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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Member States and Regions delivering the Lisbon strategy for growth and jobs through EU cohesion policy, 2007-2013

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1. INTRODUCTION

This Communication sets out an initial overview of the results of the negotiations of the new generation of cohesion policy strategies and programmes for the period 2007-2013[1]. As such, it forms part of the Lisbon package providing a detailed assessment of progress by policy area over the first three years of the renewed Lisbon strategy for growth and jobs of 2005. In particular, it demonstrates how the renewed Lisbon strategy for growth and jobs has been central to the new cohesion policy strategies and programmes. In addition, with a view to the 2008 Spring European Council, the communication also reflects on the potential role of cohesion policy programmes in taking the Lisbon Strategy forward during its next three-year cycle.

2. COHESION POLICY AT THE HEART OF THE LISBON PROCESS

With the reform proposed by the Commission in 2004 and endorsed by the Parliament and the Member States in 2006, European cohesion policy has become one of the principal Community policies for the delivery of the Union's growth and jobs agenda. While maintaining the traditional principles[2] of cohesion policy, the reform introduced a number of new elements in recognition of the need to focus further the limited resources available on promoting sustainable growth, competitiveness and employment, in particular:

- The policy has taken on a more explicit and transparent strategic focus which, for the first time, operates through a framework known as the Community Strategic Guidelines on Cohesion (CSGs) adopted by the Council on 6 October 2006[3] and, consistent with the Lisbon Integrated Guidelines[4]. This framework encourages Member States and regions to focus on those areas of investment that help to deliver the National Reform Programmes (NRPs) while taking into account national and regional circumstances. It retains the same three priorities which are at the heart of the growth and jobs strategy, namely:
    - making Europe and its regions more attractive places to invest and work;

[1] The data are based on the latest information encoded by the Member States on the new Programmes as of 27 November 2007.

[2] Chapter IV of Council Regulation (EC) No 1083/2006 of 11 July 2006 indicates the principles of assistance of EU cohesion policy (complementarity, consistency, coordination, compliance, programming, partnership, territorial level of implementation, proportional intervention, shared management, additionality, equality between men and women and non-discrimination and sustainable development).

[3] http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/index_en.htm

[4] http://ec.europa.eu/growthandjobs/pdf/integrated_guidelines_en.pdf.

- encouraging innovation, entrepreneurship and the growth of the knowledge economy;
- creating more and better jobs.

- Member States are asked to "earmark" the major part of their financial allocations for investments with the potential to make a significant contribution to realising the Lisbon objectives[5]. These interventions have been identified by the European Council in December 2005 as those which can deliver the greatest impact.

  While the earmarking provisions are obligatory for the EU-15, the Commission has encouraged all Member States and regions to focus expenditures on interventions which can help to underpin the structural reforms envisaged in the NRPs. Earmarking provides a benchmark which will help to monitor progress in an effort to ensure that the programmes remain focused on growth-enhancing and job-creating investments throughout 2007-2013.

- The links between the governance of the NRPs and the cohesion policy programmes have been reinforced by new reporting mechanisms introduced under both the Lisbon strategy and cohesion policy. These parallel procedures involve regular reporting on the contribution of cohesion policy in delivering growth and jobs and allow cross-checking between the two policy fields in order to ensure consistency. This year, the Member States have provided for the first time a section on the role of cohesion policy in their Lisbon implementation reports which from now on will become a regular practice.

- Under cohesion policy, and on an annual basis, Member States are required to report on the earmarked investments supported by each operational programme. In addition, in 2009 and 2012, each country will submit a strategic report containing information on the cohesion policy contribution to the Lisbon agenda. This will be followed in 2010 and 2013 by a report by the Commission synthesising the national contributions and reflecting on the opportunity, and the need, to adjust programmes to new challenges.

- The reform of cohesion policy has provided for greater decentralisation of responsibilities to local and regional partners. By pooling local and regional knowledge, expertise and resources as well by designing integrated, tailor-made local and regional strategies, cohesion policy can obtain a better focus on investments with the highest impact on growth and jobs. Decentralisation in turn can contribute to better governance at all levels by improving responsibility and ownership on the ground of the Lisbon strategy.

The achievement of the Lisbon strategy requires continued and concerted effort and the political commitment of the European institutions, Member States and regions. During 2007, Member States and the Commission have worked closely together to prepare national and regional strategies with a view to supporting the investment priorities identified in the NRPs and the country specific recommendations adopted by the Council[6]. At the same time, as starting positions are different across European countries and regions, the delivery of Lisbon objectives needs to take into account individual contexts and challenges. These strategies are now in place for all 27 Member States but the real work is just beginning in order to ensure that through the programmes, there is a redoubled effort in favour of growth and jobs on the

[5] Article 9.3 and Annex IV of Council Regulation (EC) No 1083/2006 (OJ L 210, 31.7.2006, p. 25).
[6] Conclusions of the 2007 Spring European Council.

ground. It will be important that this effort is maintained *throughout* the period 2007-2013 and that resources are not shifted to lower priority areas.

3. KEY FEATURES OF THE 2007-2013 COHESION POLICY PROGRAMMES

3.1. Ensuring consistency with National Reform Programmes

During the negotiations with most Member States, there was a high degree of cooperation between, on the one hand, those responsible for coordinating the implementation of the NRPs and, on the other hand, those responsible for the preparation of the cohesion policy strategies (National Strategic Reference Frameworks - NSRF) and programmes. A considerable number of NSRFs provides a description of how this cooperation is organised, which is a new factor of high importance, since only in a few countries, the same Ministries are responsible for both policy processes. In some countries, the authorities decided that effective coordination requires administrative change. However, further efforts on co-ordination need to be made by Member States where this co-operation is not yet fully effective.

3.2. Focusing on Lisbon priorities

For the period 2007-2013, the total budget available for European cohesion policy amounts to EUR 347 billion euros (in current prices). This will be complemented by national public and private co-financing of some EUR 160 billion. In other words, with the leverage of national public and private resources, cohesion policy programmes will mobilise annually more than EUR 70 billion between 2007 and 2013.

The strategies drawn up by the Member States for the 2007-2013 programming period suggest that a clear change of emphasis is underway, in favour of the key Lisbon priorities. Under the earmarking provisions, EU-15 Member States are required to invest the predominant part of their financial allocations[7], namely 60% of Funds for their Convergence regions and 75% for their Regional competitiveness and employment regions, in categories that are central to growth-enhancing and job-creating investments. For the EU-12 countries, the targets are voluntary but all new Member States have engaged in the earmarking exercise, albeit to varying degrees.

Globally, the results have been encouraging. For the less developed regions under the **Convergence objective** in EU-27, which together account for over 80% of cohesion policy resources, **65% of the funds** are to be invested in the Lisbon-related objectives. This represents an **increase of 11 percentage points** compared to the previous programming period. Regions with programmes falling under the **Regional Competitiveness and Employment Objective,** which account for 16% of cohesion policy resources, and which traditionally have had to concentrate their more limited allocations on the more productive investments, plan to continue to invest a high proportion of the funds, **82% of the total for 2007-2013**, on Lisbon-related priorities.

Naturally, circumstances dictate that there are differences between EU-15 and EU-12. For the EU15 Member States, for which earmarking is obligatory, the corresponding figures are, as is to be expected, somewhat higher at **74% for the Convergence Objective** and **83% for the**

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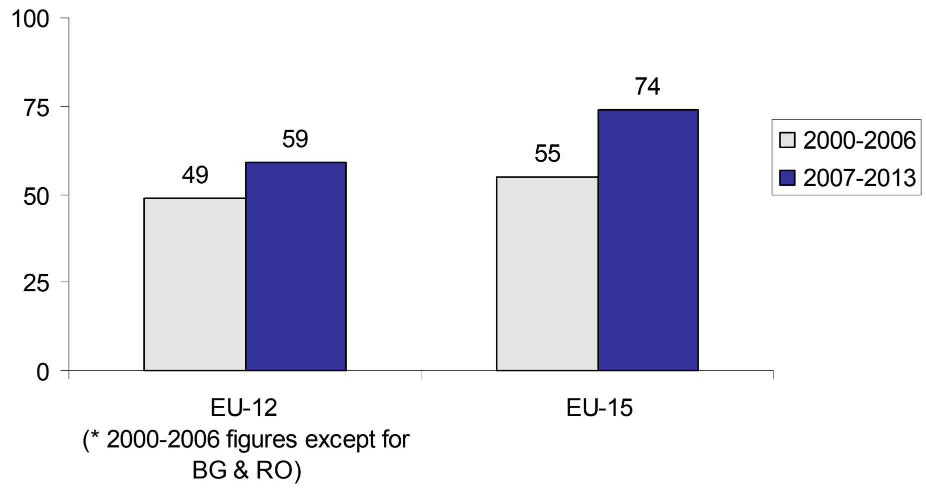
[7] Article 9.3 and Annex IV of Council Regulation (EC) No 1083/2006 (OJ L 210, 31.7.2006, p. 25).

Regional Competitiveness and Employment Objective, although these percentages vary significantly both across Member States and between different regions.

For the EU-12 Member States (and for which the earmarking provisions are not compulsory), the figure is some **59%** under the Convergence Objective, which is also the same figure attained in the very limited number of programmes in these Member States that are supported by the Regional Competitiveness and Employment Objective.

Level of earmarking for Convergence Regions in EU-12* and EU-15
Comparaison 2000-2006 / 2007-2013
(in % of total funds)



As indicated, the figures for individual Member States tend to vary considerably. At the top end, Convergence regions in Portugal and Spain have earmarked investments averaging 80% of the total, while for Competitiveness regions the highest figure is for Denmark at 92% of the total[8]. In EU-12, the figures are somewhat more modest, but it is important to recall that in many regions there remains a need for investment in a range of sectors fundamental to economic progress. Encouragingly, however, Bulgaria, Poland and Romania, with extensive investment needs in basic national, regional and local infrastructure, have decided to concentrate a significant proportion of resources on Lisbon-related priorities.

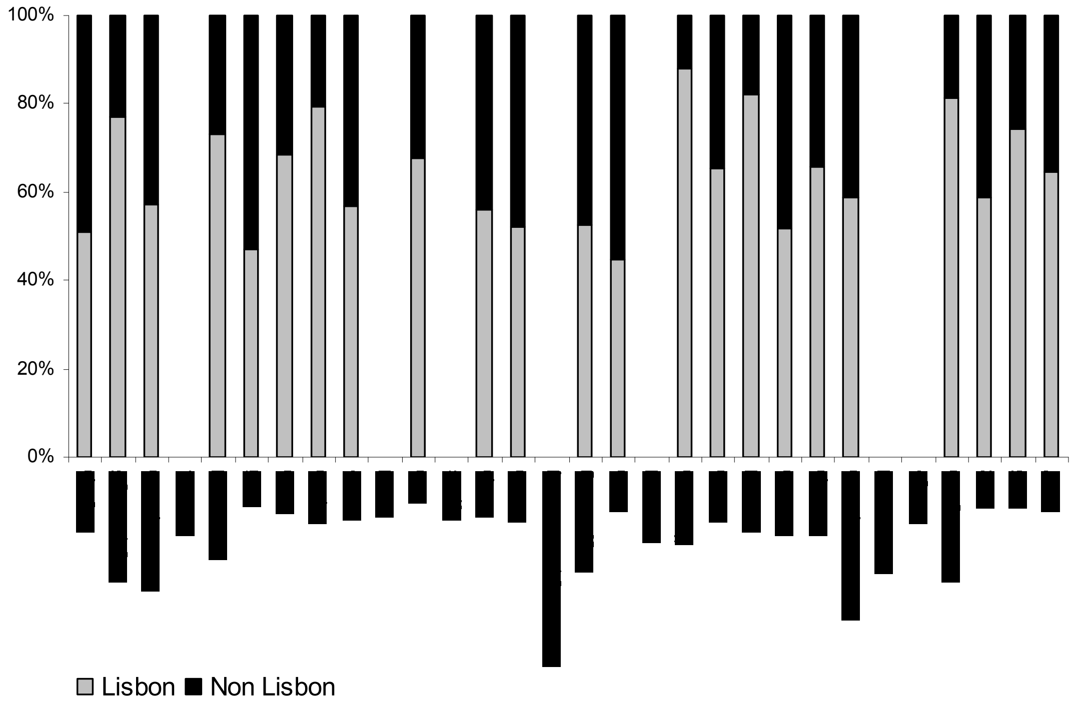
The resources allocated to promoting employability and human capital are generally assigned to Lisbon-related categories which results in high earmarking targets. Nevertheless, Member States, with the support of the Commission, need to ensure that cohesion policy resources genuinely concentrate on actions generating the greatest impact in terms of growth and jobs. The new cross-reporting mechanisms coupled with the earmarking provisions should assist in this process.

8 These figures may still change subject to final version of operational programmes.

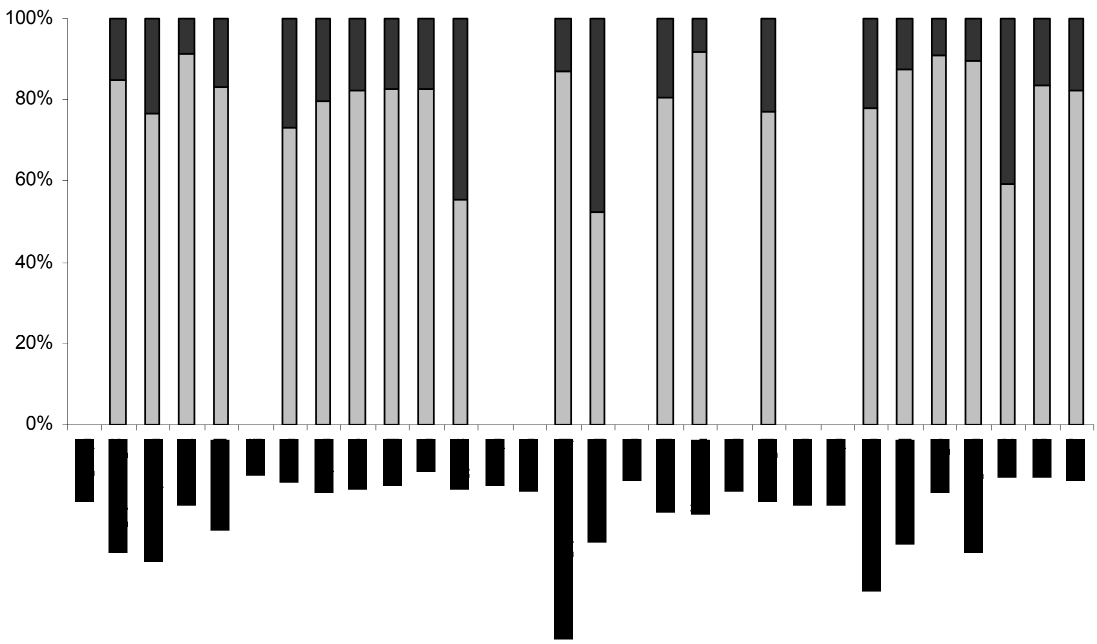
Level of earmarking by Member State

2007-2013
(in % of total funds)

Convergence



Regional Competitiveness and Employment



3.3. Supporting the four priority actions of the 2006 and 2007 Spring Council

The 2006 Spring European Council identified four priority areas under the renewed Lisbon Strategy on which the EU and Member States should focus their efforts, including under cohesion policy programmes: investing more in knowledge and innovation; unlocking business potential, particularly of SMEs; improving employability through flexicurity; and better management of energy resources. The Commission has encouraged Member States to pay particular attention to taking these priorities forward and to integrating them into their national and regional strategies.

The new cohesion programmes put particular emphasis on **investing more in knowledge and innovation**. More than EUR 85 billion is allocated to investments in these areas[9]. More than half of this amount - EUR 49.5 billion - will be invested in improving innovative capacity in business, by supporting technological transfers and cooperation networks, as well as R&D and eco-innovation (technologies and products). The remainder is shared between support for the diffusion and use of ICTs by businesses and by citizens and the development of ICT technologies; support for business start-ups and self-employment; the development of skills; and the promotion of a more flexible and adaptable workforce. Cohesion policy will also invest in actions ensuring that the pursuit of excellence and innovation becomes a crucial element at all levels of education and training. Compared to 2000-2006, the global result for all programmes is an expected increase for R&D and innovation which equates, respectively, to more than a doubling of the relative effort and a tripling of financial resources made available[10]. In the new Member States, the share of R&D and innovation expenditure on the total budget available will be four times more than in the previous period. For other Member States, the overall allocation to R&D and innovation has increased substantially. For example, although Structural Funds support in Spain has decreased by around 40% compared to 2000-2006, R&D expenditure will be doubled to more than EUR 7.5 billion.

It will be important for R&D investment and investment in innovation to exploit the potential of existing poles of excellence and to leverage additional private investment where possible. However, new ways to enhance national and regional R&D and innovation capacities and make better use of existing RTD potential need to be found. To this end, the Commission is proposing the launch of a new generation of world-class laboratories, instruments and infrastructures for fundamental research which will require joint action across the EU and enable Member States and regions to stay at the forefront in research over the next decades. The investments required could in part be supported by cohesion programmes in accordance with their specific objectives.

The promotion of entrepreneurship under the new programmes is directly linked to the Council priority of **unlocking the business potential, particularly of SMEs** and emerges as another key theme for 2007-2013. Member States and regions have placed particular emphasis on providing business support services to enable enterprises, in particular SMEs, to increase their competitiveness and to move into international markets. Services for business support, targeting SMEs, are planned to receive some EUR 19 billion in the next seven years, equivalent to 5% of the EU resources made available. Cohesion policy will support SMEs to

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9 A more detailed analysis of the RTDI content of the adopted and draft programmes at end-October 2007 is provided in the Commission Staff Working Documents SEC(2007) 1547 of 14.11.2007.

10 The relative share of RTDI expenditure increases from around 11% to 25% while the financial volume increases from EUR 25.5 billion to EUR 85.2 billion.

invest effectively in their human capital, establish competent management structures and anticipate better economic changes. EU support to SMEs will also include investments to help foster a more business-friendly environment and to reduce red-tape. It is expected that such efforts will help Member States to move a step closer to a 'one-stop-shop approach' for business support.

A related action in this area has been improving the access to finance for businesses from non-grant sources such as loans and venture capital. Of particular importance are the new financial engineering initiatives agreed between the Commission and the EIB Group: the so called JEREMIE[11] and JESSICA[12] initiatives which seek to improve the availability of innovative financial engineering products in the regions. The resources from the cohesion policy programmes to be invested under the JEREMIE facility in the period 2007-2013 are estimated at this early stage to exceed EUR 2.5 billion. More recently, the Commission adopted an initiative in the field of supporting micro-credit, which is important for developing employment and improving social inclusion[13].

The Commission recently adopted a communication offering guidance to national and regional authorities on the synergies between EU cohesion policy interventions, the Research Framework programmes and the Competitiveness and Innovation Programme[14]. It also proposes a number of ways in which the Commission will work to enable the various sources of funds to be used in the most effective way while emphasising that the Member States and the regions have themselves to play a leading role in making the best use of the European funds at their disposal.

The new programmes will also seek to **improve employability through flexicurity** through assisting workers, enterprises and entrepreneurs in their efforts to constantly adapt to the new challenges of the globalizing markets. Some EUR 13.5 billion have been allocated to help enterprises to develop forward-looking human resource strategies, to introduce innovative and more productive forms of work and work organisation and to ease the transition process resulting from restructuring. In parallel, active labour market policies and lifelong learning actions help to give citizens the opportunity to acquire the competences and qualifications they need in a changing world. This includes direct support to individual and systemic actions to improve the functioning of the labour market. Altogether the new programmes foresee around EUR 32 billion to enhance access to employment ranging from personal assistance to modernisation of employment institutions. As concluded by the Council, effective implementation of labour market reforms is only possible with active participation of the social partners which will be supported with approximately EUR 50 million from the cohesion budget. The first estimations indicate that cohesion policy will support various components of flexicurity with resources of around EUR 50 billion over the next seven years.

Recognising the important economic return on investment from education at the early stages of life, resources dedicated to improving human capital will significantly increase in this new programming period as compared to the past period. Some EUR 25.3 billion are foreseen to support the reform of education and training systems. In this respect, younger generations as a

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11 JEREMIE (Joint European Resources for Micro to Medium Enterprises).

12 JESSICA (Joint European Support for Sustainable Investment in City Areas).

13 "A new European initiative for the development of micro-credit in support of growth and employment" - COM(2007) 708, 13.11.2007.

14 “Competitive European Regions through Research and Innovation - A contribution to more growth and more and better jobs” - COM(2007) 474, 16.8.2007.

significant source of potential qualified labour, will be given particular attention. This approach has resulted in a strong commitment in cohesion programmes to help to achieve the targets related to early school leaving and assisting the young unemployed, as agreed by the Council.

The new programmes also reflect a strong emphasis on **improving management of energy resources and the move towards efficient and integrated EU energy policy**. Much of the effort in this sector falls to the private sector and absolute levels of expenditure under the programmes therefore appear modest compared to other fields. Compared to the period 2000-2006, investments in renewable energies and energy efficiency will, however, be five times higher under the Convergence objective and seven times higher under the Regional Competitiveness and Employment objective.

3.4. Addressing other key Council recommendations and Community priorities

Investments in the Lisbon-related categories will address a broad range of issues to assist Member States to overcome their country specific challenges in the pursuit of the objectives set by the Integrated Guidelines and country-specific recommendations.

The new cohesion policy programmes aim at creating win-win situations by strengthening potential synergies between **environmental protection, risk prevention and growth**. Among the priorities in this field are the provision of environmental services such as clean water supplies, waste and waste-water treatment infrastructures, improved management of natural resources, the decontamination of land to prepare it for new economic activities, and protection against environmental risks. Overall, some EUR 51 billion is expected to be invested in these areas.

An adequate **transport** network is an essential pre-condition for economic development in any region or country. Accordingly, Member States and regions eligible for funding under the Convergence objective or the Cohesion Fund, have given clear priority to the development of the Trans-European Transport Networks (TEN-T). Around half of the entire allocation foreseen for transport (EUR 76 billion) will be allocated to TEN-T projects (EUR 38 billion[15]). These include key projects such as the development of the "Rail Baltica" which runs from Helsinki to Warsaw, the "East-West Corridor", a road connection linking the Latvian seaports and Riga with Russia, the multi-modal axis connecting Portugal and Spain with the rest of Europe, and many others. Other transport investments to be funded by cohesion policy programmes include secondary connections to improve accessibility to the TEN-Ts as well as the promotion of more environmentally sustainable transport systems, amounting to nearly 45% of the entire allocation foreseen for transport, equivalent to some EUR 34 billion.

The Council recommended to some Member States[16] to develop an employment lifecycle approach and **promote an inclusive labour market** for those groups at risk of social exclusion. For example the Council has encouraged the authorities in Poland to complete the reform of public employment services to broaden actions targeting disadvantaged groups leading to the allocation of EUR 1.5 billion. The Implementation Reports of Member States also underline the important role of cohesion policy programmes in reaching 25% of the long

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15 The amount increases up to EUR 44,2 billion when investment in intelligent transport systems, airports and ports which also contribute to TENT-T networks is included.

16 HU, SK, PL, EE

term unemployed with active employment measures as well as helping to ensure that every unemployed person is offered a new start.

Delivering the Lisbon agenda depends on effective public administrations and services. Around EUR 3.6 billion will be used to help to modernise public administrations and services at national, regional and local levels to develop and implement effective policies and programmes. Actions will include improving the quality and enforcement of legislation, carrying out impact assessments and creating accessible and quality services for citizens and enterprises. Besides supporting better regulation, interventions will also address the needs to streamline administrative procedures and increase the capacity of staff. For example, cohesion policy interventions will support Greece in addressing the recommendations to modernise the public administration and to reinforce its regulatory, control and enforcement capacities. Similarly, Bulgaria and Romania have designed specific programmes to support the development of administrative capacity as this is recognised as a pre-requisite for the effective implementation of all other structural reforms.

Finally, the JASPERS[17] technical assistance facility which is managed in a new partnership with the EIB and the EBRD will assist new Member States in developing capacities for preparation of high quality projects, including those organised as PPP, for support from the Union.

3.5. Promoting partnerships

One of the key factors enhancing the added value and effectiveness of cohesion policy is the quality of the partnership between all stakeholders, including those at regional and local level, in the preparation and implementation of cohesion policy programmes. Cohesion policy has developed a unique system of multi-level governance involving both 'vertical' partners (Community, national, regional and local authorities) and 'horizontal stakeholders (business representatives, trade unions, NGOs, etc). An initial examination of the programming documents suggests that approaches to partnership vary across the countries[18], depending on their institutional circumstances. Whereas in many Member States the structures for involvement of partners in the programming have improved compared to the past, intensive co-operation between all the key stakeholders on the reform agenda must be further developed during programme implementation in order to ensure concentration of resources on the growth and jobs strategy.

4. CONCLUSIONS

The analysis of the new generation of cohesion policy strategies and programmes for the period 2007-2013 suggests that most of the resources available will be used to take forward the Union's top policy priority: the Lisbon strategy for growth and jobs. This is primarily due to the major reform of cohesion policy 2007-2013 which has created the basis for a more strategic approach to investment planning based on the Lisbon strategy and for greater ownership of the strategy on the ground through the enhanced decentralisation of management and the greater role for the partners.

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17 Joint Assistance in Support of Projects in European Regions.

18 In this respect, the work of the Committee of the Regions' Lisbon Monitoring Platform has been very useful. http://lisbon.cor.europa.eu/

Encouraged by the new earmarking provisions, the reform of cohesion policy appears to have changed the nature of the discourse between the Commission and the national and regional authorities, which has become more focused than previously on ways to develop the factors of economic competitiveness and job creation. The Commission also recently drew attention to the importance of these elements as key principles for the efficiency and effectiveness of Community policy in general in preparation for the debate on the EU budget for post-2013[19].

In effect, within the overall redistributive framework of the Funds, the accent is turning more and more to issues of how best to use the resources.

At this stage, the programming documents set out the intentions of Member States and regions for the next period and the implementation phase is only just beginning. Only through the delivery of results over the coming years will the high expectations for the new programmes be met. It will therefore be essential therefore to ensure effective and timely implementation of planned actions and, if necessary, to strengthen agreed provisions to ensure that the close link between cohesion policy and Lisbon priorities can be maintained throughout the programming period.

The Commission will continue to work closely with the Member States using the systems and procedures that have been put in place for monitoring, evaluation and, where necessary, the adjustment of the programmes to changing circumstances and priorities. The Commission will continue to report on implementation as more information becomes available and in Spring 2008, the Commission will provide a more detailed report following the conclusions of all of the negotiations on the programmes for 2007-2013. The Commission will also use the opportunity provided by the Lisbon governance cycle to draw the attention of the Council to any improvements that may be necessary in programme implementation, including country-specific recommendations as appropriate. Evaluating results will be important to gain a better understanding of the effects that the earmarking exercise has had on growth and jobs.

In sum, making a success of the new cohesion programmes is critical to realising the Union's overall ambitions for strong economic growth, more and better jobs and a higher standard of living for its citizens.

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[19] European Commission (2007) *Reforming the budget, changing Europe.* - SEC(2007) 1188.