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Refocusing EU Cohesion Policy for Maximum Impact on Growth and Jobs: The Reform in 10 points

Under the EU's 2014-2020 budget, Cohesion Policy will invest €325 billion in Europe's Member States, their regions and cities to deliver the EU-wide goals of growth and jobs, as well as tackling climate change, energy dependence and social exclusion. Taking into account the national contribution of member states, and the leverage effect of financial instruments, the overall impact is likely to be more than €500 billion. The reform of Cohesion Policy will ensure maximum impact for these investments, adapted to the individual needs of regions and cities. Key elements of the reform are:

1. Investing in all EU regions and adapting the level of support and the national contribution (co-financing rate) to their levels of development:

- Less Developed regions (GDP < 75% of EU-27 average)
- Transition regions (GDP 75% to 90% of EU-27 average)
- More Developed regions (GDP > 90% of EU-27 average)

2. Targeting resources at key growth sectors: Investments under the European Regional Development Fund (ERDF) will be concentrated on 4 key priorities: innovation and research, the digital agenda, support for small and medium-sized businesses (SMEs) and the low-carbon economy, depending on the category of region (Less Developed: 50%, Transition: 60%, and More Developed: 80%). Around €100 billion will be dedicated to these sectors, of which at least €23 billion will support the shift to a low-carbon economy (energy efficiency and renewable energies). On this, there are separate obligations to dedicate ERDF resources (Less Developed: 12%, Transition: 15% and More Developed: 20%).

Around €66 billion will be focused on priority Trans-European transport links and key environmental infrastructure projects through the Cohesion Fund.

Through the European Social Fund (ESF), Cohesion Policy will provide a significant contribution to EU priorities in the field of employment, for example through training and life-long learning, education and social inclusion (at least 20% of the ESF in each Member State will have to be used to support this objective). The ESF allocation will be established according to the needs of each Member State, subject to a pre-defined minimum, resulting in a total of at least €70 billion. The new Youth Employment Initiative linked to the ESF and worth at least 6 billion € will support the implementation of the Youth Guarantee.

3. Fixing clear, transparent, measurable aims and targets for accountability and results: Countries and regions will have to announce upfront what objectives they intend to achieve with the available resources and identify precisely how they will measure progress towards those goals. This will allow regular monitoring and debate on how financial resources are used. It will mean additional funds can be made available to better performing programmes (through a so called "performance reserve") towards the end of the period.

4. Introducing conditions before funds can be channelled to ensure more effective investments. For example, "smart specialisation" strategies to identify particular strengths and potential, business-friendly reforms, transport strategies, measures to improve public procurement systems, compliance with environmental laws, strategies to fight youth employment, early school leaving or to promote gender equality and non-discrimination are all necessary preconditions.

5. Establishing a common strategy for more coordination and less overlap: A Common Strategic Framework provides the basis for better coordination between the European Structural and Investment Funds (ERDF, Cohesion Fund and ESF as the three funds under Cohesion Policy as well as the Rural Development and Fisheries funds). This also links better to other EU instruments like Horizon 2020, the Connecting Europe Facility or the Programme for Employment and Social Innovation.

6. Cutting red tape and simplifying the use of EU investments through a common set of rules for all European Structural and Investment Funds as well as simpler accounting rules, more targeted reporting demands and more use of digital technology ("e-cohesion").

7. Enhancing the urban dimension of the policy by earmarking a minimum amount of resources under the ERDF to be spent for integrated projects in cities - on top of other spending in urban areas.

8. Reinforcing cooperation across borders and making the setting up of more cross-border projects easier. Also ensuring macro-regional strategies like the Danube and the Baltic Sea are supported by national and regional programmes.

9. Ensuring that Cohesion Policy is better linked to wider EU economic governance: Programmes will have to be consistent with National Reform Programmes and should address the relevant reforms identified through country-specific recommendations in the European Semester. If necessary, the Commission can ask Member States – under the so-called "macro-economic conditionality" clause - to modify programmes to support key structural reforms. As a last resort, it can suspend funds if economic recommendations are repeatedly and seriously breached.

10. Encouraging the increased use of financial instruments to give SMEs more support and access to credit: Loans, guarantees and equity/venture capital will be supported by EU funds through common rules, a broadening of the scope of their use and providing incentives (e.g. higher co-financing rates). The emphasis on loans rather than grants should improve project quality and discourage subsidy dependence.