

European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund, 2007-2013

2004/0163(AVC) - 14/07/2004 - Document attached to the procedure

COMMISSION'S IMPACT ASSESSMENT

For further information about the context of this issue, please refer to the summary relating to the Commission's initial proposal COM(2004)0492 dated 14/07/2004.

1- POLICY OPTIONS AND IMPACTS

Two main policy options were evaluated by the Commission prior to drawing up its proposals.

1.1- Option 1: Keeping the status quo. This option was assessed from three perspectives – the thematic priorities, implementation modes and the adequacy of the budgetary resources allocated.

- **Thematic priorities:** the scope of eligibility of the current Objective 1 is appropriate given the broad variety of needs of regions whose development is lagging behind in their process of convergence. On the other hand, the current Objective 2 has been less successful because of the wide dispersion of projects over too many areas. This meant that inadequate support was given to the key determinants of competitiveness. In addition, the synergies between interventions funded by the ESF under Objective 3 and those funded by the ERDF were not exploited to a maximum. It is therefore vital to ensure greater thematic concentration to promote competitiveness while also ensuring greater complementarity between ERDF and ESF activities.

For interventions supported by the ESF, the link between the Fund and the European Employment Strategy has been effective. However, the current scope of the Fund's intervention does not allow the three revised strategic objectives (full employment, quality and productivity in work and social inclusion) to be adequately addressed.

As to the Cohesion Fund, the environment and sustainable development sector had experienced absorption problems in some (of the then) future Member States. This requires a response in the form of the strengthening of institutional capacity.

- **Implementation procedures:** current methods for managing the Structural Funds have been complex. There have been demands from Member States for these to be lightened to facilitate management and execution of credits. The scope for simplification, however welcome it might be, remained limited given the need to respect the legal framework.

- **Adequacy of budgetary resources:** if the current levels were to be maintained, given the doubling of the population eligible under the Convergence Objective, aid intensity would fall considerably.

1.2- Option 2: A reformed and targeted policy, focused on the Union's priorities: the policy objective is, firstly, to concentrate the Member States' and regions' interventions co-financed by the Community budget on the strategic priorities defined at Community level and, secondly, to ensure closer synergy between cohesion policy and its financial instruments with the annual debate on the implementation of the Lisbon Strategy, at the Spring European Council.

Simplification based on subsidiarity and decentralisation: several key aspects of implementation will be simplified and decentralised. Multiannual programming currently involving three stages, each with implications for the management of programmes, will be reduced to two stages, the second only playing a management role: a political stage; the adoption by the Commission of a strategic reference framework proposed by the Member State concerning the three policy priorities. This framework will be the basis of the agreement between the Member State, the regions and the Commission for the aid for the aid over the period.

There will then be a more decentralised operational stage: adoption by the Commission of Member States' thematic and regional operational programmes. This document will not contain, as is currently the case, the programme complement listing precise measures that will be co-funded, but only the priorities of the intervention, which will leave the Member States and managing authorities greater flexibility.

Financial instruments: simplification is introduced with the reduction of the funds involved in interventions from the current six to three, i.e. the ERDF, ESF and Cohesion Fund. Programmes will also be mono-fund – each fund concentrating on their area of intervention, but with the possibility to fund, to a limited extent, activities that are closely linked with those of the other funds.

Impacts

Economic: regions falling under the Regional Competitiveness objective are expected to see net rises in employment levels. It is estimated that one-third of the necessary jobs to meet the target of 70% set in Lisbon for these regions will result from Structural Fund interventions. About a million SMEs are expected to benefit from support. In the so-called Convergence regions, GDP is expected to rise between 8% in Hungary and 16% in Poland over the period. Employment in these regions is expected to rise between 4-6% in Hungary and 10% in the Czech Republic. Productivity is expected to rise by 4% in the Czech Republic, 6% in the Baltic States and 7% in Poland. There will be a multiplier effect on investment that is expected to rise on average by 30% over the period.

Social: the Funds (ESF, Cohesion fund and ERDF) will make a decisive impact on the achievement of the Lisbon targets in the field of employment. Their interventions will strengthen economic and social cohesion by supporting policies aiming to increase employment, improve quality and productivity at work and promote social inclusion and the reduction of regional employment disparities. In particular, the ESF shall support actions in the framework of the European Employment Strategy which underpins the achievement of the employment targets of the Lisbon strategy.

In this respect, the Funds' interventions will have a particular impact on :

- workers and unemployed people: the Funds will support the integration of all into the labour market, enhance the employment potential and develop skills and expertise in line with the changing requirements of the labour market;
- systems and structures: the Funds will make a significant contribution to the development and modernization of structures and systems which are indispensable to tackle the labour market challenges;
- social inclusion: interventions will contribute to narrowing social disparities and to reducing poverty by supporting policies addressing the needs of people who face significant problems with entering and integrating into the labour market;
- institution building: particularly in the regions lagging behind, the Funds, through the FSE interventions, will reinforce the ability of Member States and regions to contribute to the European Union's objectives and to fulfil the conditions and obligations arising from membership, by enhancing their administrative capacities.

Environmental: there will be a number of positive environmental benefits arising from Structural Fund interventions such as the encouragement of renewable energies, the use of clean technologies and anti-pollution measures.

Other impacts: cohesion policy, in all its dimensions, contributes to achieving the Lisbon objectives, by enhancing the harmonious, balanced and sustainable development of the Union, by mobilising the Union's unused potential, and therefore boosting economic performance, and at the same time by reducing economic and social disparities between Member States, regions and citizens, especially in the context of an enlarged Union. By focusing on investment in a limited number of Community priorities, reflecting the Lisbon and Gothenburg agendas, the Community intervention can be expected to bring about a leverage effect and significant added value. Areas likely to benefit in particular are transport infrastructure and innovation and research.

There will also be non-economic Community value-added effects stemming from the methods of managing the Structural Funds such as programming, evaluation, partnership, cooperation, concentration or additionality which will shape new methods of governance among their beneficiaries.

2. FOLLOW-UP

The results of the policy will be monitored at two levels:

- at strategic level, annual reports by the Member States and the Commission's report on the implementation of the strategic guidelines of economic, social and territorial cohesion.
- at operational level by means of an *in itinere* evaluation, and an annual report for each programme.
- the establishment for each operational programme, of a monitoring committee to ensure that the interventions are effective and of a high quality.
- the organisation of annual meeting to check the progress of programmes and their results, to suggest improvements in implementation, where required.