Investing in jobs and growth - Maximising the contribution of European Structural and Investment Funds: an evaluation of the report under Article 16(3) of the CPR

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PURPOSE: maximising the contribution of European Structural and Investment Funds (ESIF) to employment and growth as well as the Commission's priorities for the next few years.

BACKGROUND: with a budget of **EUR 454 billion for 2014-2020**, the European structural and investment funds are the European Union's (EU's) main investment policy tool. By 2023, the ESIFs will deliver a critical mass of investment in key EU priority areas, to respond to the needs of the real economy by supporting job creation and by getting the European economy growing again in a sustainable way.

The financial crisis wiped out the gains from economic convergence achieved in several European regions and Member States since 2000, thus reversing the trend of reducing regional disparities and poverty. Progress towards Europe 2020 targets has been uneven.

In the post-crisis period, and in a climate of declining overall investment, the Commission considers it necessary to **maximise the impact of the ESIFs**, especially as they provide the majority of public investment in many countries.

The ESIFs contribute to the Investment Plan for Europe and complement the European Fund for Strategic Investments (EFSI). They will make a substantial contribution to the new **Commission's political priorities**: the digital single market, the energy union and climate change policies, the single market and economic governance, in line with the European Semester country-specific recommendations.

CONTENT: in accordance with the requirements of Article 16(3) of the Common Provisions Regulation, the communication presents the main results of negotiations between Member State authorities and their partners, including regional and local actors, and the European Commission, on their investment programmes further to the ESIF reform.

ESIF investments in the current context: the ESIFs have become more important in public investment, compensating for decreasing investment levels: in 2014-2016, the commitments from ESIFs are expected to account for approximately **14% of total public investment** on average, with the highest share reaching beyond 70% in some Member States.

Following the lessons learned from previous programming periods and taking into account the need for better use of ESIFs, the 2014-2020 regulations introduced several key reforms:

- there is a clear move towards a **more focused policy approac**h, a stronger **results** orientation, solid framework conditions for investments, better coordinated use of ESIF funding through the common strategic framework, and improved links between EU priorities and regional needs;
- the European Semester and country-specific recommendations play a major role: more than two-thirds of the CSRs adopted in 2014 were relevant for cohesion policy investment and have been taken into account in Member States' programme priorities;

- ESIFs **focus on key investment areas** and obstacles to growth. Furthermore, sustainable development and climate change concerns have been mainstreamed in all ESIF funding;
- in the context of the Investment Plan for Europe, **the Commission strongly encourages the use of financial instruments instead of traditional grants in ESIF funding**, in areas such as SME support, CO2 reduction, environmental and resource efficiency, ICT, sustainable transport, R&I;
- the new regulatory framework provides significant possibilities for **simplification,** particularly in relation to common eligibility rules, simplified cost options and e-governance;
- **partnership and multi-level governance** have been improved for the delivery of better programmes;
- there is a greater focus at **local level** and investment in tackling concentration of territorial challenges.

Expected results: the Commission indicates that for 2014-2020, EUR 454 billion in ESIF funding has been allocated to promote job creation and growth. **National co-financing is expected to amount to at least EUR 183 billion, with total investment reaching EUR 637 billion**.

The communication gives an overview of the expected achievements of ESIF funding channelled through the 456 national (thematic) and regional programmes and the 79 Interreg cooperation programmes.

Funding primarily concerns the following areas:

1) Research and innovation (R&I), information and communication technologies (ICT) and SME development: the ESIFs contribute EUR 121 billion to reaching the EU's smart growth objectives, and therefore to improving R&I, SME competitiveness and the digital single market. Key figures related to the achievements expected are as follows:

- **129 460 companies** will receive support to increase their R&I capacity. Jobs will be created for 29 370 new researchers and projects will help companies introduce 15370 new products to the market;
- **14.6 million additional households will have access to high-speed broadband** with ERDF support, while 18.8 million people in rural areas will have new or improved ICT services or infrastructure under the EAFRD.

2) Environment, climate change, energy and transport: the ESIFs will support the development of the energy union by more than doubling the funds allocated to the low-carbon economy, to EUR 45 billion for 2014-20. The focus will be on energy efficiency.

Environmental protection will continue to receive substantial support — expanded in scope, and geared towards innovative solutions. This will help the **water and waste management sectors** across many Member States to regenerate cities, support nature protection, aid EU industries to become more resource efficient, and contribute to reaching the EU circular economy objectives.

Investments in **climate change adaptation** and risk prevention include a broad range of measures, including flood prevention and ecosystem-based measures such as green infrastructure which aim at protecting 13.3 million people from floods and 11.8 million from forest fires while making a positive impact on jobs and growth.

In the area of transport, ESIFs will: (i) finance infrastructure projects aiming to close missing links and remove bottlenecks, especially in the less developed Member States and regions; (ii) provide considerable support for making transport in Europe more efficient and greener.

3) Employment, social inclusion and education: a total of **EUR 120 billion**, predominantly funded by the European Social Funds but with the support of the other ESI Funds as well, will be invested in this area. This support for employment is expected to improve the job finding chances of 10 million unemployed people and ensure that 2.3 million people are in employment, including self-employment.

Most Member States will invest in **vocational education and training** to improve both the relevance of education and training systems and the transition from education to work and life-long learning. Most funding in this area will however be concentrated on preventing early school leaving. It is expected that 4.1 million under-25-year-olds will be supported and 2.9 million people will gain a qualification.

Implementing the **youth employment initiative** (YEI) is expected to help 3.1 million unemployed or inactive participants complete a YEI project.

4) Strengthening institutional capacity and efficient public administration: the ESIFs support the creation of stable and predictable institutions that are also able to react to societal challenges, open for dialogue with the public, and embrace technological change in the delivery of better services. 17 Member States will invest EUR 4.2 billion (ESF/ERDF) in institutional capacity building, depending on their individual needs.