Implementation of the Structural Funds Regulation 2007 - 2013: the results of the negotiations on the national cohesion strategies and the operational programmes

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PURPOSE: to present the results of the negotiations concerning cohesion policy strategies and programmes for the programming period 2007-2013.

CONTENT: the new generation of European sectoral and regional cohesion policy programmes for the period 2007-2013 entails Community support for new investments of some **EUR 347 billion**, constituting the second largest item in the Community budget. The resources are concentrated on Member States and regions falling under the Convergence objective (covering 35% of the Union's population, with 81.5% of the investment resources available) and, even more resolutely than in the past, on factors of competitiveness in line with the Union's top priority, the Lisbon agenda for growth and jobs. Over the last year and a half, all the 27 National Strategic Reference Frameworks (NSRFs) are now in place, together with 429 of the 455 expected operational programmes. This Communication provides a summary of these achievements.

One key negotiation result is the substantial increase, compared to the past, in **investments supporting the growth and jobs agenda**, especially in the areas of innovation, research, skills and human capital. In the less-developed regions in EU- 27, under the **Convergence Objective**, **65% of the funds** are intended for Lisbon-related expenditure, while the more-developed regions, under the **Regional Competitiveness and Employment Objective**, plan to invest **82% of the funds** in Lisbon-related priorities. The growth and jobs strategy is also significant in the programmes under the **European Territorial Cooperation Objective**. Almost half of the resources under this Objective will be used for Lisbon-oriented actions, with a specific emphasis on research and innovation (27% of the total budget allocated to this priority).

The Member States have prioritised investments in **R&D and innovation**, by establishing ambitious targets allowing them to move closer to the Lisbon 2010 Objective of 3% of GDP investment in the sector. Cohesion policy will contribute to R&D and innovation with over 86 EUR billion, or 25% of cohesion policy resources. The case of Spain stands out: although financial support for this country has decreased by around 42% compared to 2000-2006 period, R&D expenditure is set to more than double in absolute terms to about EUR 8 billion or 23% of the total financial envelope. In some of the EU-15 countries, the share of total cohesion resources allocated to R&D and innovation is remarkably high (70% in Denmark and some 50% in Finland and Austria). In the EU-12 Member States, around 20% of their total cohesion budget is allocated to R&D and innovation.

Closely related to the innovation agenda are the efforts under the programmes to develop knowledge-based service economies by investing in **information and communication technology (ICT)** education and training, on-line services to business and citizens and a sustainable broadband infrastructure. The overall cohesion policy investment in services and ICT services and infrastructure is expected to more than double compared to the previous programming period, and to reach **EUR 15.3 billion** with Poland, Italy, Greece, Slovakia and Spain each pledging the largest budgets (above EUR 1 billion).

Converting investment in innovation, knowledge and technology into new jobs requires efforts to promote business development in fields such as **entrepreneurship** and business-support services helping

enterprises, mainly **SMEs**, to increase their competitiveness and to move closer into international markets. Support in these areas accounts for some **EUR 27 billion** (8% of cohesion policy resources). For example, Finland will support business start-ups with EUR 343 million, while cohesion policy investments in Poland are set to contribute to the planned reduction of the number of days required to establish a business from 60 to 7. EUR 2.8 billion will assist individuals to start new businesses and become self-employed, with outreach to those with particular needs. Furthermore, a majority of Member States indicated commitment to leverage the impact of cohesion policy resources by implementing the JEREMIE initiative.

The challenge of increasing global competition requires individuals and businesses to adjust to new circumstances. Providing high-quality education and investing more and more effectively in **human capital** is crucial for Europe's success in a globalised world. Under the new programmes, some **EUR 14 billion** have been allocated to help strengthen the ability of companies and workers to anticipate and manage change. Out of this sum, around EUR 9.4 billion is assigned to help companies introduce effective human development policies and thus invest more in their main asset: their people.

An understanding of the importance of human capital has led to the allocation of nearly **EUR 26 billion** to increase the quality and availability of **education and training**, with the focus on comprehensive life-long learning systems, fighting early school leaving (Portugal, Greece, Italy) and ensuring high-quality education for all. A major part of this sum (76%) is allocated in Convergence regions where the reform of education and training is identified as an imperative challenge for further development.

In the face of demographic decline, increasing **labour participation** and enhancing skills are vital for sustaining wealth, productivity, competitiveness and a cohesive society. To reach the Lisbon target of a 70% employment rate, the new programmes allocate some **EUR 19 billion** to assist in removing barriers to employment, in particular for women, young people, older and low-skilled workers. Significant sums are allocated under both Objectives, but it is in the Competitiveness regions where the highest proportion of the budget is set aside (average 30.4% for the ESF).

In comparison to the 2000-2006 programming period, support for **migrants** is more prominent. All EU-15, and a significant number of EU-12, Member States plan direct interventions for migrants to a total value of **EUR 1.2 billion**, combined with more systemic interventions, for example, in the field of education and training systems (e.g. Belgium). Cohesion programmes also contribute by accelerating the social inclusion of the newly arrived into their new societies (e.g. in Spain).

As regards poverty and **social exclusion**, some **EUR 10 billion** have been allocated to help those furthest away from employment to return to the labour market through graduated support, combined with efforts to combat discrimination in the workplace. Particularly high allocations in this area are scheduled in the Competitiveness programmes (18.2% as compared to 10.8% for Convergence programmes). Cohesion policy provides concerted support for ethnic minorities, including the Roma, the biggest minority in the EU.

Better quality of the **environment** is a common priority in all Member States, with an allocation of around one third of the total cohesion policy budget (**EUR 105 billion**). In many EU-12 Member States, the policy finances heavy basic investment to improve environmental infrastructure and to help countries comply with EU law in this field. Cohesion policy will contribute with EUR 48 billion (14% of the total budget) to actions in several fields to address the challenges posed by **climate change**. These efforts will be achieved through supporting direct investment measures, including promotion of **energy efficiency and renewable energies** (EUR 9 billion equally shared between the two categories) and indirect measures, including sustainable urban transport projects (EUR 6.2 billion). A stronger emphasis will also be placed on energy infrastructure (EUR 1.8 billion) and on improving the management of energy resources.

The Commission notes that the cohesion policy system of **multi-level governance** based on decentralisation of responsibilities and a stronger role for actors on the ground has also broadened the ownership of the Lisbon agenda, as called for by the European Council in December 2007. Importantly, this approach also makes for more economic efficiency, as the local and regional levels increasingly tend to be best placed to meet and benefit from global changes. This has also been reflected in the shift towards a more regional approach to programming in comparison with the 2000-2006 period, in particular in the new Member States.

The investment allocated to **institutional capacity** should result in a better quality of national institutions involved in policy implementation. Interventions, often substantial, are planned in all EU-12 Member States as well as in Convergence regions of Greece, UK (Wales), Italy and France, with a total budget of more than **EUR 2 billion** to help strengthen the capacities of public administration and public services.

In drawing up the new programmes, Member States and regions have built on the **most successful practices from previous generations of cohesion policy**, including the Community Initiatives **URBAN and EQUAL** and **Innovative Actions.** This mainstreaming has brought more opportunities for larger-scale actions with considerably more resources. It should be noted that the third Objective in the new cohesion policy, Territorial Cooperation, has been upgraded in importance as compared to the **INTERREG** Community Initiative, leading to enhanced visibility and an increase in the resources available (from EUR 5.8 billion to EUR 7.8 billion).

In conclusion, the Commission states that the foundations for effective use of cohesion policy funds between 2007 and 2013 have now been laid. Timely and efficient delivery will be essential to produce the desired results. The Commission will, jointly with Member States, monitor progress throughout the period to ensure that the programmes remain focused on growth-enhancing and job-creating investments, consistent with other important Community priorities and adaptable to overcome the challenges Europe and its regions will face in the medium term.