

Cohesion policy: investing in the real economy

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PURPOSE: to highlight the contribution of Cohesion Policy in the European Economic Recovery Plan and its support for the real economy.

BACKGROUND: Cohesion Policy is the Community's largest source of investment in the real economy. With significant financial resources (EUR 347 billion over the period 2007-13), this policy provides vital support and stable investment at local and regional level.

In the context of the global financial crisis and the current economic slowdown, the EU's Cohesion Policy makes an important contribution to the [European Economic Recovery Plan](#). The public sector has an essential role to play in restoring confidence, notably through providing much needed public investment to boost internal demand in the short term and put the economy on a sustainable development path in the medium term. This is where Cohesion Policy can play an important role.

Recognising that pressure on national budgets may slow down the rate of planned investment, the implementation of Cohesion Policy funds and priorities should be accelerated and even frontloaded to give a timely boost to the economy and provide support to people hit by the crisis. Cohesion Policy programmes have the potential and the necessary flexibility to ensure that targeted assistance can be delivered now to address priority needs and to accelerate spending in the areas with most growth potential.

CONTENT: presented in support of the European Economic Recovery Plan, the Commission communication details measures to **accelerate 'smart' investment** at national and regional level by simplifying access to grants, facilitating support to people hit by the crisis and increasing the availability of finance for small and medium sized enterprises (SMEs).

People: the Recovery Plan promotes a major "European employment support initiative" and proposes to simplify criteria for the European Social Fund (ESF) and step up advance payments from early 2009. If agreed, Member States will have earlier access to up to EUR 1.8 billion to respond to a certain number of short-term priorities. It is estimated that some 1.5 million unemployed people could receive earlier support through this quick cash flow. Member States are therefore encouraged to:

- invest in the relevant flexicurity components, in particular through reinforced activation schemes to ensure rapid reintegration of redundant workers to the labour market;
- refocus ESF programmes for the groups most affected by the crisis;
- maintain investments in increasing the quality of education and in raising overall skill levels, in particular for the low skilled and disadvantaged groups;
- use Cohesion policy to improve the mechanisms of anticipation and matching of skills with existing and anticipated job vacancies.

Business: securing healthy innovative and dynamic businesses is naturally a key for recovering from the economic downturn and one of the biggest challenges in today's global economy. SMEs are most vulnerable as credit becomes less available. Member States are therefore encouraged, inter alia, to:

- quickly increase recourse to the JEREMIE (Joint European Resources for Micro to Medium Enterprises) initiative targeting new business creation and SME expansion, launched by the Commission and the European Investment Fund (EIF);
- take advantage of the synergies between the financial instruments for SMEs funded by Cohesion Policy and the Competitiveness and Innovation Framework Programme;
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improve the national environments to allow the development of micro credit initiatives and take advantage of the technical assistance support offered for micro credit initiatives through the JASMINE (Joint Action to Support Micro-Finance Institutions in Europe) facility, launched by the Commission and the EIB in September 2008.

The Commission also encourages the Member States to invest more in energy efficiency, clean technologies, sustainable transport infrastructure, energy connections and broadband networks.

The actions proposed in the communication complement measures already announced in the European Economic Recovery Plan, namely:

- to improve cash flow of the public authorities charged with delivering the national and regional programmes and clarify provisions facilitating the launch of financial engineering instruments with a view to accelerating the use of access to finance measures (see [AVC/2008/0233](#));
- simplification in relation to broadening the use of flat rates and lump-sums costs to allow public authorities to more quickly prepare projects and measures (see [COD/2008/0232](#));
- to expand the possibilities for support to investments in energy efficiency improvement and renewable energy in housing in favour of low income households in the EU 27 (see [COD/2008/0245](#)).