austria-Hungary**



**Source:** own elaboration based on Regionalmanagement Burgenland GmbH (2015)

Apart from these SGI related examples and TOs in particular education related SGI are tackled in a number of CBC programmes. In these cases the mutual use of often bilingual education centres, schools etc. is at the heart of the interventions in order to enhance the integration of inhabitants, businesses and institutions in the cross-border area.

**Figure 11: Logical chain in the field of education in the 2014-2020 CBC Programme Poland-Saxony**



**Source:** own elaboration based on Ministry of Infrastructure and Development (2015)

Thus, it can be concluded that CBC programmes partly contribute directly to the provision of SGI and their infrastructure and partly provide the grounds for their provision (to be financed then through other channels).

## 5.5. Conclusions

The contributions of SGI to regional development are various and not simple to measure. Numerous interdependencies between SGI and different types of effects for different SGI need to be considered. Cause-effect relationships are not as linear as proposed by many policy documents (e.g. OPs). Even though the provision of SGI influences the distribution and decisions of people and enterprises directly, the distribution of people and enterprises influences the provision of SGI retroactively. Taking this into consideration, not least the provision of SGI in shrinking or lagging regions requests a political debate for realistically addressing SGI.

Not least because of the limited evidence on impacts of ESIF funded SGI provision it is difficult to assess a clear pattern of how ESIF supported SGI contribute to territorial cohesion or other cohesion objectives. Even if contributions to regional development are measured or described in evaluations and implementation reports, these usually focus more generally on selected regional development aspects or specific objectives of the corresponding actions rather than on cohesion objectives if these are not explicitly mentioned in the specific objectives. In particular territorial cohesion is more often at the centre of interest in ETC programmes, in particular transnational cooperation programmes.

ESIF support for SGI provision is typically used to develop new or upgrade existing infrastructure or, as in the case of European Territorial Cooperation, to develop new approaches to improve the delivery of SGI. However, the operation and management of SGI as such is not ESIF funded since these actions usually fall under the responsibility of the respective state or region and represent permanent tasks not to be supported by ESIF. Somewhat different is the use of non-financial cohesion policy instruments such as the EGTC legal instrument: As shown by the example of the cross-border hospital in Cerdanya, an EGTC may be established to manage a hospital across national borders, though its costs are covered as in any other hospital through the patient fees. In this case, however, ERDF was used for the development of the infrastructure as such.

Little may be found on ESIF contribution to promoting innovative SGI provision in mainstream programmes. At least partly, this may be the result from a relatively strong focus of ESIF support in mainstream programmes on infrastructure investments. Analysed examples show that there may be some potential for using ESIF in support of innovative SGI if the support focuses on the development of new governance and regulation structures rather than infrastructure as such. This way, new processes of SGI provision could be supported that are better aligned to regional needs. This is also visible in corresponding ETC approaches, in particular in transnational cooperation programmes. At the same time, this highlights the need to look beyond regional or national borders, which could be another inspiration for mainstream programmes when aiming to support SGI provision in coherence with regional needs.

Finally, the question arises, whether and how ESIF funding may make a difference to SGI provision as such. In this context different access points should be considered:

- Seven-year programming periods imply that ESIF support is often more stable than regional and/or national investment decisions. European funding is less dependent on regional and/or national election results once an OP is adopted. Thus, it may provide additional 'investment security' for the regional population and firms and can stimulate financial national and private contributions.

- The added value of ESI funded SGI does not only comprise tangible effects but also intangible effects, which may be more important for long-term developments. These intangible effects include an enhance focus on evaluation and quality control, improved collaboration of stakeholders in decision-making and implementation phases and exchanges of good practice.
- ESIFs focus on jobs and growth; SGI are primarily approached as levers in these respects. This approach may be complementary to those of national and regional authorities, for which SGI are an end in themselves.
- At times of austerity measures ESIF can furthermore contribute to achieve a 'minimum' level of investment activities, in particular for reinvestments of SGI infrastructure in need of refurbishment.
- Nevertheless, the question arises in how far different perspectives of SGI support by ESIF should be reinforced in different European regions, more strongly taking into account the development of innovative SGI, 'thinking' beyond borders etc.





## 6. CONCLUSIONS

### The challenges of formulating European policy options for SGI

Evidence shows that formulating European policy options for SGI is difficult:

- While SGI can be considered as “the symbol of the European social model”, appropriate levels of basic SGI provision can only be defined taking into account each territorial and social context.
- ‘Negative integration’ driven by the Court of Justice of the EU and by the national courts contributes to give economic liberalisation precedence to social concerns in European integration. Legislative initiatives cannot follow the same pace as this legally driven negative integration.
- There is no evidence that an integrated SGI policy for geographically specific areas (mountain areas, islands, sparsely populated areas) would be purposeful.
- Current situations with regard to access to SGI and quality of SGI are very contrasted across Europe. This suggests that required policy options are equally diverse.
- Main disparities with regards to SGI access are at the sub-regional level. ESIF are primarily implemented at the level of NUTS 2 regions.

### The importance of pro-active SGI policies

Nonetheless, a series of factors indicate the need for pro-active policy measures in to support SGI provision:

- Market liberalisation, and the wide range of solutions implemented for the privatisation of public services require major capacity building efforts among local, regional and national authorities. In the absence of such efforts, gains in productivity and efficiency linked to the involvement of private actors may be outweighed by failures linked to inadequate management of procurement procedures, specifications of SGI deliveries and quality controls.
- The economic crisis has led to a significant deterioration of SGI provision in some European countries, which some commentators perceive as challenging the European model of society. This calls for targeted efforts to preserve the quality and affordability of SGI provision.
- There is extensive potential for improvement of SGI provision in cross-border areas, e.g. through an adaptation or alignment of national norms and regulation and improved dialogue and cooperation between actors separated by national borders.
- Investments in SGI-related infrastructure can effectively contribute to regional development when they are based on analyses that have identified the lack of such services as a development bottleneck. In these cases, SGI may contribute to allow regions to unleash their development potentials.
- Without pro-active SGI policies, contrasts between remote and urbanised areas will increase. This may enhance demographic and economic polarisation.

### Current contribution of ESIF to SGI focus on infrastructure investments

The assessment of current contribution of ESIFs to SGI has shown that there is limited evidence. The main focus is primarily on supporting SGI-relevant infrastructure investments, maintenance and upgrades. Additional SGI-relevant activities include training and capacity building within public administrations. Examples of ESIF initiative to promote innovations in the field of SGI are few.

- A number of ex-ante conditionalities of ESIF are linked to SGI provision. Most of them deal with the existence of strategic policy frameworks for the provision of SGI.
- Partnership agreements of Member States focus on infrastructure investments in combination with infrastructure improvements, depending on their respective situation
- Individual OPs often include an SGI component, combined endogenous development logic (SGI as levers to reveal local potentials) and an exogenous development logic (SGI to attract foreign investors)
- There are intangible benefits of ESIFs such as common institutional learning processes, the alignment of strategic national planning in different Member States and enhanced environmental protection.
- The sectoral dimension tends to be stronger than the focus on cohesion in mainstream programmes. Cohesion plays a more important role in ETC programmes.
- Strengthening the role of SGI within ESIF during the current programming period would primarily need to be based on awareness-raising measures targeting programme managing authorities and monitoring committees as well as potential project applicants. The role of cross-border and transnational programmes disseminating good practices and experiences is important to emphasize in this respect. However, the main perspectives for an enhanced involvement of ESIF in the promotion of SGI can be envisaged after the 2014-2020 programming period.

### **Enhancing the role of SGI in Cohesion Policy after the 2014-2020 programming period:**

- The notion of 'public interest' is multifaceted and complex, and trying to promote pan-European norms could prove counterproductive considering the diversity of situations encountered across Europe. However, **ESIF could play a role promoting more collaborative approaches to the definition of 'public interest' within each sector and geographical setting**. This would usefully complement legally driven processes of privatisation of SGI delivery, which need to be complemented by pro-active public policies to organise public procurement procedure, quality controls, monitoring and evaluation so as to preserve the public interest.
- Cohesion policy can to a greater extent be promoted as a **complement to competition policy** with regards to SGI. This would for example imply that ESIF explicitly seek to address challenges and pitfalls of SGI outsourcing and PPP that are extensively observed in the literature, but have so far had limited policy implications at the European and national scales.
- Part of the added-value of ESIF lie in the integrated, territorial approaches and multiannual programming. Their contributions to SGI provision therefore need to be

encouraged to be **less sectoral and more cohesion-oriented**. Plans for balanced and coordinated SGI provision may for example be required as an ex-ante conditionality.

- Differences when it comes to access to SGI are primarily observed at **the sub-regional level**, e.g. opposing areas within daily mobility distance from towns and cities and more remote areas. Integrated SGI provision plans therefore need to be formulated at this level to guide ESIF, as well as monitoring of patterns and trends of access to SGI.
- EGTCs are a promising interest for the promotion of SGI at the cross border and transnational levels. **ESIF could integrate the creation of SGI-related EGTCs** in the Operational Programmes, in view of stimulating outward-looking dynamics and lasting cooperative arrangements.
- There are few examples of innovative SGI provision being promoted by ESIF. Encouraging a more transnational perspective in mainstream ESIF programmes could help them to implement **transfers of good practice and experience, e.g. in the fields of e-services**. This could become a dedicated component of future ESIF, as it is also a major vector of European integration.
- Limited SGI provision in remote and isolated areas is linked to its high costs. The issue is whether savings made by reducing the service offer are effectively blocking economic development initiatives. **Improved frameworks for assessing development opportunities in remote areas** may guide ESIF efforts to promote SGI investments. E-services also play an important role in these areas, alongside with other innovations to compensate for the lack of economies of scale.
- Social economy is an increasingly important actor of SGI provision, although this trend takes different forms across the European Union. European-level initiatives to ensure that **social economy initiatives would benefit from ESIF support**, e.g. to set up new structures ('seed money'), to provide guidance and training or to provide infrastructures that could later be operated through cooperative or other social economy structures would enhance the role of SGI. Such initiatives would also help to specify the principles of the European model of social market economy.



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## ANNEXES

### ANNEX A: REFERENCES TO SGI IN THE TREATIES

#### Article 14 TFEU

*"[...] given the place occupied by services of general economic interest in the shared values of the Union as well as their role in promoting social and territorial cohesion, the Union and the Member States, each within their respective powers and within the scope of application of the Treaties, shall take care that such services operate on the basis of principles and conditions, particularly economic and financial conditions, which enable them to fulfil their missions."*

#### Article 106(2) TFEU

*"Undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly shall be subject to the rules contained in the Treaties, in particular to the rules on competition, in so far as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them. The development of trade must not be affected to such an extent as would be contrary to the interests of the Union."*

#### Article 36 of the Charter of Fundamental Rights of the EU

*"The Union recognises and respects access to services of general economic interest as provided for in national laws and practices, in accordance with the Treaty establishing the European Community, in order to promote the social and territorial cohesion of the Union."*

#### Protocol 26 on SGI

##### Article 1

*"The shared values of the Union in respect of services of general economic interest within the meaning of Article 14 of the Treaty on the Functioning of the European Union include in particular:*

- the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organising services of general economic interest as closely as possible to the needs of the users;*
- the diversity between various services of general economic interest and the differences in the needs and preferences of users that may result from different geographical, social or cultural situations;*
- a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights."*

##### Article 2

*"The provisions of the Treaties do not affect in any way the competence of Member States to provide, commission and organise non-economic services of general interest."*

## ANNEX B: EUROPEAN STAKEHOLDER ORGANISATIONS IN THE FIELD OF SGEI

SOCIAL SERVICES	
The European Older People's Committee	<a href="http://www.age-platform.eu">www.age-platform.eu</a>
Caritas Europa	<a href="http://www.caritas-europa.org">www.caritas-europa.org</a>
Housing Europe - European Federation of Public, Cooperative & Social Housing	<a href="http://www.housingeurope.eu">www.housingeurope.eu</a>
The European Confederation of cooperatives and worker-owned enterprises active in industry and services	<a href="http://www.cecop.coop">www.cecop.coop</a>
Comité européen des associations d'intérêt général	<a href="http://www.cedag-eu.org">www.cedag-eu.org</a>
The European Centre of Employers and Enterprises providing Public Services (CEEP)	<a href="http://www.ceep.eu">www.ceep.eu</a>
European Liaison Committee on Services of General Interest	<a href="http://www.celsig.org">www.celsig.org</a>
Confederation of Family Organisations in the European Union	<a href="http://www.coface-eu.org">www.coface-eu.org</a>
Cooperatives Europe	<a href="http://www.coopseurope.coop">www.coopseurope.coop</a>
European Federation of Public Service Unions	<a href="http://epsu.org">epsu.org</a>
European Anti-Poverty Network	<a href="http://www.eapn.eu/en">www.eapn.eu/en</a>
European Association of Service Providers for Persons with Disabilities	<a href="http://www.easpd.eu">www.easpd.eu</a>
European Foundation Centre	<a href="http://www.efc.be">www.efc.be</a>
European Trade Union Confederation	<a href="http://www.etuc.org">www.etuc.org</a>
Eurodiaconia	<a href="http://www.eurodiaconia.org">www.eurodiaconia.org</a>
European Foundation for the Improvement of Living and Working Conditions (EUROFOUND)	<a href="http://www.eurofound.europa.eu">www.eurofound.europa.eu</a>
European Platform for Rehabilitation	<a href="http://www.epr.eu">www.epr.eu</a>
Social Platform	<a href="http://www.socialplatform.org">www.socialplatform.org</a>
Solidar	<a href="http://www.solidar.org">www.solidar.org</a>
European Metropolitan Transport Authorities	<a href="http://www.emta.com">www.emta.com</a>
European Airport Coordinators Association	<a href="http://www.euaca.org">www.euaca.org</a>
Community of European Railway and Infrastructure Companies	<a href="http://www.cer.be">www.cer.be</a>
European Union Road Federation	<a href="http://www.erf.be">www.erf.be</a>
International Association of Public Transport	<a href="http://www.uitp.org">www.uitp.org</a>
European Industrial Gases Association	<a href="http://www.eiga.eu">www.eiga.eu</a>
Union of the Electricity Industry	<a href="http://www.eurelectric.org">www.eurelectric.org</a>

EurEau - Europe's drinking water and waste water service operators	<a href="http://eureau.org">eureau.org</a>
European Network of Education Councils	<a href="http://www.eunec.eu">www.eunec.eu</a>
European Trade Union Committee for Education	<a href="http://www.csee-etuce.org">www.csee-etuce.org</a>
European Network for Education and Training	<a href="http://www.european-net.org">www.european-net.org</a>
European Public Health Alliance (EPHA)	<a href="http://www.epha.org">www.epha.org</a>
European Patients forum	<a href="http://www.eu-patient.eu">www.eu-patient.eu</a>
European Public Health Association (EUPHA)	<a href="http://www.eupha.org">www.eupha.org</a>
EuroHealthNet	<a href="http://www.eurohealthnet.eu">www.eurohealthnet.eu</a>
European Union National Institutes for Culture	<a href="http://www.eunic-online.eu">www.eunic-online.eu</a>
Culture Action Europe	<a href="http://www.cultureactioneurope.org">www.cultureactioneurope.org</a>

*This table is illustrative only, and does not lay claim to exhaustiveness*

**Source:** own elaboration

## ANNEX C: THEMATIC PERSPECTIVES OF ESIF IN RELATION TO SGI

**Table 6. Thematic perspectives of ESIF in relation to SGI**

TO	SGI LINKED INVESTMENT PRIORITIES			
	CF	ERDF	ESF	EAFRD
<b>TO 2 (ICT)</b>		<ul style="list-style-type: none"> <li>- extending broadband deployment and the <b>roll-out of high-speed networks</b> and supporting the adoption of emerging technologies and networks for the digital economy</li> <li>- strengthening ICT applications for e-government, <b>e-learning</b>, e-inclusion, e-culture and <b>e-health</b></li> </ul>		<ul style="list-style-type: none"> <li>- enhancing the <b>accessibility, use and quality</b> of <b>ICT</b> in rural areas</li> </ul>
<b>TO 4 (low carbon)</b>	<ul style="list-style-type: none"> <li>- developing and implementing <b>smart distribution systems</b> that operate at low and medium voltage levels;</li> <li>- promoting <b>low carbon strategies</b> for all types of territories, in particular for urban areas, including the promotion of sustainable <b>multimodal urban mobility</b> and mitigation relevant adaptation measures</li> </ul>			
<b>TO 6 (environment and resource efficiency)</b>	<ul style="list-style-type: none"> <li>- <b>investing in the waste sector</b> to meet the requirements of the Union's environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;</li> <li>- <b>investing in the water sector</b> to meet the requirements of the Union's environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements</li> </ul>			<ul style="list-style-type: none"> <li>- improving <b>water management</b>, including fertiliser and pesticide management</li> </ul>
<b>TO 7 (sustainable transport)</b>	<ul style="list-style-type: none"> <li>- supporting a multimodal Single European Transport Area by <b>investing in the trans-European Transport Network (TEN T)</b>;</li> <li>- developing and improving environmentally friendly (including low noise) and low carbon <b>transport systems</b>, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility;</li> <li>- developing and rehabilitating comprehensive, high quality and interoperable <b>railway systems</b>, and promoting noise reduction measures;</li> </ul>			

		<ul style="list-style-type: none"> <li>- enhancing regional mobility by connecting <b>secondary and tertiary nodes to TEN-T infrastructure</b>, including multimodal nodes;</li> <li>- Improving energy efficiency and security of supply through the <b>development of smart energy distribution, storage and transmission systems</b> and through the integration of distributed generation from renewable sources.</li> </ul>		
<b>TO 8 (employment)</b>		<ul style="list-style-type: none"> <li>- investing in <b>infrastructure for employment services</b></li> </ul>	<ul style="list-style-type: none"> <li>- Modernisation of labour market institutions, such as public and private <b>employment services</b>, and improving the matching of labour market needs, including through actions that enhance transnational labour mobility as well as through mobility schemes and better cooperation between institutions and relevant stakeholders</li> </ul>	
<b>TO 9 (social inclusion)</b>		<ul style="list-style-type: none"> <li>- <b>investing in health and social infrastructure</b> which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services</li> </ul>	<ul style="list-style-type: none"> <li>- Enhancing access to <b>affordable, sustainable and high- quality services</b>, including health care and social services of general interest</li> </ul>	
<b>TO 10 (education)</b>		<ul style="list-style-type: none"> <li>- investing in education, training and vocational training for skills and lifelong learning by <b>developing education and training infrastructure</b></li> </ul>	<ul style="list-style-type: none"> <li>- Improving the <b>quality and efficiency of, and access to, tertiary and equivalent education</b> with a view to increasing participation and attainment levels, especially for disadvantaged groups</li> </ul>	<ul style="list-style-type: none"> <li>- fostering lifelong learning and <b>vocational training</b> in the agricultural and forestry sectors</li> </ul>
<b>TO 11 (institutional capacity)</b>			<ul style="list-style-type: none"> <li>- Investment in institutional capacity and in the efficiency of public administrations and <b>public services</b> at the national, regional and local levels with a view to reforms, better regulation and good governance</li> <li>- Capacity building for <b>all stakeholders delivering education</b>, lifelong learning, training and employment and social policies, including through sectoral and territorial pacts to mobilise for reform at the national, regional and local levels</li> </ul>	

**Source:** Regulation (EU) No 1301/2013; Regulation (EU) No 1303/2013; Regulation (EU) No 1304/2013; Regulation (EU) No 1305/2013)







## DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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