Procedure file

Basic information

INI - Own-initiative procedure	2014/2245(INI)	Procedure completed
Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union Subject 4 Economic, social and territorial cohesion		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	REGI Regional Development		22/09/2014
		DEUTSCH Tamás	
		Shadow rapporteur	
		BRESSO Mercedes	
		TOMAŠIĆ Ruža	
		VAN MILTENBURG Matthijs	
		REINTKE Terry	
		ADINOLFI Isabella	
	Committee for opinion	Rapporteur for opinion	Appointed
	FEMM Women?s Rights and Gender Equality		02/02/2015
		GIRLING Julie	
	CULT Culture and Education		04/11/2014
		COSTA Silvia	
	ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
	BUDG Budgets		20/01/2015
		DENANOT Jean-Paul	
	ITRE Industry, Research and Energy		
	ECON Economic and Monetary Affairs		22/01/2015
		MAVRIDES Costas	
	EMPL Employment and Social Affairs		21/01/2015
		JAZŁOWIECKA Danuta	

European Commission	Commission DG	Commissioner
	Regional and Urban Policy	CREU Corina

Key events

23/07/2014	Non-legislative basic document published	COM(2014)0473	Summary
15/01/2015	Committee referral announced in Parliament		
05/05/2015	Vote in committee		
27/05/2015	Committee report tabled for plenary	A8-0173/2015	Summary
08/09/2015	Debate in Parliament		
09/09/2015	Results of vote in Parliament		
09/09/2015	Decision by Parliament	T8-0308/2015	Summary
09/09/2015	End of procedure in Parliament		

Technical information

Procedure reference	2014/2245(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	REGI/8/01130

Documentation gateway

Non-legislative basic document		COM(2014)0473	23/07/2014	EC	Summary
Committee draft report		PE546.892	06/02/2015	EP	
Amendments tabled in committee		PE551.903	16/03/2015	EP	
Committee opinion	ITRE	PE546.676	25/03/2015	EP	
Committee opinion	CULT	PE544.379	26/03/2015	EP	
Committee opinion	FEMM	PE549.256	31/03/2015	EP	
Committee opinion	BUDG	PE549.418	16/04/2015	EP	
Committee opinion	EMPL	PE549.168	20/04/2015	EP	
Committee report tabled for plenary, single reading		A8-0173/2015	27/05/2015	EP	Summary
Text adopted by Parliament, single reading		T8-0308/2015	09/09/2015	EP	Summary
Commission response to text adopted in plenary		SP(2015)748	24/02/2016	EC	

Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union

PURPOSE: to present the 6th report on economic, social and territorial cohesion: investment for jobs and growth.

BACKGROUND: the crisis has had a profound impact on national and regional budgets availability across all investment areas. In the EU as a whole, public investment declined by 20% in real terms between 2008 and 2013. In Greece, Spain and Ireland, the decline was around 60%. In the central and eastern European countries, where Cohesion Policy funding is particularly significant, public investment (measured as gross fixed capital formation) fell by a third. Without cohesion policy, investments in the Member States most affected by the crisis would have fallen by an additional 50%.

The crisis also led to increases in poverty and social exclusion. For example, in 210 of the 277 EU regions, there was an increase in unemployment between 2007 and 2012. In 50 of these regions, the unemployment rate more than doubled. The situation is particularly worrying for young people as, in 2012, youth unemployment rate was over 20% in about half the regions. As a result, many regions have not yet been able to contribute to meeting the Europe 2020 headline target of 75% employment in the population aged 20-64 by 2020.

This Communication summarises the achievements of cohesion funding in the programming period 2007-2013. It describes the main elements of the cohesion policy reform introduced for the period 2014-20, and the trends emerging from the ongoing programme negotiations between the Commission and Member States.

CONTENT: in its report, the Commission sets out the effect of cohesion policy investments between 2007 and 2012:

- the European Regional Development Fund (ERDF) created nearly 600,000 jobs, invested in 200,000 small and medium-sized enterprise (SME) projects and 80,000 start-ups, financed 22,000 projects involving research and business sector cooperation, provided broadband coverage to 5 million people and connected 5.5 million people to waste water treatment;
- the European Social Fund (ESF) supported 68 million individual project participations, ensured 5.7 million unemployed or inactive people became employed, and saw more than 400.000 reported cases of new start-ups and people becoming self-employed.

The effects of these investments will increase over the next few years as Member States have until the end of 2015 to use the funds from the 2007-13 programmes.

With a total budget of over EUR 450 billion (including national co-financing) for the 2014-20 programming period, Cohesion Policy will be the main investment arm of the EU. It will provide the largest contribution to supporting SMEs, R&D and innovation, education, the low carbon economy, the environment, the fight against unemployment and social exclusion, to developing infrastructure connecting EU citizens and to modernising public administrations.

Evolution of cohesion policy: while remaining true to its roots, cohesion policy has developed and progressed. In its early years, the policy had a purely national focus, financing predetermined projects in Member States, with little European influence. Over time, key principles were introduced such as multi-annual programming, more strategic investment and greater involvement of regional and local partners.

The bulk of financial support under the policy has consistently focused on less developed regions and Member States. There has, however, been a shift of investment away from infrastructure and towards SME support, innovation, more innovative employment and social policies.

By tailoring investments according to levels of economic development, cohesion policy has been able to adjust to the changing needs of each region over time.

However, the evolution of the policy has not been as decisive as might have been expected. Evidence suggests, for example, that the introduction in 2007-13 of compulsory earmarking of part of funding to EU priorities was a step forward, but results have been mixed and funds are still spread too thinly.

It has also become increasingly clear that the effectiveness of cohesion policy depends on sound macro-economic policies, a favourable business environment and strong institutions. Gaps have also remained when it comes to transposing EU legislation into national law in areas directly related to cohesion policy.

Lastly, implementation of the funds has focused more on spending and compliance with management rules than on achieving objectives. Setting targets is complex and some Member States have set targets which were not ambitious enough. This has limited the capacity to evaluate the effects of interventions and to understand which measures were most effective and why.

The new programming period 2014-2020: bearing these observations in mind, several factors have re-directed the new cohesion policy:

- better governance: in order to avoid unsustainable fiscal or economic policies that undermine the effectiveness of EU support during the 2014-20 period, funding may be suspended when a Member State does not comply with the recommendations it received under the EU economic governance process;
- maximising added value: Member States and regions need to concentrate funding on a limited number of areas of EU relevance. A large share of the ERDF will be allocated to four priorities at the centre of the Europe 2020 strategy: innovation and research, the digital agenda, support for SMEs and the low-carbon economy. ESF concentration on up to five investment priorities will support the consolidation of outputs and results at European level. At least 20% of the ESF budget will be ring-fenced for supporting social inclusion and combating poverty and discrimination ;
- policy based on results: when designing programmes, Member States and regions must specify the results they intend to achieve by the end of the programming period. Each programme will have a performance framework to increase transparency and accountability. To provide an additional incentive, approximately EUR 20 billion (or 6% of the Cohesion Policy budget) has been set aside, to be allocated in 2019 to those programmes which show they are on track to deliver their objectives;
- a stronger voice to cities: around half of ERDF will be spent in cities in 2014-20. The new cohesion policy also aims to empower cities to design and implement policies that contribute to meeting the Europe 2020 objectives, by setting a minimum amount (5% of ERDF) for integrated investment in sustainable urban development ;
- include partners at all levels: the 2014-20 policy framework is based on the premise that all partners at national, regional and local levels, respecting the principles of multi-level governance and including social partners and civil society organisations, will be

involved at all stages of programming.

The new programming period brings, therefore, a clear shift in terms of funding priorities compared to 2007-13. Member States and regions will invest more on the ERDF priorities (R&D and innovation, ICT, SMEs, and low-carbon economy) and on the ESF priorities (employment, social inclusion, education, and governance). In turn, less money will be invested in network and environmental infrastructure. The decrease of investment in infrastructure is particularly marked in more developed Member States. These are the first elements emerging from negotiations with Member States and regions in the first phase of programming.

Follow-up: the Commission states that it will submit an initial progress report on the programmes to the European Parliament and Council in 2017. This will give an overview of progress by Member States and regions towards the objectives set in their programmes, indicating whether or not they are delivering the intended results.

Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union

The Committee on Regional Development adopted the report by Tamás DEUTSCH (EPP, HU) on Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union.

Members began by recalling the determining role of EU cohesion policy in reducing regional disparities, and promoting economic, social and territorial cohesion among the regions of Member States. They also recalled that the policy was an established tool for growth and jobs, with a budget of over EUR 350 billion until 2020

In this context, Members analysed the achievements and challenges of cohesion policy during the previous programming period (2007-2013), underlining that cohesion policy funding was equivalent to 21 % of public investment in the EU as a whole and to 57 % in the cohesion countries taken together.

They highlighted that cohesion policy had proven its capacity to react quickly with flexible measures to tackle the investment gap for Member States and regions, such as redirecting 13 % of total funding (EUR 45 billion) to support economic activity and employment with direct effects. Members considered it essential, therefore, to carry out a substantial in-depth medium-term review of objectives and funding levels in line with any developments affecting the social and economic situation of the Member States or any of their regions.

Whilst welcoming the recent reforms to cohesion policy, Members stressed that the policy must be aligned closely with sectoral policies and synergies achieved with other EU investment schemes. Furthermore, they pointed out that although cohesion policy had softened the impact of the crisis, regional disparities remained high and that the cohesion policy objective to reduce economic, social and territorial disparities, providing special support to less developed regions, had not yet been reached everywhere.

Implementation and payment problems: expressing serious concern about the significant structural delays in the start-up of the cohesion policy programming periods, Members noted that this delay might increase the pressure on payments, especially in 2017 and 2018. They remarked on the regrettable backlog in payments, amounting to EUR 25 billion for the 2007-2013 programming period. They recalled that the issue of the persistent payments backlog concerned cohesion policy more than any other EU policy area, with EUR 24.8 billion of unpaid bills at the end of 2014 for the European Social Fund (ESF), the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) 2007-2013 programmes, i.e. a 5.6 % increase compared with 2013. The committee encouraged the Commission to use all available means to cover these outstanding bills. The Commission was reminded of its commitment to put forward a payment plan as soon as possible, and in any event before the presentation of the 2016 draft budget.

As a general point, Members underlined that the aforementioned backlog under Heading 1b of the EU budget was in fact the most important immediate factor endangering the implementation of cohesion policy, both in the previous and, prospectively, in the current 2014-2020 programming period. They stressed that it was imperative to start the implementation of the Operational Programmes as soon as they were adopted, in order to maximise the results. The Commission should do its utmost to speed up the implementation of the Operational Programmes, especially in order to avoid decommitments of funds in 2017.

Cohesion policy at the core of smart, sustainable and inclusive investments 2014-2020: Members welcomed the new European Fund for Strategic Investment (EFSI) and its potential leverage effect. However, there must be enhanced coordination and consistency among all EU investment and development policies, particularly cohesion policy. Nevertheless, they warned that the EFSI should not undermine the strategic coherence and long-term perspective of cohesion policy programming. The flexibility allowed in selecting projects for EFSI funding posed a risk that investments were channelled to more developed Member States, undermining the economic, social and territorial cohesion.

Effectiveness, efficiency and performance orientation of cohesion policy 2014-2020: the committee called on Member States and the Commission to ensure coherence between National Reform Programmes and Operational Programmes with the aim of addressing the Country Specific Recommendations adequately and of providing full alignment with the economic governance procedures, thus limiting the risk of early reprogramming.

They recalled, in this context, Parliaments initial opposition, and demanded that the Commission and the Council provide full, transparent and timely information on the criteria for, and on the entire procedure that could trigger reprogramming or a suspension of commitments or payments of, the ESIF. Members considered that the decision on the suspension of commitments or payments should be taken as a last resort.

They pointed out that irregularities in the implementation of cohesion programmes stemmed to a considerable degree from complex requirements and regulations. These could be reduced through the simplification of management and procedures, and early transposition of the newly adopted relevant directives.

Employment, SMEs, youth and education: Members emphasised the key role of SMEs in job creation and points to their potential for promoting smart growth and the digital and low-carbon economies. They called for a favourable regulatory environment for running of such enterprises, underlining that SMEs made up 99 % of the EUs corporate fabric and accounted for 80 % of jobs in the Union. The committee expressed its concern over the too low ceiling (EUR 5 million) set by the Commission on ERDF support to small-scale cultural and sustainable tourism infrastructures. It also recalled the alarming rates of youth unemployment and insisted that advancing the integration of young people into the job market must remain a top priority, which required the integrated use of the ESF, the ERDF, the Cohesion Fund and the Youth Employment Initiative (YEI).

Governance of the policy and the territorial dimension: Members emphasised that cohesion policy needed to be conducted within the spirit of properly functioning multi-level governance associating regional and national governments. They recommended that cohesion policy resources and knowledge be used to bolster the administrative capacity of public authorities in a significant way, especially at local and regional levels, so that their ability to offer quality services to the public is improved. They called on the Commission not to approve programmes in which the involvement of partners has not been sufficient, as detailed in the Code of Conduct.

Members went on to stress the need for the inclusion of all the cross-border and macro-regional aspects in an integrated and territorial approach to cohesion policy. This approach was essential, in particular when it came to environmental and energy matters. A territorial approach should also be taken into account regarding urban issues, given the importance of cities in the globalised economy and their potential impact in terms of sustainability. Members also called for closer coordination between cohesion policy, the Instrument for Pre-accession and the EU Neighbourhood Policy

Cohesion policy in the long-term perspective: the report recalled, in view of all of its main recommendations, the necessity for a new dynamic to be given to the EU cohesion policy debate. It stated that the 2019 European Parliament election year would be decisive, as the then newly-elected Parliament, and new Commission, would have to deal with the termination of the Europe 2020 strategy and an upcoming new MFF.

Lastly, Members called on the Commission to consider pre-financing in order to facilitate the full use of funds by the Member States concerned in the 2014-2020 period, while always ensuring that the principle of budgetary accountability was upheld. Member States were asked to conduct regular, high-level political debate within national parliaments on the effectiveness, efficiency and timely implementation of the ESIF and on the contribution of cohesion policy to the fulfilment of macroeconomic objectives.

Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union

The European Parliament adopted by 552 votes to 76 with 68 abstentions a resolution responding to the Commissions sixth report on economic, social and territorial cohesion entitled Investment for jobs and growth: promoting development and good governance in EU regions and cities of 23 July 2014

Parliament recalled the determining role of EU cohesion policy in reducing regional disparities, and promoting economic, social and territorial cohesion among the regions of Member States. They also recalled that the policy was an established tool for growth and jobs, with a budget of over EUR 350 billion until 2020

In this context, Members analysed the achievements and challenges of cohesion policy during the previous programming period (2007-2013), underlining that cohesion policy funding was equivalent to 21 % of public investment in the EU as a whole and to 57 % in the cohesion countries taken together.

They highlighted that cohesion policy had proven its capacity to react quickly with flexible measures to tackle the investment gap for Member States and regions, such as redirecting 13 % of total funding (EUR 45 billion) to support economic activity and employment with direct effects. Parliament considered it essential, therefore, to carry out a substantial in-depth medium-term review of objectives and funding levels in line with any developments affecting the social and economic situation of the Member States or any of their regions.

Whilst welcoming the recent reforms to cohesion policy, Parliament stressed that the policy must be aligned closely with sectoral policies and synergies achieved with other EU investment schemes. Furthermore, it pointed out that although cohesion policy had softened the impact of the crisis, regional disparities remained high and that the cohesion policy objective to reduce economic, social and territorial disparities, providing special support to less developed regions, had not yet been reached everywhere.

Parliament called on all actors to ensure the effectiveness and efficiency of the implementation of the new legislative framework for cohesion policy and to establish properly functioning, multilevel governance and coordination mechanisms to ensure consistency between programmes, support to the Europe 2020 strategy and the Country Specific Recommendations.

Implementation and payment problems: expressing serious concern about the significant structural delays in the start-up of the cohesion policy programming periods, Members noted that this delay might increase the pressure on payments, especially in 2017 and 2018. They remarked on the regrettable backlog in payments, amounting to EUR 25 billion for the 2007-2013 programming period. They recalled that the issue of the persistent payments backlog concerned cohesion policy more than any other EU policy area, with EUR 24.8 billion of unpaid bills at the end of 2014 for the European Social Fund (ESF), the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) 2007-2013 programmes, i.e. a 5.6 % increase compared with 2013. The committee encouraged the Commission to use all available means to cover these outstanding bills. The Commission was reminded of its commitment to put forward a payment plan as soon as possible, and in any event before the presentation of the 2016 draft budget.

As a general point, Members underlined that the aforementioned backlog under Heading 1b of the EU budget was in fact the most important immediate factor endangering the implementation of cohesion policy, both in the previous and, prospectively, in the current 2014-2020 programming period. They stressed that it was imperative to start the implementation of the Operational Programmes as soon as they were adopted, in order to maximise the results. The Commission should do its utmost to speed up the implementation of the Operational Programmes, especially in order to avoid decommitments of funds in 2017.

Cohesion policy at the core of smart, sustainable and inclusive investments 2014-2020: Parliament welcomed the new European Fund for Strategic Investment (EFSI) and its potential leverage effect. However, there must be enhanced coordination and consistency among all EU investment and development policies, particularly cohesion policy. Nevertheless, they warned that the EFSI should not undermine the strategic coherence and long-term perspective of cohesion policy programming. The flexibility allowed in selecting projects for EFSI funding posed a risk that investments were channelled to more developed Member States, undermining the economic, social and territorial cohesion. Parliament highlights the need to ensure the additionality of EFSIs resources and, hence, the complementarity and synergy between it and ESIF. It also underlined that cohesion policy legislation provides for the extended use of financial instruments in order to double their contribution to about EUR 25-30 billion in 2014-2020 by extending their thematic scope and offering more flexibility to Member States and regions. It highlighted the role of financial instruments in mobilising additional public or private co-investments in order to address market failures.

Effectiveness, efficiency and performance orientation of cohesion policy 2014-2020: Parliament highlighted the importance of all measures aimed at increasing the effectiveness, simplification, efficiency, and result and performance orientation of cohesion policy. It called on the Member States and the Commission to ensure coherence between National Reform Programmes and Operational Programmes with the aim of addressing the Country Specific Recommendations adequately and of providing alignment with the economic governance procedures, thus limiting the risk of early reprogramming. It recalled, in this context, Parliaments initial opposition, and demanded that the Commission and the Council provide full, transparent and timely information on the criteria for, and on the entire procedure that could trigger reprogramming or a suspension of commitments or payments of, the ESIF. Members considered that the decision on the suspension of commitments or payments should be taken as a last resort.

They pointed out that irregularities in the implementation of cohesion programmes stemmed to a considerable degree from complex requirements and regulations. These could be reduced through the simplification of management and procedures, and early transposition of the newly adopted relevant directives.

Employment, SMEs, youth and education: Members emphasised the key role of SMEs in job creation and points to their potential for promoting smart growth and the digital and low-carbon economies. They called for a favourable regulatory environment for running of such enterprises, underlining that SMEs made up 99 % of the EUs corporate fabric and accounted for 80 % of jobs in the Union. Parliament expressed its concern over the too low ceiling (EUR 5 million) set by the Commission on ERDF support to small-scale cultural and sustainable tourism infrastructures. It also recalled the alarming rates of youth unemployment and insisted that advancing the integration of young people into the job market must remain a top priority, which required the integrated use of the ESF, the ERDF, the Cohesion Fund and the Youth Employment Initiative (YEI).

Governance of the policy and the territorial dimension: Members emphasised that cohesion policy should be conducted within the spirit of properly functioning multi-level governance associating regional and national governments. They recommended that cohesion policy resources and knowledge be used to bolster the administrative capacity of public authorities in a significant way, especially at local and regional levels, so that their ability to offer quality services to the public is improved. They called on the Commission not to approve programmes in which the involvement of partners has not been sufficient, as detailed in the Code of Conduct.

Parliament went on to stress the need for the inclusion of all the cross-border and macro-regional aspects in an integrated and territorial approach to cohesion policy. This approach was essential, in particular when it came to environmental and energy matters. A territorial approach should also be taken into account regarding urban issues, given the importance of cities in the globalised economy and their potential impact in terms of sustainability. Parliament also called for closer coordination between cohesion policy, the Instrument for Pre-accession and the EU Neighbourhood Policy

Cohesion policy in the long-term perspective: Parliament recalled, in view of all of its main recommendations, the necessity for a new dynamic to be given to the EU cohesion policy debate. It stated that the 2019 European Parliament election year would be decisive, as the then newly-elected Parliament, and new Commission, would have to deal with the termination of the Europe 2020 strategy and an upcoming new MFF.

It stressed the crucial importance of administrative capacities and called on policy makers at all governance levels to favour targeted technical assistance for the implementation of cohesion policies in general, and in particular for the extended use of financial instruments in combination with the ESIF.

Lastly, Parliament called on the Commission to consider pre-financing in order to facilitate the full use of funds by the Member States concerned in the 2014-2020 period, while always ensuring that the principle of budgetary accountability was upheld. Member States were asked to conduct regular, high-level political debate within national parliaments on the effectiveness, efficiency and timely implementation of the ESIF and on the contribution of cohesion policy to the fulfilment of macroeconomic objectives.