

Effects of budgetary constraints for regional and local authorities regarding the EU's Structural Funds expenditure in the Member States

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The European Parliament adopted by 433 votes to 41, with 50 abstentions, a resolution on the effects of budgetary constraints for regional and local authorities regarding the EU's Structural Funds expenditure in the Member States.

Recalling the central role in financial fighting the crisis, Parliament stressed the importance of securing **sufficient budgetary provisions in the context of the MFF negotiations to the Structural and Investment Funds**, noting in particular their key share of investment in areas such as employment, innovation, sustainable development, the low-carbon economy and support to SMEs.

Financing capacity of the EU's regions and synergies between regional, national and EU level: Members are concerned that the prolonged austerity measures and the strict economic governance carried out in 2011 and 2012, implying increased pressure and cuts on public budgets, risks reducing the scope for local policies targeted at fulfilling Europe 2020.

Stressing the importance of **adapting to ongoing budgetary constraints across Europe**, the report insisted in the need to:

- strengthen the administrative capacity of regional and local authorities, and for further efforts to reduce the red tape which also adversely affects these authorities in their role as beneficiaries and restricts their capacity to implement EU-funded projects;
- restore and **improve financial capacity**, at sub-national level and to provide adequate technical assistance, especially in implementing locally led complex joint projects in order to secure public investment for programmes and projects aimed at boosting sustainable growth, combating social exclusion and restoring the social fabric, providing adequate health and social services and securing jobs, especially at regional and local level;
- strengthen the administrative capacity of regional and local authorities;
- **simplify the rules** and for increased flexibility and transparency in the programming and management of the Structural Funds;
- strengthen **synergies between national, sub-national, and European public spending budgets** through clear establishment of the roles and responsibilities of the different budgetary authorities at all different levels.

Economic governance of the EU and investment for growth and jobs: stressing the role that local and regional authorities could play in achieving the Europe 2020 objectives of smart, sustainable and inclusive growth, Members reiterated the importance of the **partnership between central authorities and regional and local authorities** in setting priorities.

In this context, they underlined the importance of the new instrument for community-led local development, which would allow action groups at local level to develop and implement local strategies for smart, sustainable and inclusive growth.

Parliament reiterated its **opposition to the introduction of macroeconomic conditionality in the Cohesion Policy 2014-2020**, which would penalise regions and social groups already weakened by the

crisis, with a suspension of payments possibly having disproportionate effects in several Member States and especially in regions.

The Commission and the Member States are called upon to:

- **exploit all margins of flexibility** existing within the preventive arm of the Stability and Growth Pact (SGP) to balance productive and sustainable public investment needs with fiscal discipline objectives;
- take into consideration in the context of the current negotiations on the future Economic and Monetary Union, all margins of flexibility in the macro-economic governance framework in order to allow for productive investment, in particular by: (i) **rethinking the relationship between the Stability and Growth Pact and productive public investment**; (ii) excluding public expenditure related to the implementation of programmes co-financed by the Structural and Investment Funds in the framework of growth-friendly policies from the budgetary surveillance rules under the Stability and Growth Pact.

The report called for public expenditure related to the implementation of programmes co-financed by the European Structural and Investment Funds to be **completely excluded from the definition of SGP structural deficits** because this is expenditure devoted to achieving the goals of Europe 2020 and supporting competitiveness, growth and job creation.

It called on the Commission to **report** on the scope for possible action within the boundaries of the existing EU fiscal framework in order to address further the issue of separating current spending and investment in the budget deficit calculations.

Lastly, taking note of the IMF's recent comments that austerity weakens countries in which it is applied unthinkingly, Parliament agreed with the IMF that the emphasis, instead of being confined to fiscal consolidation, should be broadened with a view to **balancing consolidation with growth**.