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Investing in jobs and growth - maximising the contribution of European Structural and Investment Funds

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INTRODUCTION

With a budget of EUR 454 billion for 2014-2020, the European structural and investment funds[1] (ESIFs) are the European Union's (EU's) main investment policy tool.

By 2023[2], the ESIFs will deliver a critical mass of investment in key EU priority areas, to respond to the needs of the real economy by supporting job creation and by getting the European economy growing again in a sustainable way. For example, the Member States have committed to the following:[3]

- More than 2 million enterprises will be supported across the funds to increase their competitiveness, develop products, find new markets and create new jobs.
- Investment in infrastructure will help Member States to improve peoples' lives and the competitiveness of their business environment. This is especially the case for the less developed Member States, who will be able to catch up with the more developed ones. Better access to quality broadband and Information and Communication Technology (ICT) services and improved water supply for tens of millions of Europeans are just a few examples of what the ESI Funds are expected to achieve.
- Crucially, the Funds will invest in the skills and adaptability of Europe's workforce, giving tens of millions of people, including young people, opportunities to (re)train or start businesses. Such opportunities will also be available for refugees and legal migrants.

The post-crisis period has provided additional motivation for reforming the way the ESIFs are planned and used. In a climate of declining overall investment, maximising the ESIFs' impact is a top priority, especially as they provide the majority of public investment in many countries. Reforming the ESIFs has led to more emphasis on results, funding being more focused, and investments based on better strategic planning and capacity to deliver. The ESIFs are now a forward-looking investment policy tool, ready to tackle the challenges facing Europe today and in the years to come.

The ESIFs contribute to the Investment Plan for Europe and complement the European Fund for Strategic Investments (EFSI) in several ways: by leveraging public and private investment, supporting structural reforms, and improving access to funding. The ESIFs will make a substantial contribution to the new Commission's political priorities: the digital single market, the energy union and climate change policies, the single market and economic governance, in line with the European Semester country-specific recommendations. All ESIF investment ultimately targets boosting jobs, growth and investment across Europe, with a focus on the least developed areas. They also contribute to addressing together shared challenges and exploiting common potential via territorial cooperation and the macro-regional strategies.

This Communication presents the main results of negotiations between Member State authorities and their partners, including regional and local actors, and the European Commission, on their investment programmes further to the ESIF reform. It responds to the requirement of Article 16(3) of the Common Provisions Regulation[4] and includes details on each Member State in Annex II.

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[1] European Regional Development Fund (ERDF); European Social Fund (ESF); Cohesion Fund (CF); European Agricultural Fund for Rural Development (EAFRD); European Maritime and Fisheries Fund (EMFF). Cohesion policy includes the ERDF, ESF and CF.

[2] 2023 is the end of the 2014-2020 ESIF spending period.

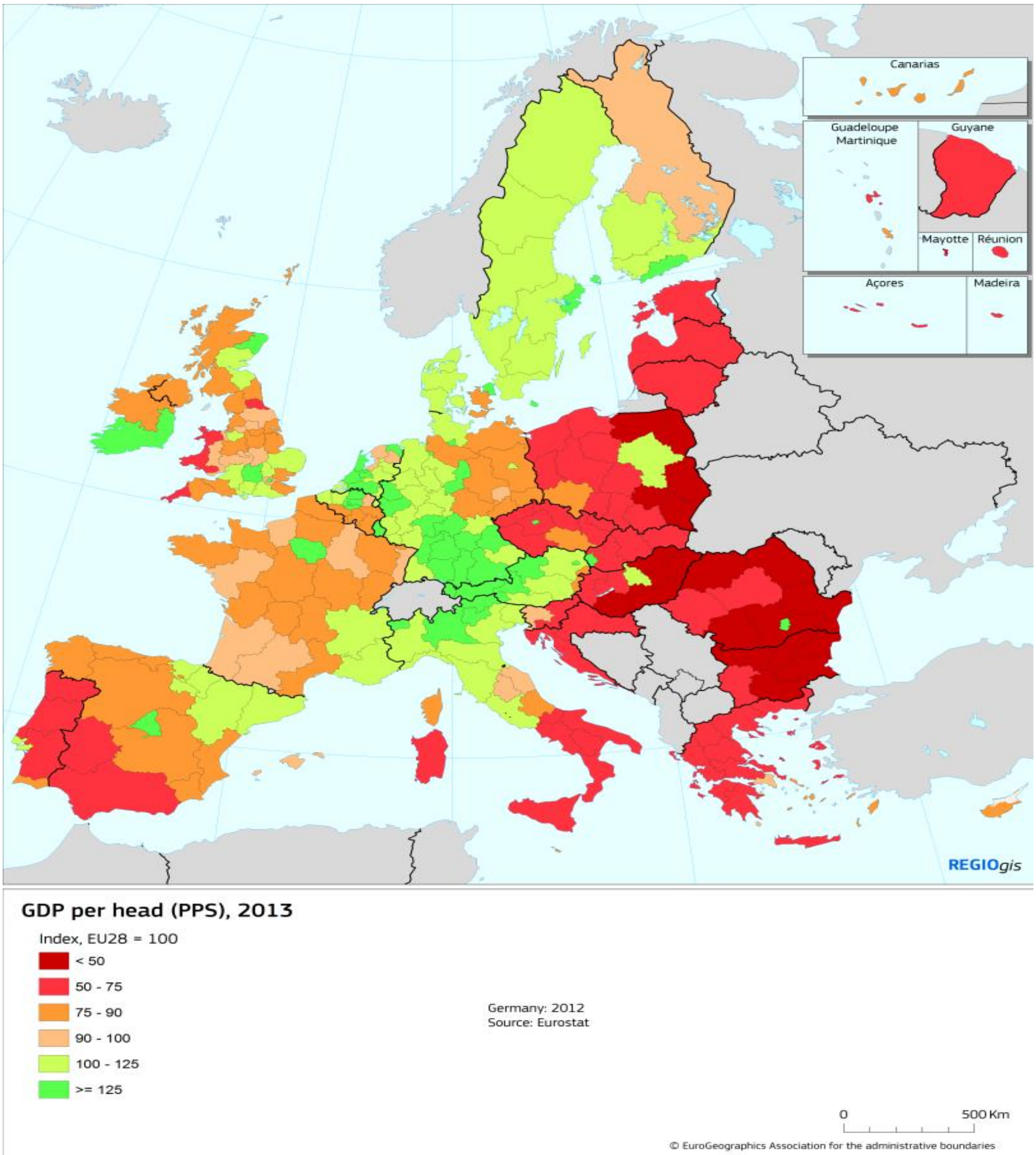
[3] The achievements presented in this communication are based on the targets set for common output and result indicators by Member States in the ESI Funds programmes. Further details, including background data, can be found on: https://cohesiondata.ec.europa.eu/.

[4] Regulation (EU) No 1303/2013.

1. ESIF INVESTMENTS IN TODAY'S SOCIO-ECONOMIC CONTEXT

Diverging economic and social trends

The European Union is gradually recovering from the economic crisis with declining unemployment and real GDP expected to grow by 1.9% and remain slightly above its pre-crisis level in 2015. Nevertheless, total employment is foreseen to remain below the level of 2008. The crisis wiped out the gains from economic convergence achieved in several European regions and Member States since 2000, thus reversing the trend of reducing regional disparities and poverty.



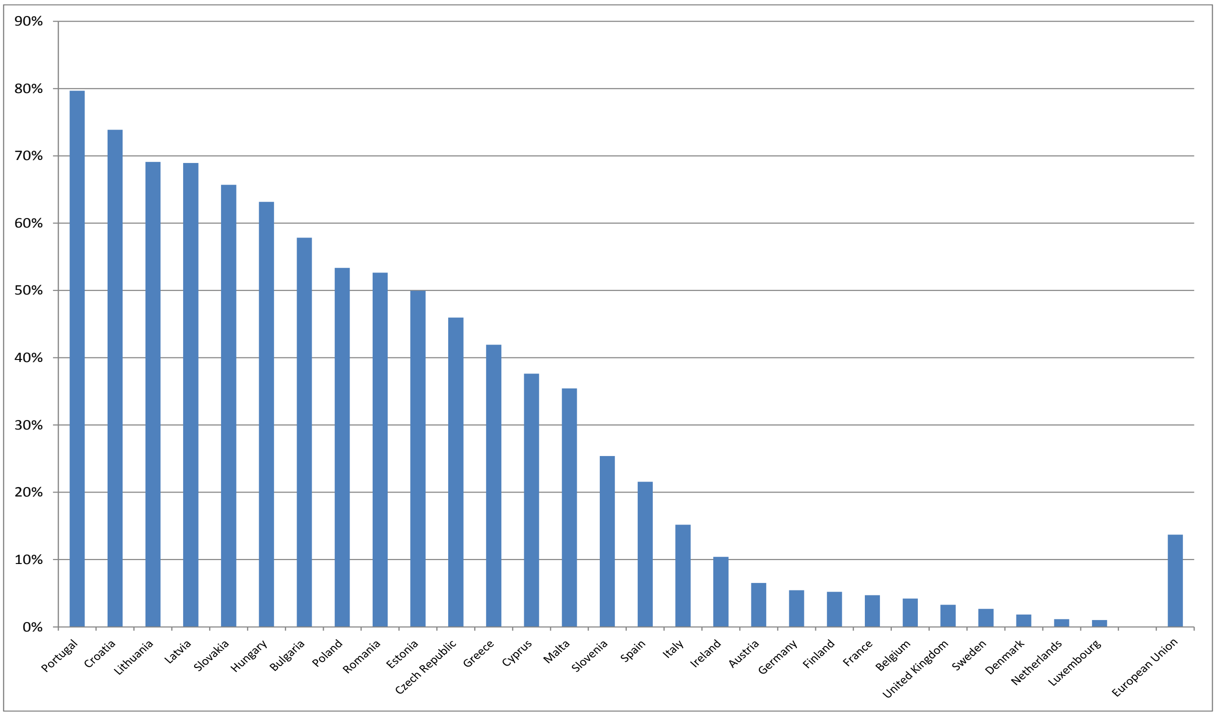
Progress towards Europe 2020 targets has been uneven. Substantial progress has been made on adaptation to climate change, energy, and education, but not on meeting employment and poverty targets. Progress on research and innovation has also been limited. Furthermore, regions which are less developed or in transition score much worse than other regions for most Europe 2020 targets — their performance needs to improve substantially for the EU to reach its objectives. It is in this context that Member States and the Commission discussed the 2014-2020 ESIF programmes.

The ESIFs have become more important in public investment, compensating for decreasing investment levels

The crisis had a profound impact on national and regional budgets, limiting funding for all types of investment. In the EU, public investment decreased by around 15 % in real terms between 2008 and 2014. Total investment also decreased considerably and is now around EUR 300 billion below the historical norm. As a result, the importance of ESIF funding for co-financing public investment programmes has considerably increased.

In 2014-2016, the commitments from ESIFs are expected to account for approximately 14 % of total public investment on average, with the highest share reaching beyond 70 % in some Member States (see table 1). This contribution to investments gives a boost to the first pillar of the Investment Plan for Europe — mobilisation of financial resources.

Table 1: Proportion of ESIF funding in public investment 2014– 2016[5]



Furthermore, best use of scarce investment resources is ensured by closer links and synergies between the ESIF and with other EU funding instruments, such as Horizon 2020, LIFE+, Asylum, Migration and Integration Fund, COSME, Erasmus+ or the Connecting Europe Facility.

[5] ESIF funding covers Member States' annual commitments for the 2014-2016 period. Public investment covers gross fixed capital formation (GFCF) of the public sector plus public expenditure in agriculture and fisheries following the classification of functions of government (COFOG). In order to present all ESIF investments in a comparable way in relation to public investments, this table includes also current expenditure in agriculture and fisheries as part of the public investment undertaken by the national Governments. Full data on the areas of ESIF investments is available at: https://cohesiondata.ec.europa.eu/

A reformed framework for more effective ESIFs

Following the lessons learned from previous programming periods and taking into account the need for better use of ESIFs, the 2014-2020 regulations introduced several key reforms. There is a clear move towards a more focused policy approach, a stronger results orientation, solid framework conditions for investments, better coordinated use of ESIF funding through the common strategic framework, and improved links between EU priorities and regional needs.

The European Semester and country-specific recommendations play a major role

The Commission's starting point for discussions with Member States on the funding priorities for 2014-2020 partnership agreements and programmes was rooted in the Europe 2020 targets, the relevant country-specific recommendations (CSRs) made in the context of the European Semester process, and the socio-economic analysis at Member State and regional level.

More than two-thirds of the CSRs adopted in 2014 were relevant for cohesion policy investment and have been taken into account in Member States' programme priorities. Examples of CSRs where the funds will support reforms include:

- improvements of and better access to the labour market and education and training systems,
- research, development and innovation (R&I),
- sustainable energy investments such as energy efficiency and renewables,
- health sector,
- access to finance,
- the business environment, and
- administrative capacity.

In the coming years the future CSRs will trigger, where relevant, ESIF programme adjustments, also at the initiative of the Commission, ensuring Commission's support to structural reforms in Member States. This shows that there is a strong link between the ESIFs, the European Semester process and the EU's economic priorities in a number of Member States with CSRs relevant to the ESIF; this contributes to the third pillar of the Investment Plan for Europe — improving investment conditions.

Improving investment conditions

Following past experiences of insufficient planning in key investment areas, *ex ante* conditionalities were introduced as part of the ESIF reform. They require that regulatory and policy frameworks are in place and that there is sufficient administrative capacity before investments are made. They cover most investment areas, including improvements to regional R&I strategies for smart specialisation, as well as strategic plans linked to water and transport sectors, active inclusion, health services, vocational education and training.

Although around 75% of all *ex ante* conditionalities were fulfilled by the time the programmes were approved, some 750 were not (for example transport master plans underpinning transport investment). Action plans for their fulfilment by the end of 2016 at the latest were agreed with the Commission. These plans will improve the effectiveness and efficiency of investment supported by the ESIFs, and will also affect other public and private investment and help enforce EU legislation and policies in the Member States.

Concentration of resources and mainstreaming of sustainable development

Where past experiences showed that ESIF funding did not have the desired impact due to lack of critical mass, stronger requirements were put in place to ensure that the 2014-2020 ESIFs concentrate on key investment areas and growth bottlenecks. As a result of discussions between the Commission and Member States, the legal requirements for thematic concentration of the ERDF resources were often exceeded by Member States and the investment is now focused more on SME support and the low carbon economy, while ensuring that basic infrastructure in less developed regions is also supported where needed.

Given the importance and urgency of human capital development, Member States have allocated a greater share of the cohesion policy budget to the ESF, compared to the previous programming period. Both the minimum share of the ESF and the minimum allocation for social inclusion have been exceeded[6], which shows the importance of investment in these areas. The ESF concentrates funding on the following five priorities: active inclusion, access to employment, sustainable integration of young people in the labour market, early school-leaving and life-long learning.

Sustainable development and climate change concerns have been mainstreamed in all ESIF funding (e.g via financial allocations, strategic environmental assessments and integrating environmental requirements in projects' selection). Member States have also shown strong commitment to act on climate change by allocating 25% of ESIF – or more than EUR 114 billion - to climate change mitigation and adaptation measures. With this ESIF will support strongly the EU objective to spend at least 20 % of the EU's budget on climate actions.

Strengthening the focus on results and performance

Despite requirements for objectives, indicators and targets in the past, they were not systematically or rigorously applied. The improvements introduced for the 2014-2020 period ensure that programmes have more robust result orientation, with investment needs linked to specific objectives and priorities with corresponding indicators and targets for outputs and results. Every programme has a performance framework against which performance will be assessed. This makes it possible to have transparent reporting and evaluate progress towards programme objectives.

Furthermore, the performance reserve of 6 % of national allocations set aside for attribution in 2019 will reward programmes which are progressing best towards their agreed milestones.

Financial instruments give higher leverage

Given the leverage effect of financial instruments, the impact of their support is greater than grants to the same policy areas. In 2014-2020, a stronger framework was put in place to support the widespread use of financial instruments (loans, guarantees, equity) in policy areas where investment leads to financial returns allowing beneficiaries to pay back at least part of the received assistance.

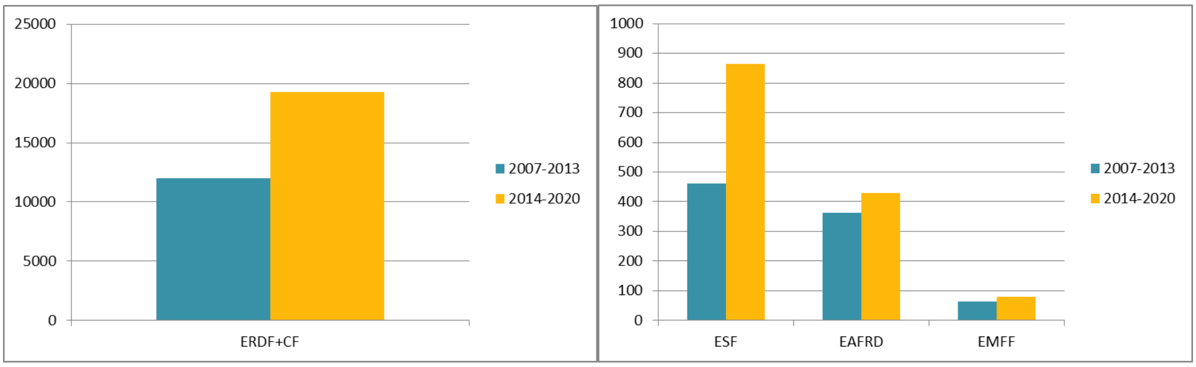
This trend was strengthened by the **Investment Plan for Europe, in which the Commission strongly encourages the use of financial instruments** instead of traditional grants in ESIF funding, in areas such as SME support, CO2 reduction, environmental and resource efficiency, ICT, sustainable transport, R&I. As noted in the Investment Plan, it is expected that the funds committed to innovative financial instruments over the 2014-2020 period will have a direct leverage effect and will generate additional investment of EUR 40–70 billion, with an even higher multiplier effect in the real economy by attracting private investment.

As a result of discussions with Member States, the planned allocations from all ESIFs into financial instruments have increased considerably (see table 2). In the context of maximising synergies and complementarities between ESIF resources and the European Fund for Strategic

[6] Although the ESF minimum share amounted to 23.1 % of the cohesion policy budget, the real share amounts to 24.8 %. The ESF budget allocated to social inclusion amounts to 25.6 %, exceeding the 20 % minimum.

Investments (EFSI), the Commission is issuing a brochure for the Member States and other stakeholders. In addition, potential also exists in combining ESIF resources with financial instruments under Horizon 2020 and other EU programmes, on which there will also be guidance available.

Table 2: Amount of ESIF funding delivered through financial instruments in 2007-2013 and 2014-2020 (EUR million)



Simplification

Simplification is an important factor in access to funding, and is recognised as a continuous process through which simple yet sound implementation practices are identified and put to work. The new regulatory framework provides significant possibilities for simplification, particularly in relation to common eligibility rules, simplified cost options and e-governance. In partnership agreements and programmes, Member States provided a summary of the main sources of administrative burden for beneficiaries (application and payment procedure, followed by audits and controls, reporting and project preparation), as well as of simplification actions planned in order to address them. Overall, the experience shows that there is room for self-reflection and mutual learning from Member States' differing practices.

To address this, the Commission set up the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds. The group is charged with identifying both good and bad practices, and helping to disseminate simplification possibilities among Member State authorities. Its work will contribute to the achievements of the general objectives of better regulation and the 'budget focused on results' initiative.

Improved partnership and multi-level governance for better programmes and their delivery

The partnership principle — close cooperation between public authorities, economic and social partners and bodies representing civil society throughout the programme preparation, implementation, monitoring and evaluation so as to enhance broad collective commitment and ownership and quality programmes — is even more important in the 2014-2020 period. In the Code of Conduct[7], the Commission has outlined the minimum standards for how a well-functioning partnership should be organised: it should ensure that relevant stakeholders are included in the process and that their opinion is sought through open consultations.

The Commission paid special attention to how Member States involve partners in partnership agreements and programmes. Feedback has been generally positive and concerns brought to the attention of the Commission have been addressed with national authorities. Furthermore, each Member State implements the partnership principle differently, depending on national

[7] Commission delegated Regulation (EU) No 240/2014

administrative structures and culture. Strengthening the partnership culture is a long-term process, and results will only be seen in the medium and long term.

More focus at local level and investment in tackling concentration of territorial challenges

To allow more flexibility in tailoring the delivery of ESIF funding based on the needs of the territory at hand, new and improved delivery mechanisms were put in place:

- Integrated territorial investments (ITI) make it possible to combine funding from different ESIF programmes to support the implementation of territorial development strategies. 20 Member States will use ITI in areas ranging from deprived urban neighbourhoods to metropolitan areas, from cultural heritage routes to sub-regions hit by economic restructuring.
- Support to sustainable urban development strategies where urban authorities have a role in implementation will exceed EUR 16 billion (9.9 %) of the total ERDF budget, higher than the 5 % target set), with considerable additional financing from the ESF in a number of Member States. The bulk of the funding will support urban areas in managing the transition to a low carbon economy through investment into energy efficiency and renewables, sustainable urban mobility, improvement of the urban environment. Funding will also address the challenges of physical and social deprivation in urban areas.
- Community-led local development (CLLD) empowers local action groups (LAGs) to implement strategies creating jobs and growth and enhancing social inclusion by combining different EU funds. Over the programming period, multi-fund CLLD is supported with more than EUR 12 billion. In rural development, more than 2 500 local strategies will reach out to half of the EU's rural population, while the EMFF will support some 280 such strategies in coastal and inland communities. 17 Member States will support local development strategies also in cohesion policy.
- 23 Member States participate in one or more macro-regional and/or sea-basin strategy which allows them to design and implement their national and regional priorities more effectively and in a better-coordinated way to maximise common potential. In 2014-2020, all macro-regional strategies (Baltic, Danube, Adriatic and Ionian, Alpine)[8] and the Atlantic sea-basin strategy are integrated into the ESIF programmes.
- All ESIFs are actively used for transnational cooperation.
- Special allocations have been set aside to address the specific needs of territories such as the outermost regions, sparsely populated areas and mountainous and island Member States. Furthermore, funding for territorial cooperation is now more focused on shared challenges.

2. EXPECTED ACHIEVEMENTS OF THE ESIF PROGRAMMES[9]

For 2014-2020, EUR 454 billion in ESIF funding has been allocated to promote job creation and growth. National co-financing is expected to amount to at least EUR 183 billion, with total investment reaching EUR 637 billion.

[8] In the context of the integrated maritime policy, both the Baltic and Adriatic and Ionian sea-basin strategies are embedded in the corresponding macro-regional strategies.
[9] The achievements presented in this communication are based on the targets set for common output and result indicators by Member States in the ESI Funds programmes. Further details, including background data, can be found on: https://cohesiondata.ec.europa.eu/.

The ESIFs operate under a common legal and strategic framework across the EU. Each Member State has a partnership agreement that brings together funding from up to five ESIFs. An overview of the expected achievements of ESIF funding channelled through the 456 national (thematic) and regional programmes and the 79 Interreg cooperation programmes is presented below. Annex II has more details on ESIFs in Member States, and Annex I has more details on the Interreg programmes.

Annex IV gives an overview of the timeframe of approving partnership agreements and programmes that took place after the legislation was adopted in late 2013.

2.1 R&I, ICT and SME development

The ESIFs contribute EUR 121 billion to reaching the EU's smart growth objectives, and therefore to improving R&I, SME competitiveness and the digital single market. These investments in the real economy are expected to strengthen the research capabilities of businesses and higher education institutions, create incubators and technological centres, enable access to risk capital and loans, build cluster partnerships, activate innovation ecosystems, provide advanced services, stimulate collaboration in European value chains in order to deepen the internal market and strengthen the industrial base, and the rural renaissance of Europe.

Strengthening R&I — a key priority for place-based economic transformation

Strategies for smart specialisation (RIS3) are the cornerstone of R&I investment. They are a precondition for ERDF funding and are also taken into account in EAFRD funding. They provide the policy frameworks for strong R&I support, based on evidence and stakeholder involvement, building on regional strengths and following a common methodology. This precondition has triggered a paradigm shift in the way innovation policy is implemented and a renewal of regional planning culture based on the active participation of stakeholders. It is also expected to contribute to capacity building in public administrations, which will in turn encourage synergies with Horizon 2020 and improve quality and impact of R&I investments.

All Member States and regions plan to invest in R&I. There is a special focus on activities that encourage SME innovation, such as incubation, voucher schemes, process, design and service innovation, university-business cooperation, clusters and networking. Significant support for the following is also planned: public and private R&I infrastructure and equipment, support services, technology transfer and the development of innovations that addresses societal challenges such as energy, environment and the aging society. Here are some key figures related to the expected achievements:

- 129 460 companies will receive support to increase their R&I capacity. Of these, 71 250 will work with research institutions;
- jobs will be created for 29 370 new researchers and facilities will be improved for 71 960 existing researchers;
- projects will help companies introduce 15 370 new products to the market;
- the EUR 9.9 billion of private funding matching public support for R&I projects represents around 6 % of annual business enterprise research and development expenditure across the EU;
- in rural areas, more than 3 000 innovation projects will be supported, and over 12 000 projects will receive support to develop new practices, processes and technologies in farming, food and forestry. 3.9 million farmers and other rural SMEs will be offered training and 1.4 million beneficiaries will receive advisory services.

Supporting the digital single market

ESIFs will invest towards the objectives of the digital single market. Improved broadband infrastructure will give consumers and businesses better access to digital goods and services, in particular in rural areas. Improved e-government and interoperability will increase cost-efficiency and the quality of services provided. Digitalising companies will integrate new technologies and manage the transition to a smart industrial system.

Expected achievements include:

- 14.6 million additional households will have access to high-speed broadband with ERDF support;
- 18.8 million people in rural areas will have new or improved ICT services or infrastructure under the EAFRD;
- 77 500 companies will receive ERDF support to boost the use of quality ICT services and to develop ICT products.

Supporting the growth of Europe's small and medium-sized enterprises (SMEs)

The ESIFs will promote innovation among SMEs and will contribute to a deeper and fairer single market, with a stronger industrial base. They will do this through: support for R&I, business development, entrepreneurship, incubation, technology transfer, energy efficiency and support for clusters, and better support services for SMEs. Nearly half of this support will be channelled through financial instruments. The following achievements are expected:

- Support will be given to around 801 500 companies for the direct creation of 354 300 new jobs. Together with the R&I support to companies, this means that 5 % of all EU SMEs and 8 % of new companies will receive EU financial support;
- 396 500 micro, small and medium-sized enterprises (including cooperative enterprises, and enterprises in the social economy) will receive funding to invest in human capital development and in people skills;
- more than 334 000 rural firms will increase their competitiveness. Moreover, around 138 000 farmers will receive support to participate in quality schemes and nearly 129 000 farmers to join producers' organisations. 30 000 farmers will get help to set up and participate in short supply chains and local markets;
- support in the fisheries sector will largely take the form of support for small-scale fishing, which is of high social, economic and cultural importance for local coastal communities, especially in the Mediterranean basin. It is expected that more than 10 200 new jobs will be created in the fisheries and aquaculture sector, while another 85 000 will be maintained.

2.2 Environment, climate change, energy and transport

The ESIFs will be essential for Europe's sustainable growth, and will benefit people, companies and the environment alike. With the highest EU budget ever allocated to investment in energy, environment, climate, risk management and sustainable transport — of EUR 193 billion — the programmes will significantly contribute to reaching the objectives of important EU policies such as the energy union, and to steering Europe onto the path towards a low-carbon economy. They will also create business opportunities and green jobs in sectors that have significant growth potential and have generally shown resilience during the crises[10]

[10] Employment in the EU in the environmental goods and services sector increased from 3 to 4.2 million between 2002 and 2011, including by 20% during the recession years (COM(2014) 446 final)

In maritime regions, ESIF support is expected to reach at least EUR 7.9 billion of investment targeting blue growth initiatives, including maritime transport, renewable energy, coastal tourism, biotechnology and aquaculture.

Supporting the energy union and the low-carbon economy

The ESIFs will support the development of the energy union by more than doubling the funds allocated to the low-carbon economy, to EUR 45 billion for 2014-20, providing a push for the implementation of EU legislation, and providing financing for tackling administrative and technical barriers.

The focus will be on energy efficiency, making a contribution to the following:

- 875 000 households will live in homes that have been renovated to reduce energy use,
- public buildings will use 5.2 TWh/year less energy than they do now;
- over 57 000 companies, mainly SMEs, and 18 000 farm holdings will operate with improved energy efficiency, and
- a number of fishing vessels that have become obsolete or have supersized engines will be replaced.

This will help the EU to meet its energy efficiency targets, and will lead to lower energy bills, better living and working conditions, local jobs, and more competitive businesses.

Another key investment area is the generation of low-carbon energy and the development of better interconnected and modern grids that are easier to manage (i.e. 'smart grids'). The investment in this area is expected to result in:

- 7 670 MW of additional renewable energy capacity (which is almost equal to the total existing installed electricity capacity of Croatia and Slovenia combined);
- 3.3 million additional energy users connected to smart grids;
- better energy connections — six Member States plan to use about EUR 2 billion for smart electricity and gas infrastructure to remove energy bottlenecks.

The low-carbon transition is also supported in rural areas, and expected achievements include:

- 4 million hectares of agricultural and forestry land will benefit from support for carbon sequestration or conservation actions;
- 7.6 % of total agricultural land will be brought under management contracts that support the reduction of greenhouse gas and ammonia emissions;
- alternative investment in sustainable renewable energy sources will raise a total of EUR 2.7 billion.

Overall, ESIFs will contribute directly to an estimated annual greenhouse gas emissions decrease of around 30 million tonnes of CO_2eq, which equals around 50% of the emission of either Sweden or Hungary.

Investing in environmental protection and resource efficiency

Environmental protection will continue to receive substantial support — expanded in scope, and geared towards innovative solutions. The implementation of key EU environmental legislation provisions is a funding pre-condition (e.g. on environmental impact assessment). This will help the water and waste management sectors across many Member States to regenerate cities, support nature protection, aid EU industries to become more resource efficient, and contribute to reaching the EU circular economy objectives. Territorial cooperation programmes will support the joint management of common natural assets and develop ecosystem services. The expected results of investment in this area include:

- 16.9 million people will benefit from improved wastewater treatment and 12.4 million from improved water supply — this will reach 56 % of the population currently without access to public water supply;
- the installation of 5.8 million tonnes/year of additional solid waste recycling capacity;
- improved protection and management of 6.4 million hectares ERDF of surface area of natural habitats
- support for 39 million more annual visits to cultural and natural heritage sites.

The expected achievements in rural areas include:

- 17.4 % of agricultural land and 3.5 % of forests will be targeted at better protection of biodiversity, respectively 30.6 and 4.1 million hectares;
- organic farming supported on 10 million hectares of EU farmland (5.7% of the farmed area).

Member States will direct EMFF support towards more sustainable use of marine biological resources and reducing environmental impacts (including via support for selective fishing techniques) by making investments that address unwanted catches and improve the added value of fishery products.

Most Member States will use ESIF resources for the management, restoration and monitoring of Natura 2000 sites, in line with the EU's nature and biodiversity policy.

Climate change and risk prevention

Investments in climate change adaptation and risk prevention include a broad range of measures, including flood prevention and ecosystem-based measures such as green infrastructure which aim at protecting 13.3 million people from floods and 11.8 million from forest fires while making a positive impact on jobs and growth.

In addition, a new type of risk management instrument has been introduced in the EAFRD and includes support for insurance premiums, the setting-up of mutual funds and an income stabilisation tool. 14 Member States injected a total of EUR 2.7 billion of public expenditure into risk management tools, aiming to support around 635 000 farms.

In the maritime and fisheries area, support for replacing inefficient engines or removing obsolete fishing vessels will contribute to energy efficiency.

Supporting sustainable transport

Transport is a key sector contributing to the sustainable economic and social development of the EU and its regions.

The ESIFs will finance infrastructure projects aiming to close missing links and remove bottlenecks, especially in the less developed Member States and regions. These include:

- the construction and upgrading of 7 515 km of railway lines, of which 5 200 km are TEN-T;

- the construction of 3 100 km of new roads, of which 2 020 km will be TEN-T, and the reconstruction of 10 270 km of roads, of which 798 km will be TEN-T. The 2 818 km of TEN-T road to be built or upgraded represents 5 % of the TEN-T network;

- the construction or improvement of 748 km of tram and metro lines;

- the construction or improvement of 977 km of inland waterways.

In addition, the ESIFs will provide considerable support for making transport in Europe more efficient and greener, for example by:

- improving connections between different transport modes (multi-modality);
- supporting the shift towards more sustainable transport modes such as railways, public transport, cycling and walking in urban areas;
- facilitating the use of intelligent transport systems and infrastructure that makes it possible to use alternative fuels.

2.3 Employment, social inclusion and education

A total of EUR 120 billion, predominantly funded by the ESF but with the support of the other ESI Funds as well, will be invested in this area.

Promoting sustainable and quality employment

In line with the relevant country-specific recommendations, the ESIFs will support active labour market policy measures, including improved access to the labour market, support to labour market institutions, and worker mobility. They will focus on target groups most in need of support, for example the long-term unemployed, inactive or unemployed young people, and older workers. Investment in employment will also aim to reconcile work and private life, promote equality between women and men, and active and healthy ageing and support job creation by boosting self-employment, entrepreneurship and business creation opportunities, including for micro- and small enterprises.

This support for employment is expected to:

- improve the job finding chances of 10 million unemployed people;
- ensure that 2.3 million people are in employment, including self-employment (due to ESF support);
- help 237 700 people take part in local mobility initiatives or joint employment and training initiatives across borders.

Promoting social inclusion

The ESIFs' contribution to social inclusion will focus mainly on challenges identified in the country-specific recommendations, such as supporting those at risk, healthcare systems, and long-term care services. These investments aim to ensure the accessibility and effectiveness of social and health services; and to promote Roma inclusion. At least EUR 1.5 billion will be spent on supporting marginalised communities such as the Roma.

The following results are expected:

- 2.6 million inactive people supported;
- 2 to 2.5 million disadvantaged people benefitting.
- 41.7 million people will benefit from improved health services, including investment in eHealth.

The EUR 4.5 billion ERDF investments planned in social infrastructure will include support targeting community-based social services for vulnerable groups (disabled, children, elderly, mental health patients).

In the context of the current refugee crisis, the ESIFs can also support refugees and asylum seekers, and their families. This support includes measures that facilitate access to the labour market and promote social inclusion, such as education (including for children), vocational training, training, housing, one-stop shops, counselling, coaching activities, and language courses.

Investing in education and training

The ESIFs will invest in education and training. Most Member States will invest in vocational education and training to improve both the relevance of education and training systems and the transition from education to work and life-long learning. Most funding in this area will however be concentrated on preventing early school leaving and promoting equal access to good quality early childhood, primary and secondary education. Higher education, apprenticeships and traineeships as well as education infrastructures will also be supported.

It is expected that:

- 4.1 million under-25-year-olds will be supported;
- 2.9 million people will gain a qualification;
- 400 000 people will start education or training after receiving support;
- 6.8 million young people will be able to use new or improved childcare or education facilities in 15 Member States.

In addition, investment in education infrastructure will lead to better access to high-quality education and to a decrease in early school leaving, as well as improved and modernised education and training systems needed for updating skills and qualifications, up-skilling of the labour force, and the creation of new jobs.

Approximately 10 % of the EMFF budget will be used for professional training and lifelong learning activities for fisheries and aquaculture operators and their life partners. This includes the diversification of activities within local communities, with a particular focus on women and youth.

The youth employment initiative (YEI)

20 Member States are eligible for the YEI, which has been integrated into 34 ESF programmes. The YEI was launched in 2013 and was budgeted in 2014 and 2015 to help achieve concrete results in responding to high youth unemployment. It will run until the end of 2018.

Member States will use funding allocated to the YEI to invest in quality apprenticeships, traineeships and jobs that could help bring about lasting labour market integration and increase the employability of young people. This will support a key EU policy objective in this area, set out in the Council recommendation on Establishing a Youth Guarantee (2013). The peak of YEI implementation, i.e. in terms of both financial progress and results in relation to the participants, is expected to take place in 2016-18.

Implementing the YEI is expected to:

- help 3.1 million unemployed or inactive participants complete a YEI project.

- help 1.6 million unemployed or inactive participants receive an offer of employment, continued education, apprenticeship or traineeship once the YEI support has ended;
- support 1.3 million unemployed or inactive participants to take part in education/training, gain a qualification, or find employment, including self-employment.

Despite the early eligibility of expenditure under the YEI (1 September 2013), its implementation started late and was rather slow in 2014. Financial liquidity was identified as a problem and was addressed by an increase to 30 % pre-financing from the YEI budget line in 2015.

2.4 Strengthening institutional capacity and efficient public administration

The quality of public administration has a direct impact on the economic environment and is thus crucial to stimulating productivity, competitiveness and growth. The Annual Growth Surveys of the last four years have recognised the need for Member States to improve the quality of public administration and the effectiveness of justice systems as a key priority for the successful implementation of the Europe 2020 Strategy.

The ESIFs support the creation of stable and predictable institutions that are also able to react to societal challenges, open for dialogue with the public, and embrace technological change in the delivery of better services. 17 Member States will invest EUR 4.2 billion (ESF/ERDF) in institutional capacity building, depending on their individual needs. Expected achievements include:

- improved quality of policy making because of better monitoring and analytical capacity, streamlined impact assessment, and systems for reducing red tape;
- improved administrative service delivery because of diversified access, optimised back-office processes, and interoperable e-government solutions;
- increase effectiveness of Member States' justice systems through e.g. training of court staff and introducing case management systems at courts;
- increased transparency of public administration and stronger stakeholder involvement;
- improved quality, integrity and professionalism of the civil service.

The ERDF complements the ESF-funded administrative reform activities with ICT and other infrastructure investment.

In addition, Interreg programmes will contribute EUR 790 million to establish or consolidate cooperation structure and make public services more efficient across borders.

CONCLUSION: FROM GOOD INTENTIONS TO PRACTICAL ACTION

A boost for investment in the EU

The European structural and investment funds (ESIF) pave the way for long-term sustainable growth and a better life in a better Europe for its citizens. By 2023, ESIF programmes will provide more than EUR 637 billion of investment in all Member States, in line with the new Commission's priorities. The more than 500 innovative programmes are delivering on EU policy goals including the Investment Plan for Europe by both mobilising financial resources and improving investment conditions. The programmes also aim to increase the effectiveness of funding, which will positively impact the lives and working opportunities of tens of millions of Europeans. They also significantly contribute to the implementation of EU law and to structural reforms following recommendations under the European Semester, by improving the business environment and boosting administrative capacity.

More than money

The ways in which the reformed ESIFs contribute to EU growth go well beyond just funding. The *ex ante* conditionalities support and provide incentives for structural reforms, and help create a better investment climate for private and public investment alike. Furthermore, the increased focus on good governance and administrative capacity across the public sector will ensure modernised and efficient public administrations (including by addressing market failures and the provision of public goods). Furthermore, INTERREG programs and macro-regional strategies bring citizens of different Member States together and improve their social and economic living conditions through trans-border cooperation.

Meeting new challenges in the future

The success of ESIF programmes – and of the strategies that underpin them via *ex ante* conditionalities - will depend on good governance and their immediate start, as well as their full implementation in the coming years. A readiness to adapt to changing circumstances, such as the refugee crisis, is also necessary. Areas in which continued efforts are needed throughout the 2014-2020 implementation period are in particular related to ensuring the focus on results and the level of ambition for targets, further increasing the use of financial instruments, and making full use of the synergies between ESIFs, EFSI and other funding sources such as Horizon 2020 at project level, financial instrument level and through investment platforms. The 750 action plans put in place to fulfil the *ex ante* conditionalities show that there is room for development and a need for the Commission to provide hands-on assistance in some Member States to ensure the right investment conditions.

It is also necessary to further simplify access to the ESIFs and reduce red tape in line with the Commission's objectives of better regulation and results-focused budgeting.

ANNEXES

ANNEX I: European Territorial Cooperation/Interreg

ANNEX II: Country fiches

ANNEX III: Overall assessment of additionality

ANNEX IV: Timing of submission and adoption of partnership agreements and programmes