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

2004/0163(AVC) - 31/03/2010

This Communication provides, for the first time, a complete overview of the implementation of the cohesion policy programmes 2007-2013. It is primarily based on the 27 national strategic reports, which are a new feature of cohesion policy for this period. This Communication is intended to facilitate debate with EU institutions in view of the policy's significant role in fostering sustainable economic and social development in Europe’s regions and Member States. It makes recommendations on how effective implementation could be strengthened.

Member States report that the original commitments to invest in structural change are being realised. Projects are already selected amounting to more than **EUR 93 billion or 27% of the total financial volume for the period**, after approximately 18 months of active implementation. A total of EUR 63 billion is reported as allocated to Lisbon earmarking projects. Many EU priority investments are reported as advancing well with one third or more of the total planned investment allocated to projects in areas such as stimulating research and innovation in SMEs, using financial engineering to provide capital to SMEs (i.e. JEREMIE initiative), promoting clean urban transport, implementing active labour market and lifelong learning policies and renewing education and health infrastructures. Reporting by the Member States also highlights areas of slower progress where follow up is clearly required. In the case of those Member States below the average there is a higher risk of late delivery unless the rate of project selection and implementation is accelerated.

In terms of **payment of EU financing,** EUR 108 billion has been transferred to Member States in the years 2007-2009. EUR 64 billion related to actual expenditure under the 2000- 2006 programmes while EUR 44 billion related to advances and actual expenditure under the 2007-2013 programmes. The national reports provide information on spending by programme, referring exclusively to the latter period. To date EUR 23.3 billion has been declared in interim expenditure under the programmes 2007-2013. In 2009 there was a clear acceleration in certified expenditure under the new programmes once the previous programmes were closed.

The national reports have emphasised the fundamental relevance of the strategies agreed in 2007 and the value of cohesion policy as a policy aiming at long-term economic development. In general, the measures to deliver the agreed strategies and objectives are implemented at a good pace while adapting to the sharp change in the economic climate. After an average of 18 months of effective implementation on the ground 27.1% of projects are selected and progress is evidenced by accelerating expenditure. The projects to deliver the agreed EU earmarked priorities are selected as quickly as non-earmarked priorities. These EU priorities include smart, clean and socially inclusive investments in infrastructures (energy efficiency, broadband, social infrastructures) business support (eco-innovation, financial engineering) and flexible labour markets.

This positive progress can be partly explained because Member States are using flexibility within programmes to address changing needs under the agreed priorities. The cohesion policy recovery package of late 2008, involving increased pre-financing, rule changes to improve the speed of reimbursement and simplifications has been widely taken up, while the Member States have also simplified their own rules.

However, no one can be complacent. Using the information exchanged through this exercise Member States can benchmark their rate of progress in different priority themes with the EU average, identifying areas of good and slow progress.

The Commission therefore calls on the Member States:

- to implement quickly the already selected projects;
- to accelerate the selection of quality projects to contribute to the agreed programme objectives, in particular to facilitate the exit strategy from the current economic crisis;
- to ensure that, in a climate of growing pressure on national budgets, the national cofinancing needed to fund the agreed investments is made available so that the EU budget resources are fully mobilised.

For its part, the Commission will outline in 2010 how it believes cohesion policy 2007-2013 can foster support to the objectives set for the Europe 2020 strategy. In particular, these documents will address how the current programmes can reinforce employment policies and social recovery and inclusion; support for sustainable development and support to innovation at national and regional level. The Commission is committed to continue working with the Member States on improving delivery of the programmes and addressing bottlenecks in different thematic areas.

Delays in selecting projects in important investment fields are clearly evident from the national reports. The Commission calls on the Member States to target these priority areas – if necessary by putting in place action plans to correct the delays while there is still time. The Commission has identified the following priority areas facing delays generally or a lack of homogenous progress across the Member States:

- in the rail sector there are difficulties in preparing important investment in a core group of Member States based both on reported progress and results from evaluations;
- certain energy and environmental investments are not progressing as expected. This must be redressed by the Member States and regions for them to fully contribute to the EU's sustainable developments goals;
- investment in the area of the digital economy - rolling out broadband and exploiting ICT use in the public and business sectors - is slower than average with uneven performance, even if some good practices are identified;
- progress on delivering the priority of social inclusion is relatively slow and not spread evenly across the funds and programmes. Action is needed to mobilise EU resources to contribute to the achievement of the proposed poverty reduction target fixed in the Europe 2020 strategy;
- there are delays in implementation of governance and capacity building measures which need to be addressed to improve public sector performance, especially in view of the crisis.

The Commission calls on Member States to improve implementation of programmes with increased transparency, networking and exchange of good practice and policy learning on cohesion policy priorities to make a very important early contribution to achieving the Europe 2020 strategy, its flagship initiatives and its quantified targets.