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ANNEX 2

ANNEX

ANNEX II: Country fiches

to the

Communication from the Commission

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

ANNEX II: COUNTRY FICHES

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1. ESIFs in Austria

Economic and social challenges in the ESIF context

After a phase of decent economic development followed by a modest slowdown as a result of the crisis, Austria now appears to be entering a phase of lower growth. This may make it harder for it to achieve its goals on innovation, the labour market and education, reducing CO₂ emissions and resource efficiency. Austria has specific weaknesses on innovation and technology transfer from research institutes to SMEs and on private investment in R&D. The country needs to improve its provision of science and technology education and employment opportunities in this field. More generally, it needs to help older people, women, young people and people from a migrant background become more employable. Austria also needs to improve its resource efficiency to tackle rising CO₂ emissions, high levels of nitrate use in farming and a lack of biodiversity in forestry. The EU's policy recommendations to Austria in the European Semester address some of these problems, which are part of Austria's wider challenges connected with the retirement age, the sustainability of the pension system, the labour market and education and qualifications.

Main priorities and results

Promoting innovation, research and technological development, the ESIFs will help Austria to achieve its objective of becoming an innovation leader and its ambitious Europe 2020 strategy target of spending 3.76 % of GDP on R&D. The ESIFs will support research infrastructure and capacities in Austria's regional areas of strength and the country's role in important European projects such as the European research infrastructure consortium and the European strategy forum on research infrastructures. EUR 248 million will be spent on R&D in SMEs, increasing the number of 'technological leaders' and on making businesses in general more innovative.

EUR 792 million will be spent on making SMEs more competitive, focusing on farming, industry, services and aquaculture. ESIF funding will contribute to a planned 3 % increase per year in new start-ups, in particular in innovative and knowledge-intensive sectors, and support the planned 5 % annual growth in the number of SMEs. Some of the funding will be used to help Austria achieve its targets of improved or new broadband infrastructure for 2.3 million inhabitants in rural areas by 2030 and invest in the restructuring and modernisation of around 20 000 farms by 2023, along with nearly 650 cooperation projects.

Moreover, EUR 231 million will be spent on **reducing CO₂ emissions** in all sectors of the economy. This will involve boosting companies' renewable energy use from 10 % to 12-13 %, helping companies to achieve a 5 % annual rise in resource efficiency and funding local and regional CO₂ reduction strategies. EUR 1.27 billion **will be spent on climate change adaptation, risk prevention and risk management** in rural areas and a further EUR 1.28 billion will be invested in **preserving and protecting the environment and promoting resource efficiency** in rural areas. EAFRD funds will help Austria to restore, preserve and strengthen its biodiversity and agricultural and forestry systems with a high conservation value. It wants over 83 % of its agricultural land to be covered by management contracts supporting biodiversity/landscapes and 78 % by management contracts to improve soil management. 75 % of the country's agricultural land will benefit from EAFRD support to develop sustainable water management. EMFF funding will be spent on making fisheries and aquaculture more sustainable, improving aquatic ecosystems and aquatic biodiversity, and increasing the country's annual aquaculture production by 5 000 tonnes by 2023.

ESIF funding of EUR 123 million will be spent on **promoting sustainable and quality employment and supporting labour mobility**, in particular by supporting integrated sustainable development in selected urban and rural areas and by improving the employability

of older workers, women, young people (particularly those from a migrant background) and other social groups at risk of social exclusion. EUR 553 million is available to promote **social inclusion, combat poverty and anti-discrimination**; this is mainly intended to support young people and social groups from a migrant background (including Roma). Inclusive growth is therefore supported with about 19 % of the ESIF allocation. EUR 243 million are to be invested in **education, training and vocational training for skills and lifelong learning**, in particular to improve educational outcomes for young disadvantaged people and support lifelong learning and vocational training in agriculture and forestry. Nearly 610 000 people are expected to have received training by 2023.

Use of financial instruments and territorial tools

Austria is planning to allocate EUR 3 million to **financial instruments** for equity investment through the HighTechFund Linz in Upper Austria, which provides venture capital to young technology-oriented enterprises in their seed/start-up phase and to companies that are expanding. Although investment in financial instruments is significantly lower than the 2007-2013 figure, Austria is managing to cover its needs using existing national instruments, so there is no gap to be addressed by ESIF-funded financial instruments.

EUR 27.2 million (5 % of ERDF) will be spent on integrated sustainable urban development in Vienna and Upper Austria. The Responsible River Modelling Centre will be co-funded in Vienna, contributing to the EU strategy for the Danube Region. The province of Tyrol will receive EUR 5.5 million to serve as a test case for community-led local development in seven of its sub-regions. Local partnerships in rural areas expect to create 800 jobs.

Key information

	Cohesion policy (ESF, ERDF)	EAFRD	EMFF	ETC
No of programmes	2 (national)	1	1	10
Available funds (EUR)	978 349 432	3 937 551 997	6 965 000	1 061 990 384 ¹

2. Pre-conditions for effective and efficient use of ESIFs

Austria has fulfilled all applicable *ex ante* conditionalities for effective and efficient use of ESIFs. Before the adoption of the programmes, the Commission made sure that Austria had put in place the necessary regulatory conditions to support R&I, in particular that it had a 'smart specialisation' strategy at national and regional level.

3. ESIF management

Austria's ESIF funding will be coordinated by the Federal Chancellery and the Austrian Conference on Spatial Planning. The country has reduced the number of ESIF programmes from 13 in 2007-2013 to 4, making implementation simpler. It now has one country-wide ERDF programme instead of nine regional programmes, and one ESF programme instead of two. It has also decreased the number of managing authorities from 11 to 2. The number of ERDF intermediate bodies decreased from 36 to 16, and both ERDF audit and certifying authorities are increasing their administrative capacity. As an important intermediate body will cease to create expenditure relevant for ESF funding, the Commission will monitor Austria's ESF absorption capacity and seek assurance that the new monitoring and control systems are reliable.

4. Simplification for beneficiaries

To further reduce the administrative burden for beneficiaries, Austria will revise its ERDF and ESF-related national eligibility rules and provisions of its budget law so that they are more coherent and consistent. It will also put in place e-management systems covering applications and reporting and consider bringing in simplified cost options and flat-rate and standard scales of unit costs in national and regional eligibility rules, where appropriate.

¹ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Austria participates.

1. ESIFs in Belgium

Economic and social challenges in the ESIF context

After several years of stagnation, Belgium has returned to growth, become more competitive and improved its fiscal framework, while its rising public debt is expected to stabilise at around 107 % of GDP in 2016. Nevertheless, it still needs to secure fiscal sustainability and pursue structural reforms, increase its employment rate and continue to improve its competitiveness.

Belgium's performance compared with its Europe 2020 strategy targets and the EU's policy recommendations in the European Semester indicates needs to improve the functioning of its labour market, particularly by reducing financial disincentives to work, making it easier for specific target groups to access the labour market and addressing skills shortages and mismatches. It also needs to ensure that wages evolve in line with productivity. In addition, by focusing more clearly on modernisation, innovation and R&D, Belgium could further improve its performance on the aspects of competitiveness that are not linked to costs. If Belgium is to reach its 2020 greenhouse gas emission targets, it must make more use of sustainable and multimodal means of transport. In addition, by stimulating renewable energy production and energy efficiency, the country will improve its overall economic efficiency, reduce its import dependency, strengthen its balance of payments position, reduce its economy's vulnerability to external price shocks and cut GHG emissions.

Belgium has a serious and growing problem with traffic congestion and its federal and regional governments have not yet taken tangible action to deal with this.

Main priorities and results

For the 2014-2020 period, Belgium will direct ESI Funds towards key thematic objectives, in line with the Europe 2020 strategy objectives.

About 28 % of the total ESI Funds spent in Belgium will go towards promoting an **innovation-friendly business environment**. This will in turn make SMEs more competitive, improve innovation and research performance and stimulate the growth of the e-economy. In this context, Belgium will focus on developing **synergies between businesses, R&D centres and higher education**. Around 8 000 Belgian companies will receive support for productive investments and about 1 000 will cooperate with research institutions. At the same time, around 45 % of farms will be modernised and restructured to make them more competitive.

ESI Funds will be used to help Belgium reach an **employment** rate of 73.2 % by 2020 (compared with 67.3 % in 2014). EUR 1.1 billion in investment will go towards developing human capital growth and improving labour market participation by **improving education** at all levels, promoting social inclusion and helping the most vulnerable groups in society (in particular the young and long-term unemployed) to find work. The aim is to help around 460 000 people find a job, start their own business, go back into education or follow training.

On energy and climate change, EUR 657 million will be spent on encouraging the sustainable and efficient use of natural resources and providing investment to support the shift towards a **low-carbon economy**, particularly through investment in **energy efficiency**. From 2014 to 2020, EUR 114 million in ESI Funds will be spent on making buildings more energy efficient (company premises, public buildings and residential housing) and improving district heating and high-efficiency cogeneration. ESIF-supported projects will help Belgium to reduce GHG emissions by about 11 000 tonnes CO₂ eq. and create 11 MW additional renewable energy production capacity. EUR 64 million will be allocated to the move towards an **energy-efficient, decarbonised transport sector**. ESI Funds earmarked for fisheries will continue to focus on making fisheries and aquaculture more sustainable, improving marine ecosystems and aquatic biodiversity and reducing unwanted catches. Regarding agriculture, the

modernisation of farming in Belgium should be accompanied by sustainable agriculture practices and ecological land management, and invest in new technologies. More than 85 000 ha of land has been earmarked to receive support to develop organic farming, while agri-environmental and climate measures will be brought in to protect more than 160 000 ha of land.

Use of financial instruments and territorial tools

Belgium is putting around EUR 98 million into financial instruments, which mainly support SMEs and energy efficiency. Instruments are planned in Wallonia and Brussels only, not in Flanders. Belgium should look more closely at using ESI-funded financial instruments alongside existing national and regional instruments.

The aim is for community-led local development strategies to cover roughly 70 % of the rural population in Flanders and one third of the rural population in Wallonia.

Three integrated territorial investments (ITIs) are planned for Flanders (Limburg, Kempen and West Flanders). The programmes for the Brussels Capital Region are entirely urban. The Limburg and Kempen ITIs will address problems relating to industrial conversion.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	7 (regional)	2	1	7
Available funds (EUR)	2 020 742 087	647 797 759	41 746 051	1 378 392 541 ²

2. Pre-conditions for effective and efficient use of ESIFs

The *ex ante* conditionality on the smart specialisation strategy is not yet fully met for Wallonia and the Brussels Capital Region, and accordingly action plans were put in place. The Brussels Capital Region also has an action plan on energy issues under its ERDF programme.

3. ESIF management

For the 2014-2020 period, Wallonia has decided to continue the practice of having joint ERDF-ESF monitoring committees. Monitoring committees for EAFRD will be held separately.

4. Simplification for beneficiaries

Managing authorities for the ESIFs are currently planning an extended use of the simplified costs options. Increased use of ICT has significantly reduced the administrative burden for funding recipients and public authorities.

² This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Belgium participates.

1. ESIFs in Bulgaria

Economic and social challenges in the ESIF context

Bulgaria's economic performance has remained subdued during the post-crisis period. After a decline in economic activity in 2009, growth has been fluctuating around 1 % per year. Long-term sustainable growth is being held back by structural bottlenecks such as skills mismatches in the labour market, the continuous decline in the working-age population, the EU's lowest labour productivity and highest energy intensity of production, and inefficient management of natural resources such as water. Public services are inefficient and of poor quality due to limited progress in administrative and judicial reform. In response, the European Semester policy recommendations focused on the labour market, social inclusion, quality of education, innovation-friendly business environment, energy efficiency, and administrative capacity building. These priorities are reflected in the 2014-2020 ESIF programmes in Bulgaria with funds to be invested in all 11 thematic objectives.

Main priorities and results

ESIF will contribute to increasing the employment rate, ensuring high-quality human capital through better education, raising qualifications and skills, improving health and healthcare, with a special emphasis on the young, the elderly and disadvantaged population groups such as Roma. Bulgaria aims to increase the rate of **employment** for people aged 20 to 64 from 63.5 % in 2013 to 76 % in 2020. For older people (55-64 years), the 2020 employment target is 53 %, while for youth unemployment the target for 2020 is 7 %. To advance the **social inclusion** of the underprivileged and more vulnerable part of its population, Bulgaria aims to have 260 000 people less in poverty by 2020. Also, better **access to healthcare** is to be provided to several thousand children, including those with disabilities.

The ESI Funds are expected to **boost the qualifications** of around 100 000 people, help 28 000 jobseekers to find jobs, finance employment and training measures to help 17 000 young people, and provide lifelong learning for 160 000 people. In **education**, around 1 500 schools will receive ESIF support, providing 160 000 pupils the opportunity to develop their knowledge and skills. Around 30 000 university students will receive scholarships while thousands of secondary and high school students will receive career guidance and training in real work environments.

ESI Funds will help improve Bulgaria's **business environment** by strengthening SMEs' knowledge-based competitiveness. By 2020, 1.5 % of GDP should be spent on R&D in Bulgaria. EUR 528 million in ESI Funds will support **innovation** in companies, the creation of innovative start-ups and improving innovation and research infrastructure.

ESI Funds will be spent on making 3 500 farms and 120 companies in the forestry sector more competitive and environment-friendly, creating jobs both in farming and non-agricultural sectors in rural areas. More than 4 000 small farmers will receive support to develop their farms and 1 630 young farmers will receive start-up aid. In fisheries, ESI Funds will be spent on investments and innovation to reduce the negative impact of fishing activities on the marine environment and support SMEs in the aquaculture and processing sector.

Investments using ESI Funds in Bulgaria should lead to a 25 % rise in **energy efficiency** in households, industry, services and transport alike. By 2020, the share of renewable energy sources in gross final energy consumption in Bulgaria should be 16 %. ESI Funds will also be invested in water and waste management, the preservation of natural resources, biodiversity and climate-change risk prevention.

EUR 1.6 billion in ESI Funds will be devoted to upgrading Bulgaria's **transport infrastructure**, providing better connections between regions and with neighbouring countries, improving access to services and stimulating trade and tourism: 190 km of TEN-T

railway, 62 km of TEN-T motorway and 8 km of Sofia metro track will be built, the latter raising the number of trips by metro from 80 to 105 million per year by 2023.

Good governance is one of the main challenges for Bulgaria. Human resources in the public administration and the judiciary need proper management and development. That is why ESIF will be mobilised to develop areas such as e-governance and e-justice, and establish quality services for citizens and businesses. By 2020, the time needed to provide public administrative services should be reduced, compared to 2013, by 50% and the average duration of criminal and civil proceedings by 10%.

Use of financial instruments and territorial tools

EUR 612 million from the ERDF, Cohesion Fund and ESF budgets has been earmarked for financial instruments, 70 % more than in 2007-2013. Most support will be directed towards energy efficiency, the waste and water sectors, SMEs, urban development and tourism. Bulgaria has also joined the SME Initiative, contributing EUR 102 million.

ESIF will also be used to contribute to community-led local development in rural areas and areas dependent on fisheries, creating 600 jobs. One third of Bulgaria's rural population is to benefit from infrastructure that has been improved with help of ESIF.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	ERDF	EMFF	ETC
N° of programmes	7 (national)	1	1	8
Available funds (EUR)	7 422 791 277	2 366 716 966	88 066 622	701 131 995 ³

2. Pre-conditions for effective and efficient use of ESIFs

Three of the *ex ante* conditionalities (EACs) specific to the EMFF and 7 out of 11 thematic EACs remain unfulfilled, most notably for smart specialisation, water, transport, health and digital growth, but also the crucial general EAC for public procurement. However, Bulgaria has put in place action plans to implement all of its EACs by the end of 2016 at the latest.

3. ESIF management

The programming, management, monitoring and control of ESIF programmes in Bulgaria are the responsibility of the deputy prime minister responsible for the management of EU funds and the central coordination unit in the Council of Ministers. The deputy prime minister coordinates and chairs the Council for coordination of EU funds management, which involves all ministries with responsibility for EU funds.

The different ESIF programmes include measures to strengthen the administrative capacity of the bodies responsible for coordination, management, implementation, payment and control. Project beneficiaries, such as municipalities, the judiciary and institutional beneficiaries in the transport sector, are also eligible for assistance to strengthen their administrative capacity. International financial institutions, such as the European Investment Bank, the World Bank and the European Bank for Reconstruction and Development, provide expertise.

4. Simplification for beneficiaries

The Bulgarian authorities are working to reduce the administrative burden for project beneficiaries, digitalising where possible the communication between beneficiaries and the managing authorities. This involves electronic submission of project proposals and project reporting and making administrative procedures easier and more efficient. For example: application and reporting forms will be standardised, rules will be introduced for simplified costs when reporting expenditure and the different auditing and inspection bodies will coordinate their inspections.

³ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Bulgaria participates.

1. ESIFs in Croatia

Economic and social challenges in the ESIF context

The protracted recession has reduced Croatia's real GDP by about 12.5 %, while its unemployment rate doubled from 8.6 % in 2008 to 17.3 % in 2014. Recent years have shown the need for structural changes, in particular to address the fiscal imbalances, implement labour market reform, develop sustainable social and health protection systems, improve the business environment and reform the state administration and judiciary. The national authorities have carried out a set of reforms as part of the European Semester. A significant proportion of the EUR 10.676 billion allocation from the ESI Funds for 2014-2020 has been earmarked for carrying out reforms and meeting national targets as part of the Europe 2020 strategy.

Main priorities and results

ESI Funds will be used to stimulate R&D&I in Croatia, making its economy more **innovative and competitive** and helping it to meet its national commitment to spend 1.4 % of GDP on R&D by 2020 (2012 figure: 0.75 %). Croatia also aims to increase the value added per employee in SMEs by 50 % by 2023.

Croatia has one of the lowest labour-market participation rates in the EU, particularly affecting young people, the low-skilled, older workers and women. Croatia's national target is an **employment rate** of 65.2 % by 2020 (2012 figure: 55.4 %), with specific focus on increasing the employability of young people not in employment, education or training. In this context, ESI Funds will tackle the mismatch of **workers' skills** by reforming tertiary education and the public employment service, and supporting vocational education and training and lifelong learning. Funds will also be spent on supporting **self-employment** and reducing **long-term unemployment**.

Croatia will spend ESI Funds on building infrastructure that can boost economic growth: the focus will be on the development of key networks (TEN-T), sustainable urban transport and making its regions more accessible. In addition, Croatia aims for 53 % of households to have broadband coverage by 2023 (compared with 33 % in 2013).

The ESI Funds will also be spent on implementing **the EU environmental acquis**: the aim is for one million inhabitants to have improved water supply and wastewater treatment services by 2023. Funds will also be used to reduce the proportion of landfilled municipal waste from 83 % in 2012 to 35 %, to put 40 % of Croatia's Natura 2000 management framework in place and to make air quality information available for 100 % of the population in urban areas. More than EUR 160 million ESI Funds will be invested in renewable energy production, while the average annual heating and cooling energy demand in retrofitted public buildings should reach 50 kWh/m² by 2023 (the 2013 figure was 250 kWh/m²).

Croatia is facing social challenges in the form of high levels of poverty and social exclusion; the national objective is to **reduce the number of people at risk of poverty or social exclusion** by 150 000 by 2020. To achieve this goal, ESI Funds will be invested in promoting the social and labour market integration of vulnerable groups, improving access to healthcare, improving access to high-quality social services (including support for the shift from institutional to community-based services), preventing and tackling discrimination, developing social entrepreneurship and implementing urban regeneration projects.

Finally, ESI Funds will be used to support the **national reform of Croatia's public administration** through better and sound management of public finances, cutting unnecessary procedures, developing e-administration and fighting corruption. In addition, **dialogue with social partners and civil society** will be further developed and the **justice system** will be made more efficient by speeding up legal procedures and ensuring impartiality.

ESI Funds will contribute to making **Croatia’s food production, aquaculture and fisheries sectors more competitive and environment-friendly**. Funds will be used to restructure and modernise more than 1 800 farms, provide start-up aid to at least 1 000 young farmers, thus improving generational renewal of rural areas, and support the use of biodiversity management contracts covering more than 101 000 ha of agricultural land. Croatia is also aiming to achieve balanced regional development and reduce the economic downturn in rural areas, including through the development of alternative economic activities. In addition, ESI Funds will be used to improve and diversify the local economy in coastal areas, strengthen the country’s growth potential in the marine and maritime sectors, make fisheries and aquaculture more sustainable and strengthen aquatic ecosystems and biodiversity. In particular the volume of aquaculture production is envisaged to increase by 400%.

Use of financial instruments and territorial tools

Croatia expects to allocate more than EUR 440 million ESI Funds to financial instruments providing support for SMEs, R&D&I, energy efficiency, urban transport, self-employment and social entrepreneurship. Considering that it had no **financial instruments** in the previous programming period, this is an ambitious programme. It needs to look more closely at using financial instruments in ICT, urban development and transport infrastructure.

Croatia will put at least EUR 400 million into **integrated territorial investments** to be used for sustainable urban development and into community-led local development projects in rural areas, fisheries and maritime areas. Local development strategies under LEADER will cover 1.5 million people in rural areas during the programming period 2014-2020.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	2 (national)	1	1	9
Available funds (EUR)	8 463 255 776	2 026 222 500	252 643 138	1 201 084 956 ⁴

2. Pre-conditions for effective and efficient use of ESIFs

Before the end of 2016, Croatia will have adopted a set of strategies and investment plans to fulfil the *ex ante* conditionalities (EACs) for effective and efficient use of ESI Funds. It plans *inter alia* to adopt a smart specialisation strategy, broadband and digital strategies, a strategy for the management of natural risks, a water pricing strategy, river basin management plan, waste management plans and waste prevention programmes, an integrated transport strategy, a hospital master plan, a programme for the development of the vocational education and training system and a development strategy for public administration. Two of the EMFF-specific EACs, related to administrative capacity for the implementation of control and report on fishing capacity are only partly fulfilled; action plans to their fulfilment should be implemented by 31 December 2016.

3. ESIF management

A national coordination (governmental) committee will coordinate implementation of the four national programmes and the European territorial cooperation programmes. Given the sharp increase in Croatia’s ESI Funds allocation in 2014-2020, the technical and administrative capacities should be increased substantially, both within the management and control system, as well as at beneficiary levels.

4. Simplification for beneficiaries

Different tools will be developed, including a website for beneficiaries, a coordinated mechanism to provide information on ESIFs, and the simplification of procedures for project application and selection. Croatia has also envisaged the use of a simplified costs option.

⁴ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Croatia participates.

1. ESIFs in Cyprus

Economic and social challenges in the ESIF context

As a condition for Cyprus' EUR 10 billion financial package (consisting of EUR 9 billion under the European stability mechanism and EUR 1 billion from the IMF), the country is under an economic adjustment programme covering the 2013-2016 period.

In the context of a still-challenging economic environment, Cyprus is losing ground on some of its national targets for the Europe 2020 strategy. For example, its current employment and poverty rates deviate considerably from the national targets. While the two education indicators of the Europe 2020 strategy improved in 2014 and are both in line with the national targets, Cyprus has the lowest employability rate for recent graduates in the EU (64.9 % as against the EU average of 80.7 % for 2013). The percentage of GDP that Cyprus spends on R&D remains slightly below the national target. The climate indicators of the Europe 2020 strategy remain on course: the energy efficiency indicator for 2013 exceeded the interim annual target and the renewable energy sources indicator performed satisfactorily. However, Cyprus' environmental performance remains very poor, in particular on solid waste management, where there are low levels of recycling.

Main priorities and results

ESIF programmes in 2014-2020 are designed around three key priorities: 1) competitiveness; 2) employment and social inclusion; and 3) the sustainable use and protection of natural resources.

The ESI Funds will be used to diversify the structure of the economy and make it more **competitive** by strengthening **business innovation** and encouraging cooperation between businesses and research facilities in the areas identified in the **smart specialisation strategy**. Entrepreneurship and the competitiveness of SMEs will be promoted, in particular in the tourism, food and aquaculture (production to be increased by 46%) sectors. ESI Funds are expected to support more than 600 SMEs and create 1 200 new jobs, while the proportion of GDP spent on R&D should increase from 0.47 % of GDP in 2012 to 0.5 % in 2020, while also leveraging private investments. ESIF will also support investment in fisheries to reduce the negative impact of fishing activities on the marine environment and support SMEs working in the aquaculture and processing sector. Cyprus expects to boost e-governance and digital entrepreneurship through investment in ICT and to increase ICT use by SMEs. It also expects high-speed broadband coverage to reach 50 % of households, while ICT use among the public and SMEs is expected to increase by 10 % and 6 % respectively.

ESIF will invest in **employment and social cohesion**, helping to increase employment opportunities, focusing on vulnerable groups such as the unemployed, long-term unemployed and especially young people. The Youth Employment Initiative (YEI) will also be used to support this latter group. More than 14 000 unemployed people are expected to benefit from ESIF interventions the majority of which (9 000) are young people. From those 5 800 will receive support under the YEI and the remaining from the ESF. Due to the ESIF support, labour market participation and employment rate are expected to increase to meet the target of 75-77 % in 2020 (2014 figure: 67.3 %). ESI funding is also expected to improve public administration. In addition, it will improve social inclusion by helping vulnerable people to participate in the labour market and supporting the creation of 180 social enterprises. This will help Cyprus to meet its target of reducing poverty to 19.3 % in 2020 (from 27.8 % in 2013). ESIFs are expected also to help improve lifelong learning and vocational education and training, particularly by aligning the provision of skills with the needs of the labour market.

The funds will help Cyprus shift to a **low-carbon and resource-efficient economy** by promoting energy efficiency (2020 target 14.3 %, compared with 12.3 % in 2011) and renewable energy consumption (13 % in 2020, compared with 7.7 % in 2011). In addition,

some 3 500 households will be helped to improve their energy consumption, moving them into a more energy-efficient classification.

ESI Funds will be spent on addressing Cyprus' pressing need to comply with EU requirements on the management of solid and liquid waste. Cyprus is expected to increase its recycling rate to 50 %, while 2 300 households (in terms of equivalent population) will receive improved waste water treatment. ESIF will also be used to complete the investments in Cyprus' TEN-T port and its connections. As a result, goods transport is expected to increase from 300 000 to 1 million TEU. Improvements to urban transport mobility, in particular in Nicosia, should result in twice as many people using public transport.

EAFRD support will be focused on investments to promote the sustainable management and use of natural resources, the conservation of biodiversity, adaptation to climate change and the creation of new jobs in rural areas. EMFF support will be focused on the protection and rehabilitation of marine biological resources.

Use of financial instruments and territorial tools

Cyprus has indicated an amount of EUR 15 million to be allocated to **financial instruments** for SME support., *Ex ante* assessments have been launched in order to assess the scope for equity, loan and guarantee schemes in SME support, ICT, the energy sector and investment in the environment and transport.

Cyprus has allocated a considerable amount (20 % of ERDF funding, approximately EUR 60.2 million) to sustainable urban development. The aim is to promote integrated action to tackle the economic, environmental, and social challenges affecting the country's four main cities. This is far above the minimum 5 % required by EU legislation. Integrated territorial investments will not be implemented. On the other hand, community-led local development will be carried under EAFRD and EMFF programmes.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	2 (national)	1	1	5
Available funds (EUR)	702 401 708	132 244 377	39 715 209	526 153 917 ⁵

2. Pre-conditions for effective and efficient use of ESIFs

EMFF-specific *ex ante* conditionality (EAC) on fishing capacity reports has been partially fulfilled and an action plan is developed. Of 11 thematic EACs, five have not been fulfilled. The most important relate to broadband network, water pricing and river basin planning including waste recycling and re-use. Action plans are developed and deadlines for delivery are set. General EAC related to statistics and indicators has not been fulfilled, but an action plan has been drawn up to implement it by December 2015.

3. ESIF management

The number of programmes in Cyprus remains unchanged from the 2007-2013 programming period. The country has set up a single managing authority (the Directorate-General for European Programmes, Coordination, and Development) and a joint monitoring committee to coordinate ERDF/cohesion fund and ESF programmes, while a single information system is used for all programmes.

4. Simplification for beneficiaries

The Cypriot authorities intend to make more extensive use of simplified cost methodologies and upgrade the dedicated information system. They also plan to improve use of electronic forms and the interoperability among the national administrative services for the automatic issuance and reduce the number of documents and certificates needed.

⁵ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Cyprus participates.

1. ESIFs in the Czech Republic

Economic and social challenges in the ESIF context

Current macroeconomic trends are positive: the Czech economy returned to growth in 2014, following two years of contraction. Nevertheless, negative demographic trends are expected to lead to increases in both pension and healthcare spending in the long term. The economy currently belongs to the group of ‘moderate innovators’ and is expected to move up in the added-value chain. Unemployment has been on the decline, but the labour market is characterised by low participation of certain groups and a mismatch between skills supply and demand.

Analysis of Europe 2020 strategy targets for the Czech Republic shows significant gaps at national and regional level on increasing R&I spending (especially private investment), improving energy efficiency, reforming tertiary education, fighting corruption and proper application of public procurement rules. EU policy recommendations as part of the European Semester propose establishing a central register of public contracts, proper implementation of an anti-corruption plan, adopting higher education reform and increasing the participation in education of disadvantaged (particularly Roma) children.

Main priorities and results

In the 2014-2020 period, the ESIF will be used to make the Czech economy more **competitive and innovative** by investing EUR 2.5 billion in research, technological development and innovation. The country has been catching up on its R&D investment lag following increased allocations from ESIF and is expected to increase spending on R&D as a percentage of GDP to 2.97 % in 2020. The investment will be used to boost R&I structures and capacity and improve cooperation between the research sector, businesses and tertiary education.

More than EUR 2 billion (1.4 % of GDP) will be used as the main source of funding to support **the shift to a low-carbon economy**. The energy and resource intensity of Czech industry (mainly from coal) is one of the highest in the EU. The main achievements in this area are expected to be an increase in the production of energy from renewable resources (by 83 MW) and a reduction in the level of greenhouse gases (by 920 000 tonnes CO₂/year).

The ESIF will contribute EUR 2.8 billion to **environmental protection and the efficient use of resources**. The investment will be spent on: improving water quality (e.g. 150 000 additional people served by improved water supply), waste management (e.g. an annual increase of 700 000 tonnes in waste recycling capacity), air quality, improving biodiversity, bringing 400 000 ha of land into the organic farming circuit and helping farmers to meet agri-environmental and climate-related commitments relating to 870 000 ha of land. The EMFF will make the Czech fisheries and aquaculture sector more sustainable by using more efficient and environmentally friendly production methods.

On transport, an allocation of EUR 6.2 billion will support **sustainable transport and help to remove bottlenecks in key network infrastructures**. This will also help to close gaps in the TEN-T networks and improve the interoperability of the rail network. 140 km of railway lines will be rebuilt or upgraded, contributing to a major shift to sustainable mobility. The improvement of infrastructure will make the country’s regions more accessible and result in more people using public transport in cities. The ESIF funding of EUR 200 million have been earmarked for upgrading and securing high-voltage transmission grids.

Almost EUR 1.4 billion will be dedicated **to promoting sustainable and quality employment and supporting labour mobility**, with a particular focus on disadvantaged groups such as low-skilled, older and young people (support for 585 000 people, 230 000 of whom are expected to gain a new qualification). The ESIF will also be spent on **social inclusion and**

education, with allocations of EUR 2 billion each going towards helping people in difficulties and disadvantaged people, to improving the quality of social and health services and investing in education. On public services, 30 new mobile healthcare teams and 83 healthcare institutions will be set up and education will be supported at all levels, providing equal access to high-quality pre-school, elementary and secondary schools. ESIF will be used also to develop universities by improving their human resources management and facilitating access to tertiary education (869 students in new bachelor study programmes).

About EUR 180 million will be spent on making **public administration** and the justice system more effective and transparent, reducing administrative burdens, improving the skills of staff in public administration and making human resources management more efficient.

Use of financial instruments and territorial tools

Around EUR 763 million under cohesion policy programmes are planned to be channelled through **financial instruments**. This more than doubles the amounts in the previous programming period. The main areas of intervention are support for SMEs, transport infrastructure, investment in energy efficiency and, to a lesser extent, resource efficiency.

The regulatory requirement of 5 % of the ERDF to be spent on **sustainable urban development** will be met by investments from the Prague growth pole programme and seven integrated territorial investments (ITIs) in the largest metropolitan areas. The total ITI allocation is EUR 1 billion from the ERDF and EUR 223 million from the Cohesion fund.

The Community-led local development will be particularly important for the development of rural areas through the ‘multi-fund’ approach. This will involve funding from the ERDF (EUR 418 million), the EAFRD (EUR 115 million) and the ESF (EUR 64 million) which can be used in integrated, multi-sectoral local development strategies by local communities, organised in around 160 local action groups covering 55 % of the population.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	8 (national)	1	1	7
Available funds (EUR)	21 643 218 575	2 305 673 996	31 108 015	1 144 024 031 ⁶

2. Pre-conditions for effective and efficient use of ESIFs

Strategic frameworks for certain areas of investment (i.e. R&D, ICT) have not been completed. Action plans have been adopted for 11 thematic and three general *ex ante* conditionalities (EACs).

3. ESIF management

The Czech Republic has streamlined the way it manages the ESIF and centralised it more by reducing the number of programmes (from 17 in 2007-2013 to 8 cohesion policy programmes) and intermediate bodies. The Ministry for Regional Development is the national coordination authority. Additional coordination between funds is ensured through monitoring committees, coordinated calls for proposals and working groups. The 2014 Civil Service Act shall contribute to improvement of the administrative capacity.

4. Simplification for beneficiaries

The Czech Republic aims to reduce the administrative burden for beneficiaries and public administration by reducing the number of programmes and intermediate bodies, creating a new monitoring system for the entire implementation structure and establishing a single methodological environment for all programmes. Financial instruments and options such as advance payments and simplified costs will be used more widely.

⁶ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which the Czech Republic participates.

1. ESIFs in Denmark

Economic and social challenges in the ESIF context

The Danish economy was hit relatively hard by the financial crisis, which led to a substantial increase in unemployment, in particular among young people and those from a non-Danish background. Even though Denmark has a business-friendly environment, few SMEs are growing; this is due in part to limited success in turning innovation into profit, disappointing development of entrepreneurial skills and, the primary sector's need for increased innovation towards more sustainable production. However, Denmark continues to face some challenges over the skills of its work force. These include a falling proportion of people taking vocational training, a decreasing proportion of people from migrant backgrounds (especially men) receiving an education and a persistently high educational drop-out rate. These issues were addressed by one of the EU's 2014 policy recommendations to Denmark in the context of the European Semester.

Generally, Denmark has a good environmental performance, although it does not seem to be keeping up with its targets on reducing greenhouse gas emissions. There is still a lot of pressure on habitats and water bodies, mainly due to intensive land-use and fisheries, the leaching of nutrients out of the land, etc.

Denmark is a rich country with relatively small internal socioeconomic differences compared with other Member States and is addressing most of the challenges it faces through national schemes. As the ESIF allocation to Denmark is modest, the programmes are focused on addressing the challenges referred to above.

Main priorities and results

EUR 300 million in ESI Funds will help **SMEs** in industry, services, agriculture, aquaculture and fisheries to be **more innovative and better at turning innovation into profit**. ESI Funds are also being invested in making businesses more competitive, with support focusing on clusters and cooperation networks. In addition, much of the country's environmental and climate-related investments are aimed at improving businesses' competitiveness and growth. Denmark will also use ESI Funds to develop potential areas of growth identified both within individual businesses and for regional **smart specialisation strategies**. Some 3 200 businesses are expected to enter cooperation networks, including networks involving knowledge institutions, and more than 4 000 are expected to launch innovative solutions or products.

Denmark will also spend EUR 270 million in ESI Funds on **social inclusion** to help people on the margins of the labour market and improve **employability** by helping more people to complete vocational training and higher education (national funds will be available to help people who are further away from the labour market). In this way, ESI Funds will be used to address the European Semester policy recommendations. Around 5 500 jobs will be created in total and investments in training are expected to help 52 000 people to become more employable.

Denmark will invest more than EUR 635 million in ESI Funds in the environment and climate. Its **environmental investments** will focus on protecting and preserving natural assets, improving water quality and biodiversity, and using cultivated land and fish stocks (including aquaculture) in an environment-friendly and sustainable way, in line with the new common fisheries policy. In fisheries, the ESI Funds will, for example, help reducing unwanted catches by 5 000 t and increasing organic aquaculture production by 3 000 t by 2023. In farming, ESI Funds will include support to preserve landscapes and biodiversity covering an area of at least 3 400 km² (or more than 10 % of the country's agricultural land). Of Denmark's total investments in the environment and climate, EUR 91 million will be invested in the **transition to a low-carbon economy, leading to a reduction in greenhouse**

gas emissions of 51 000 t and a 905 000 GJ reduction in energy consumption. This will help Denmark to meet its Europe 2020 strategy target of reducing GHG emissions by 20 %. Improved resource efficiency is part of Denmark’s strategy to increase business competitiveness, and the funds spent on competitiveness will also contribute to its transition to a low-carbon economy. In all, Denmark plans to spend approximately EUR 577 million (46 % of its total ESIF allocation) on combating climate change.

Use of financial instruments and territorial tools

In the period between 2007 and 2013, Denmark allocated EUR 28 million to financial instruments. For 2014-2020 it has made it possible for the regions to use funding from financial instruments for investments in business development and improving energy and resource efficiency in businesses.

Denmark will spend 5 % of its ERDF allocation on sustainable urban development, concentrating on business development through innovation and energy/resource efficiency. These urban development measures will be integrated into larger strategies addressing the social, economic, demographic, and environmental and/or climate challenges of certain urban areas.

Overall 26 Local action groups covering both rural and coastal areas are supported through the LEADER method. These will work on boosting existing tourism-related activities, developing small businesses, creating services, and supporting sustainable fishing. This will create jobs and improve living conditions for the local population.

Key information

	Cohesion policy (ESF, ERDF, CF)	EAFRD	EMFF	ETC
No of programmes	2 (national)	1	1	5
Available funds (EUR)	413 231 682	918 803 690	208 355 420	748 186 649 ⁷

2. Pre-conditions for effective and efficient use of ESIFs

Denmark fulfils all *ex ante* conditionalities for ESIF support.

3. ESIF management

ERDF and ESF programmes are delivered through six regional growth fora, with the Danish Business Authority as the managing authority. The programmes are managed by the same managing authorities at regional level. The EAFRD and EMFF are both managed by the Danish AgriFish Agency, with the Leader actions implementation delegated to Danish Business Authority, ensuring close coordination between the Funds. In addition, the two national managing authorities sit on each other’s monitoring committee (for ERDF/ESF and EAFRD/EMFF respectively). Furthermore, the two managing authorities envisage coordinating meetings between the two sets of funds in order to increase efficiency in the implementation. Although the ESF and the Fund for European Aid for the Most Deprived both have social inclusion objectives, the ESF is more labour market-related. The two funds avoid overlap thanks to the clear division between their respective objectives and by the two managing authorities being members of each other’s monitoring committee.

4. Simplification for beneficiaries

Potential beneficiaries will have electronic access to the management of the fund (in line with the e-Cohesion initiative). Those who do not have immediate access to e-Cohesion will still be able to access the fund using alternative means. Denmark also envisages extending the use of the simplified costs options.

⁷ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Denmark participates.

1. ESIFs in Estonia

Economic and social challenges in the ESIF context

Estonia has shown remarkable flexibility in coping with the economic crisis. Real GDP is expected to return to pre-crisis levels in 2016. Although the economy as a whole has improved, serious structural challenges remain. These should be addressed if the Estonian economy is to become more knowledge-based and innovative, more inclusive and more sustainable.

Public funding for R&I seems to lack coordination and should focus on a limited number of smart specialisation areas. The higher education system still needs to do more to meet the needs of business and research institutions. Innovation capacity is low, and few companies collaborate with research institutions.

The shrinking labour force, combined with low labour productivity, is set to become a problem in the medium to long term. Estonia only recently began implementing its ambitious Work Capacity Reform. A shortage of childcare facilities makes it more difficult for parents to return to work. The availability and quality of public services at local level is variable. Estonia needs to do more to improve the attractiveness of vocational education, training and apprenticeships. The country also needs to promote entrepreneurship and job creation across the country to prevent gaps in economic development from widening.

Estonia's resource intensity is still very high. The country is unlikely to meet its energy efficiency target for 2020. Efforts to improve residential and industrial energy efficiency need to be increased. Estonia should also work towards introducing more sustainable forms of transport.

These challenges are reflected in policy recommendations made in the context of the European Semester.

Main priorities and results

Estonia aims to use ESI Funds to increase private sector expenditure on R&D to 2 % of GDP by 2023 (from 1.26 % in 2012). The R&D funding programmes will be aligned with Estonia's smart specialisation framework. Estonia will also use ESI Funds to boost the **competitiveness of SMEs**, and aims to increase the number of exporting businesses to 15 700 (from 11 281 in 2012). Rural development funding will be better targeted to achieve positive changes in rural economy. Special schemes are foreseen to develop small farms, and to assist the young farmers to set up farming businesses. Estonia will encourage the creation of short food supply chains, and invest in processing and marketing of agricultural products. Estonia will also use ESIFs to boost the **digital economy**, aiming to provide 60 % of the country with broadband speeds of at least 100 Mb/s (from 3.6 % in 2012).

Estonia will invest in **employment** with the aim of increasing the employment rate to 76 % (from 73.3 % in 2013). It plans to achieve this by, for example, reforming the work capacity assessment. The aim is also to maintain the proportion of GDP generated in areas other than Tallinn and Tartu at 30 %. In the field of **education**, the aim is to raise the apprenticeship completion rate to 75 % (from 50 % in 2013). This equates to about 8 000 people. In addition, over 350 000 career advice sessions will be offered to young people and others of working age. Funding for **social inclusion** will be used to reduce the number of children in the waiting list for childcare and nursery places to an estimated 300 from 4 430 in 2012. Youth work services will assist around 200 000 participants. Existing health infrastructure will be optimised and primary care and disease prevention strengthened. Funding for **administrative capacity** building is to be used to increase satisfaction levels with the quality of public services to around 85 % (from 67 % in 2012).

Support for **transport** will be used to develop the TEN-T network and environment-friendly and low-carbon transport systems. For example, Estonia plans to increase the annual number of train passengers to 8.4 million from 4.2 million in 2013. Investment in the **low-carbon economy** is expected to achieve energy savings of up to 45 % for 40 000 homes. Estonia plans to use the funds dedicated to the **environment** and **adaptation to climate change** to meet the essential requirements of the *acquis* in the water sector and ensure disaster resilience. The funds will also be used to preserve biodiversity through supporting the maintenance of semi-natural habitats (2.6 % of farmland) and organic farming (14 % of farmland). Over 70 % of utilised agricultural area should be covered by schemes to improve biodiversity and soil management. Water protection in agriculture and abandoned peat production areas will be targeted. The Estonian fisheries and aquaculture sector will be made more sustainable, marine ecosystems and aquatic biodiversity will be improved and unwanted catches are expected to be reduced by 21 tonnes.

Use of financial instruments and territorial tools

Estonia will increase allocations to **financial instruments** by approximately 50% compared with the previous period, to a value of EUR 215.5 million. Loan, guarantee and equity instruments are to be used to support SMEs and R&I. According to the *ex ante* assessment, there is no scope for ESIF-funded financial instruments in the area of energy efficiency and environmental infrastructure.

Of the ERDF allocation 5% is dedicated to integrated actions for sustainable urban development. Community-led local development strategies in rural areas will be implemented by 34 local action groups, eight of which are in the fisheries sector.

Key information

	Cohesion Policy (ESF, ERDF, CF)	EAFRD	EMFF	ETC
No of programmes	1	1	1	4
Available funds (EUR)	3 534 560 285	823 341 558	100 970 418	449 819 256 ⁸

2. Pre-conditions for effective and efficient use of ESIFs

Out of the 29 applicable *ex ante* conditionalities (EACs), 15 were not met at the time the Partnership Agreement was adopted. Estonia has since reported the completion of action plans to meet 11 of these. It is expected that it will meet the remaining four EACs in 2016: Risk prevention and management, Other modes of transport, Active inclusion and Statistical systems and result indicators.

3. ESIF management

Estonia has only one multi-fund cohesion policy programme for 2014-2020, compared with three in the previous period. The Ministry of Finance acts as the managing authority, certifying authority (its functions were merged with those of the managing authority) and the audit authority. Five other ministries perform the tasks of first-level intermediate bodies and 13 central agencies or other organisations act as second-level intermediate bodies (two were added for the new period).

No significant changes were made as regards the EAFRD and EMFF delivery systems. At government level, the State Budget Strategy is used to coordinate all sources of funding.

4. Simplification for beneficiaries

A number of laws and guidelines have been amended to reduce the administrative burden for beneficiaries. Data exchange with applicants and beneficiaries will be made fully electronic, expenses will be reimbursed on the basis of simplified cost options where possible, and there is also a possibility of combining grants and financial instruments.

⁸ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Estonia participates.

1. ESIFs in Finland

Economic and social challenges in the ESIF context

Restoring growth and competitiveness while creating employment is a key challenge for the Finnish economy. Business R&D intensity is on a downward trend which makes it challenging to reach the national target for R&D expenditure (4% of GDP). Risks relating to weak export performance in the context of industrial restructuring need to be addressed. Finland is still struggling to translate R&D investment into successful exports. It should provide more financing for start-ups and offer them more help with doing business abroad. Furthermore, in view of the ageing population and shrinking working-age population, it is important that the labour market make use of the full potential of the workforce. The unemployment rate was 8.7 % in 2014 and is rising, particularly among young people and older workers. Another challenge for Finland is the weakening balance of public finances and the threat posed by demographic trends to their long-term sustainability.

The European Semester policy recommendations are designed to address these issues.

Main priorities and results

Finland aims to improve the **competitiveness of SMEs** by investing EUR 644 million in diversifying business structures and increasing the number of companies that are growing, innovative and expanding internationally. Measures will therefore be focused on start-ups and the development of new business operations. The EAFRD will target on-farm investment, investments in food processing and the diversification of farm activities. Over EUR 1 billion of investment support is to be provided. Around 15 000 farms will be supported.

R&I investments of EUR 398 million will focus on boosting innovation activity, especially in growth companies and start-ups in the selected smart specialisation fields. Finland aims to improve its ability to translate R&I into commercial products and services. Furthermore, with the help of these investments and EAFRD funding for cooperation and innovation, Finland aims to increase R&I expenditure in relation to GDP to 4.0 % by 2020 (3.31% in 2013).

Finland will allocate EUR 219 million to the transition to a **low-carbon economy**. This will contribute significantly to the goal of increasing the share of energy derived from renewables from 33 % (2011) to 38 % (2020). The ESIF funding will mainly support R&I activities in the low carbon sector, the introduction of new technologies, and the development and commercialisation of low-carbon products, services and production methods.

To protect the **environment** and promote resource efficiency, the EMFF will contribute to making fisheries and aquaculture more sustainable and improve marine ecosystems and aquatic biodiversity. From the EAFRD, EUR 1.6 billion has been allocated to agri-environment-climate measures. The aim is to reduce the harmful environmental impact of agricultural activities on the soil, surface water, ground water and air by promoting the use of environment-friendly practices and managing growing conditions. Over 81 % of agricultural land is expected to be covered by management contracts to improve water management. EUR 1.8 billion has been allocated to agricultural areas with natural constraints to encourage agricultural biodiversity.

EUR 347 million is to be invested in **employment** and reducing unemployment. ESF funding will focus especially on young people and those with a less favourable labour market position and aims to assist around 40 000 unemployed people. The funding will be used to extend working life, balance labour demand and supply, and increase labour mobility. Support for facilitating diversification and the creation and development of small enterprises in rural areas has the potential to create around 6 000 jobs.

Education and training will receive EUR 199 million of support. Measures will focus on increasing the number of skilled workers, reinforcing the professional skills of young people

and those who have not completed vocational education, improving services during the transition period between education and employment and educational equality. In rural areas, knowledge transfer will be provided through training for over 20 000 people (mainly farmers).

ESF funding for **social inclusion** (EUR 248 million) will help fight poverty, social exclusion and marginalisation. Support will be given to over 15 000 people, mainly outside the job market.

Use of financial instruments and territorial tools

Finland is planning to allocate about EUR 1.5 million to **financial instruments** for equity investment under the Åland Islands operational programme. This is a significant reduction compared to 2007-2013. Finland is exploring possibilities to extend the use of financial instruments.

Some 5 % of the ERDF allocation is dedicated to **sustainable urban development** in six major cities (Helsinki, Espoo, Vantaa, Oulu, Tampere and Turku) through an integrated territorial investment (ITI) tool. The primary purpose of the ITI strategy is to strengthen Finland's competitiveness by using its biggest towns and cities as development and pilot environments for innovation.

The eight fisheries local action groups in Finland will continue to implement the successful community-led local development. The groups were established in the previous programming period, but will implement new local development strategies based on local needs.

Key information

	Cohesion policy (ESF, ERDF)	ERDF	EMFF	ETC
No of programmes	2 (regional)	2	1	8
Available funds (EUR)	1 304 456 595	2 380 408 338	74 393 168	605 853 163 ⁹

2. Pre-conditions for effective and efficient use of ESIFs

In the Åland Islands, three *ex ante* conditionalities were not met at the time of adoption of the Operational Programme: the regional smart specialisation strategy, the lifelong learning strategy and the vocational education strategy. These *ex ante* conditionalities were fulfilled in line with the agreed action plans by 30 June 2015.

3. ESIF management

Finland reduced the number of cohesion policy programmes from seven in 2007-2013 to two in 2014-2020. Administrative reform in the regions is ongoing (reducing the number of intermediate bodies). Coordination is achieved through the representation of different funds in the programme monitoring committees and through regional cooperation structures. ERDF and ESF measures are now implemented under the same multi-fund programme. In the Åland Islands, ERDF, ESF and EAFRD programmes have a joint monitoring committee.

4. Simplification for beneficiaries

Managing authorities for the ESIF are making arrangements to reduce the administrative burden for beneficiaries. These include consolidating functions (e.g. reducing the number of intermediate bodies) and increasing the use of simplified cost options.

⁹ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Finland participates.

1. ESIFs in France

Economic and social challenges in the ESIF context

France has a number of undeniable assets (such as dynamic demography, a rich natural and cultural heritage, high potential in the renewable energies sector, and state-of-the-art transport networks), but it faces two major challenges.

First, the competitiveness of the French economy is gradually decreasing. This is partly due to the failure to steer the economy towards more knowledge-intensive sectors and to translate RD&I activities into marketable products and services. Secondly, the unemployment rate has been high for the last 30 years. In 2013, it was above 10 %, and unemployment among people under the age of 25 reached 23.5 % in mainland France and exceeded 50 % in the overseas departments. In addition, the targets for energy and R&D expenditure under the Europe 2020 strategy have not yet been met and more needs to be done to tackle poverty and early school-leaving.

Main priorities and results

For the 2014-2020 period, the ESIFs are to be used to meet Europe 2020 objectives. Due to the limited amount of funding available relative to the size of the French economy, investments are being channelled into a limited number of key thematic objectives in line with the European Semester policy recommendations. These include R&I, strengthening SME competitiveness, and ensuring disadvantaged groups have access to vocational training and the labour market.

EUR 3 billion (11 % of France's overall ESI Funds budget) will be invested in R&I. The funds will help to boost R&D knowledge transfer between academia and business, **strengthen R&I in business** and develop an innovation-friendly business environment. Over 660 companies will receive support for developing and launching new products.¹⁰

The ESIFs will also contribute to reducing R&D disparities between regions – in 2014, 75 % of R&D activity was concentrated in only four regions and access to very high speed broadband is among the poorest in Europe.

Around EUR 5 billion (19 % of the ESIF allocation) will be used to **support SMEs** (including in the agricultural, fisheries and maritime aquaculture sectors), giving businesses better access to finance, services and markets, and enabling them to produce high-value goods and services. The ESIFs will also support the creation of new SMEs and help existing businesses to grow. Over 160 000 companies will receive ESIF support.

Around EUR 6 billion (23 % of the ESIF budget) will be used to **improve employability and help people furthest from the labour market find a job**, with a focus on the integration of young people, the improvement of the training on offer in emerging sectors and better access to ongoing vocational training. France aims to help 234 000 unemployed young people by 2023 via the Youth Employment Initiative. The country also plans to provide training to help 310 000 people into work and to encourage 90 000 people (including 36 000 women) to start a business. Support for people at risk of exclusion is also expected to offer 180 000 people pathways to integration. In this way, it is expected that the ESIFs will help France achieve an employment rate of 75 % by 2020 (69.8 % in 2014).

With an allocation of EUR 5.5 billion (21 % of the overall budget), the ESIFs will provide the investments needed to **support the shift to a low-carbon economy**, including investments in energy efficiency (industry, transport and buildings), the development of renewable energies and clean urban transport. Investments aimed at improving risk prevention and management (including in rural and coastal areas) are also covered by this budget. In total, about EUR 3

¹⁰ This is the sum total of the appropriate common output indicators in the programmes that provide a value for this indicator.

billion from the ERDF, the ESF and the EMFF will help France to prevent and **mitigate the effects of climate change**. The estimated annual fall in greenhouse gas emissions will be around 19 million tonnes CO₂ eq.¹¹ Finally, more than EUR 4 billion from the ESIF budget (15 %) will be used to improve the performance of the Natura 2000 network, safeguard biodiversity and restore ecological continuity. Support will be given to improve the conservation status of over 465 000 ha of habitats. To protect the environment and promote resource efficiency, in line with the new Common Fisheries Policy, the EMFF will make fisheries and aquaculture more sustainable and improve marine ecosystems and aquatic biodiversity. Unwanted catches will be reduced by 12 000 tonnes and organic aquaculture production will increase by 282 tonnes until 2023.

Use of financial instruments and territorial tools

Part of the funding (EUR 698 million), aimed in particular at SMEs and energy efficiency, will be delivered via **financial instruments**. The indicated volume of loans, venture or equity capital is expected to more than triple in comparison with the 2007-2013 period. The potential for using financial instruments to support ICT and resource efficiency should be explored.

To **facilitate the development of cities**, about 10 % of the ERDF allocation will be spent on integrated action for sustainable urban development. 70 % of the total urban budget will be used to implement urban measures using integrated territorial investments. Following a community-led local development approach, the EAFRD will continue to **support bottom-up development strategies in rural areas** (the share of 5 % for LEADER will be reached for each rural development programme).

Key information

	Cohesion policy (ESF, ERDF, YEI)	EAFRD	EMFF	ETC
No of programmes	40 (3 national, ¹² 37 regional)	30 (3 national, 27 regional)	1 (national)	21
Available funds (EUR)	14 763 176 455	11 384 844 248	587 980 173	2 893 698 773 ¹³

2. Pre-conditions for effective and efficient use of ESIFs

When the French Partnership Agreement was adopted, all *ex ante* conditionalities at national level had been fulfilled except one (waste management). At programme level, there are various action plans, relating *inter alia* to finalising the smart specialisation strategies and defining and quantifying the relevant indicators.

3. ESIF management

A new governance model has been introduced to implement the ESIFs, as the regional councils will be in charge of most aspects of programme implementation (all of ERDF and part of EAFRD and ESF). This has led to a complex programme architecture, with 71 programmes (excluding ETC) and responsibilities split between national and regional level.

4. Simplification for beneficiaries

ESIF managing authorities are currently making arrangements to reduce the administrative burden for beneficiaries and their own staff. These include the increased use of lump sums, the use of simplified cost options for reimbursing expenditure, streamlining processes (e.g. electronic fund management, or ‘e-cohesion’), ensuring the consistency of measures within and between programmes, and increasing the visibility of EU added value (e.g. common presentation for all funds via a single regional monitoring committee).

¹¹ This is the sum total of the appropriate common output indicators in the programmes that provide a value for this indicator.

¹² European Social Fund, Youth Employment Initiative and Technical Assistance.

¹³ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which France participates..

1. ESIFs in Germany

Economic and social challenges in the ESIF context

Despite positive macroeconomic trends, Germany is facing some major medium to long-term challenges. Demographic trends are negative – the working-age population is projected to decrease by 11.4 % by 2030, at an annual average rate of 0.8 %. Even though on a rising trend, the participation of women in the labour market is still relatively low (55.6 % in full-time equivalents in 2014). Business start-ups struggle to access venture capital and there are skills shortages in various sectors and regions. Unemployment in some regions remains relatively high. While long-term unemployment fell between 2008 and 2014, it still affects almost one million people.

Analysis of Europe 2020 targets shows significant gaps at regional level in increasing R&I spending, especially private investment, and achieving energy efficiency targets. Furthermore, limited progress has been made in improving the educational outcomes of socially disadvantaged people. Germany remains one of the countries where educational attainment is largely determined by socioeconomic background.

Main priorities and results

2014-2020 period, the ESIFs are contributing directly to the Europe 2020 strategy. At the same time, there is a focus on key thematic objectives, in line with the European Semester policy recommendations. The objectives relate to strengthening R&I and competitiveness, energy efficiency, ensuring a skilled workforce and providing for disadvantaged groups.

The funds will help to **improve the innovative capacity and competitiveness** of the economy and strengthen the links between research, innovation and industrial policy. By actively promoting R&D spending, the funds will leverage private investment of EUR 883 million to supplement public funding for innovation. In Thuringia, for example, private R&D expenditure is projected to increase from 1.03 % of GDP (2011) to 2 % (2023). In addition, around 4 million inhabitants of rural areas are expected to benefit from improved or new broadband infrastructure.

EUR 4 billion of **support for SMEs, agriculture, fisheries and aquaculture** will contribute to a higher private-sector investment rate, the creation of around 45 000 jobs and increased productivity. By 2023, aquaculture production is expected to increase by 4 700 tonnes and production in recirculation systems by 4 300 tonnes. Over 13 000 agricultural holdings are expected to receive support for restructuring and modernisation. 1 031 cooperatives will also receive support.

The funds will be used to **improve people's employability**. The ESF will be used to help people reskill and enter the labour market. It is estimated that 108 000 long-term unemployed people will be trained and 314 000 people, especially from disadvantaged groups, will have the opportunity to participate in lifelong learning, with the aim of reducing the gap in educational attainment. The EAFRD will also support lifelong learning and vocational training for people working in agriculture and forestry and other land users and economic actors, with the total number of participants to be trained estimated at 80 000.

Energy and climate change objectives - ESIF funding of EUR 3 billion has been allocated to reducing greenhouse gas emissions (expected to fall by 2.2 million tonnes CO₂ eq./year) and the primary energy consumption of public buildings (by 233 000 MWh/year).

In view of the rise in extreme weather conditions as a result of climate change, **risk prevention** has been prioritised in several German regions with around 157 000 people expected to benefit from flood protection measures, for example.

To **protect the environment and promote resource efficiency** in line with the new common fisheries policy, the EMFF will contribute to making fisheries and aquaculture more

sustainable and improve marine ecosystems and aquatic biodiversity. It is forecast that unwanted catches will be reduced by 80 tonnes and organic aquaculture production should increase by 220 tonnes by 2023. The EAFRD will support restoration, conservation and the strengthening of biodiversity, and agricultural and forestry systems with a high conservation value: 16 % of agricultural land is to be covered by management contracts supporting biodiversity/landscape features. 7 % of agricultural land will benefit from EAFRD support for the development of sustainable water management. The ERDF will be used to tackle environmental problems in urban areas, including investments in cultural heritage.

Use of financial instruments and territorial tools

Part of the funding (EUR 1.2 billion), aimed in particular at innovation and competitiveness, SMEs, energy efficiency, self-employment, entrepreneurship and business creation, will be delivered via **financial instruments**. The volume of loans, venture or equity capital is expected to increase by 18 % in comparison with the 2007-2013 period. The potential for using financial instruments to support SMEs should be explored.

The ESIF programmes ensure that effective use is made of **territorial tools**. To facilitate the integrated urban approach, about 10 % of the ERDF allocation will be spent on integrated measures for sustainable urban development. Integrated territorial investments are being made in Baden-Württemberg and Schleswig-Holstein. Local partnerships will be enhanced with community-led local development (multi-fund approach). LEADER is expected to create over 1 500 jobs.

Key information

	Cohesion policy (ESF, ERDF)	EAFRD	EMFF	ETC
No of programmes	32 (1 national, 31 regional)	15 (2 national, 13 regional)	1	19
Available funds (EUR)	18 269 459 134	9 445 920 050	219 596 276	2 821 002 898 ¹⁴

2. Pre-conditions for effective and efficient use of ESIFs

At national level, all general *ex ante* conditionalities have been met. Detailed assessment has been provided at programme level on account of Germany's federal structure. At the level of the individual federal states, a few conditionalities have not been met. Most of these relate to the preparation of regional smart specialisation strategies and are to be delivered in accordance with the agreed action plans.

3. ESIF management

A range of complementary EU (Horizon 2020) and national policy instruments will be used to maximise the benefits of ESIF funding. Joint monitoring committees (for ERDF/ESF or ERDF/ESF/EAFRD) will be established in six federal states.

4. Simplification for beneficiaries

Managing authorities for the ESIFs are making arrangements to reduce the administrative burden for beneficiaries and authorities. These include consolidating certain functions (e.g. reducing the number of intermediate bodies), increasing the use of lump sums, streamlining processes (e.g. electronic fund management, or 'e-cohesion'), ensuring the consistency of measures within and between programmes, and increasing the visibility of EU added value (e.g. common presentation for all funds).

¹⁴ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Germany participates.

1. ESIFs in Greece

Economic and social challenges in the ESIF context

Following the economic crisis, the Greek economy was in recession for six years and its GDP had fallen by around 25 % by 2013. Unemployment reached 25.2 % in the second quarter of 2015 and youth unemployment is among the highest in the EU (over 50 %). The number of people at risk of poverty or social exclusion increased from 27.6 % of the total population in 2009 to 36 % in 2014. The modest GDP increase in Greece in 2014 (0.8 %) was below the EU average; it is a marker of major competitiveness problems and the lack of structural changes. Companies are not competitive due to low productivity and a failure to specialise in high-added-value activities and innovation. Institutional constraints, disincentives to business development and a low degree of entrepreneurship in rural and fisheries-dependent areas are additional challenges.

Main priorities and results

A **new growth model** is needed. About 25 % of ESIF funding is allocated to the key strategic priority of **enhancing competitiveness and outward-looking entrepreneurship**, which includes sectors such as tourism, agriculture and aquaculture (increase of production by 26.3%), manufacturing, services to enterprises and logistics. Smart specialisation strategies focusing on the competitive advantage of each region are the key to success. Increasing private-sector investment in research and technological development is a key challenge; R&D expenditure is expected to increase from 0.67 % of GDP in 2011 to 1.2 % by the end of the programming period and business expenditure is expected to increase from 0.18 % of GDP in 2011 to 0.4 % by the end of the programming period.

The **promotion of sustainable and quality employment, social inclusion and the fight against poverty** is a funding priority in the aftermath of the crisis. The focus is on addressing structural problems in the labour market, improving the **efficiency of the Greek education and training system and the transition to the labour market**, and promoting active inclusion. Investments in employment and training (91 500 and 58 000 beneficiaries respectively) are mainly aimed at the unemployed and long-term unemployed aged 30-44 and young people. Around 134 000 young people aged 15-29 will receive support, mostly under the Youth Employment Initiative. Improving access to childcare services will contribute to active inclusion and improve employment opportunities for around 70 000 women a year. Improved health and eHealth services will improve healthcare for 3.2 million citizens.

Environmental protection and the transition to an environment-friendly economy is a key driver of growth. The promotion of renewable energy and energy efficiency is a key priority and is expected to encourage green entrepreneurship. The use of renewable energy sources as a percentage of gross final consumption is expected to increase from 13.83 % in 2013 to 20 % in 2020. Primary energy consumption is estimated to reduce by 2.85 Mtoe in 2020 compared with 2005, and greenhouse gas emissions for non-ETS sectors are expected to be reduced by 4 % compared with 2005. Climate and environmental investments are expected to amount to around EUR 1.5 billion and lead to the creation of 16 000 jobs.

To improve **environmental quality**, an emphasis will be placed on effective waste management and promoting recycling, the use of waste as resource, the protection, and rational management of water resources and the protection and rehabilitation of marine biological resources. With the ESIF help, the proportion of general municipal waste recovered is expected to increase from 18 % (2011) to 68 % (2020), the proportion of recyclable waste recycled should increase from 30 % (2011) to 54 % (2020), and the percentage of municipal waste going to landfill is expected to be reduced from 82 % (2011) to 32 % (2020).

In the **transport sector**, the main aim is to further develop the national transport system and promote combined transport (transporting goods using more than one mode of transport) to

establish Greece as the main gateway to Europe and a transport hub for the Balkans and the Mediterranean. The key priorities for the railway network are making progress on **integrating** the north-south TEN-T rail network to ensure interoperability and making adaptations to accommodate the European Railway Traffic Management System. Equally important are the rail connections to the basic TEN-T ports and freight centres in order to promote combined transport and modernisation of the freight transport system. For road transport, the focus is on completing the basic TEN-T road network and developing the comprehensive TEN-T.

Enhancing institutional capacity and the efficiency of public authorities and local self-government is a prerequisite for sustainable development. This will inter alia help the effective and efficient implementation of the 2014-2020 Partnership Agreement. This objective focuses on strengthening the organisational, institutional, and operational capacity of central government, regional and local authorities and human resource development in the public sector as well as increasing the efficiency and the quality within the judiciary.

Use of financial instruments and territorial tools

Around EUR 300 million could be delivered through **financial instruments**. Most of the support would be aimed at SMEs and, to a lesser extent, the energy, and environmental sectors. Greece intends to make use of the available **territorial tools**. Urban authorities will pursue sustainable urban development using integrated territorial investments. Local partnerships will be enhanced by community-led local development for rural and fisheries-dependent areas.

Key information

	Cohesion policy (ESF, ERDF, CF, YED)	EAFRD	EMFF	ETC
No of programmes	18 (5 national, 13 regional)	1	1	11
Available funds (EUR)	15 275 247 163	4 718 291 793	388 777 914	984 699 568 ¹⁵

2. Pre-conditions for effective and efficient use of ESIFs

A number of *ex ante* conditionalities (EACs) had not yet been met when the 2014-2020 operational programmes were adopted, including three of the EMFF-specific EACs. Action plans have been developed and, in a number of investment areas (e.g. ICT R&I strategies for smart specialisation and solid waste), a ‘self-suspension’ clause has been introduced. This means funding cannot be activated until the relevant actions have been completed.

3. ESIF management

New management architecture has been introduced via a law that reduces the number of intermediate bodies and the number of delegations, and introduces measures to simplify the system and speed up implementation. It also aims to strengthen the administrative capacity of the implementing bodies. The design of programmes, programming of funds and coordination of the ESI Funds have been strengthened, anti-fraud measures have been introduced and smooth transitional provisions have been put in place. Recently agreed changes to the regulation make extra liquidity available to Greece to finalize 2007-2013 projects' implementation and start smoothly the 2014-2020 period by increasing the EU co-financing to Greek programmes.

4. Simplification for beneficiaries

Beneficiaries' funding applications and expenditure declarations must now be submitted electronically. There are compulsory online procedures for the *ex ante* control of tender documentation and procurement of services. Simplified costs for certain categories of ESF operations have been introduced. Fewer ministerial signatures are now required in approving a project. The approval process for the environmental terms of co-financed projects has been accelerated. Improvements to legislation and archaeological authorisations for expropriation

¹⁵ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Greece participates.

have been introduced. Finally, the national law adopted in December 2014 provides for the review and simplification of all procedures needed to implement the various ESIF projects.

1. ESIFs in Hungary

Economic and social challenges in the ESIF context

Although Hungary was severely hit by the economic and financial crisis, the economy began to recover in 2014. Nevertheless, there are still significant gaps in respect of the national Europe 2020 targets. The innovation activity and competitiveness of SMEs is weak. There is a need to increase R&I spending and the use of renewable energies, and to improve energy and resource efficiency. Hungary is struggling with low employment and with poverty that disproportionately affects some disadvantaged territories and groups. Significant inequalities remain at regional and sub-regional level, and rural areas are also lagging behind. These issues are reflected in the policy recommendations made in the context of the European Semester.

Main priorities and results

60 % of all ESI Funds will be dedicated to economic development and job creation. The Funds will enhance the **innovation activity and competitiveness of businesses** to increase their added value and integration into the international value chain, including through better access to financing. With EUR 2.2 billion of support, the business expenditure on R&D is expected to increase from 0.56 % to 0.71 % of GDP. To extend the knowledge base, Hungary plans to increase the proportion of innovative companies cooperating with research institutions by 20 % compared to 2010. **EUR 2.9 billion will be used to help increase SMEs' net revenues by 25 %** and net export revenues by 30 %. This will involve improving the quality and accessibility of business infrastructure as well as direct capacity expansion. Significant support will be provided to modernise the agricultural, fisheries and food sectors, encourage cooperation between farmers, support young farmers and develop short supply chains. The total value of aquaculture production is expected to increase by 42%.

EUR 3.3 billion will contribute to strengthen **the labour market**. **at least 150 000 disadvantaged** jobseekers are expected to benefit from active labour market policy measures helping them to return to the open labour market. A further 150 000 young people not in education, employment or training will receive personalised services from the employment offices. The quality of and access to childcare will be improved with at least 18 000 new nursery places. Investment will assist the utilisation of endogenous tourism potential and improve employment opportunities in labour-intensive sectors, such as agriculture.

EUR 689 million will be used for measures to support **ICT development** to narrow the urban-rural divide by increasing broadband coverage and connecting a million additional households to broadband networks as well as to improve business effectiveness.

EUR 3 billion will support the **shift towards a low-carbon economy**. The **energy efficiency** of businesses, residential and public buildings is expected to improve and the rate of energy produced from **renewable energy** sources should reach the national target of 14.65 % by 2020. The measures will also contribute to **reducing greenhouse gas emissions**. Over EUR 1 billion has been allocated to **promoting climate-change adaptation and risk prevention**. More than a million additional residents will benefit from adequate flood protection measures, and better water management will mitigate the adverse effects of climate change. Investments will help improve disaster resilience and disaster management systems. With almost EUR 3.4 billion, the Funds will support **environmental protection and resource efficiency**. There will also be funding for waste water management to ensure a larger proportion of the population has access to improved waste water treatment. Funding will also be used to ensure 100 % of drinking water is of adequate quality. The reuse and recycling of waste will also be improved substantially. Interventions will lead to **strengthened nature protection and the restoration of degraded ecosystems**, improved farming and forestry practices and an enhanced ecological approach in relation to surface and

ground water. It is expected that the conservation and development of natural and cultural heritage sites will attract over 1.6 million yearly visits. Support is foreseen also to 100 aquaculture farms providing environmental services.

The EUR 3.3 billion allocation in the field of **transport** will contribute to over 230 km of new TEN-T roads, more than 275 km of reconstructed or upgraded railway lines, 50 km of new or improved inland waterways, over 130 km of new and upgraded tram lines, metro lines and suburban railway lines, and 48 km of new and 96 km of reconstructed and upgraded roads connecting to TEN-T.

In the field of **social inclusion**, almost EUR 2.4 billion will contribute to the reduction and prevention of poverty, particularly for children, by providing better access to good-quality public services and improved living conditions, mainly in disadvantaged regions. Funds will also support the transition from institutional to community-based care in the health and social services sectors. Around 70 000 individuals will be covered by active inclusion measures and more than 300 000 will benefit from improved health services. The EUR 1.7 billion allocation to **education** will focus on reducing early school-leaving rate to 10 %, lowering inequalities in the school system by ensuring equal access to mainstream education for all, including the Roma students and improving the quality of formal and informal education for over 150 000 students. Further measures intend to increase the participation of disadvantaged people in tertiary education and improve the dual vocational education system. Over EUR 600 million will be used to improve the efficiency of public administration and public services, including corruption prevention measures as well as the extensive use of e-government solutions.

Use of financial instruments and territorial tools

With an allocation of EUR 2.3 billion, Hungary is almost tripling its allocation to **financial instruments (FIs)** compared with 2007-2013. The use of FIs will be expanded to RD&I, energy, ICT and the social economy. A wide range of integrated territorial development instruments will be used. More than EUR 1 billion has been allocated to integrated sustainable urban development measures. Local initiatives will be enhanced by community-led local development in rural and urban areas.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	ERDF	EMFF	ETC
No of programmes	7 (5 national, 2 regional)	1	1	9
Available funds (EUR)	21 544 112 983	3 430 664 493	39 096 293	1 106 996 669 ¹⁶

2. Pre-conditions for effective and efficient use of ESIFs

Strategic frameworks for certain areas of investment have not been completed and need to be delivered in line with the agreed and closely monitored action plans. One of the key unfulfilled *ex ante* conditionalities concerns public procurement.

3. ESIF management

There is strong central coordination of the use of ESIFs for the 2014-2020 period. Five of the cohesion policy programmes are multi-fund programmes, combining the use of ERDF, CF and ESF. In order to facilitate coordination and ensure consistency between the programmes, a Partnership Agreement-level monitoring committee is to be set up in addition to the individual programme monitoring committees.

4. Simplification for beneficiaries

Hungary is planning several measures to reduce the administrative burden for beneficiaries, such as linking the IT system managing EU assistance to certified public-sector databases, yearly planning of calls for applications, the use of simplified cost options, consolidating certain functions (to provide a one-stop-shop service) and simplifying guidelines.

¹⁶ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Hungary participates.

1. ESIFs in Ireland

Economic and social challenges in the ESIF context

Ireland participates fully in the European Semester process while still being subject to post programme surveillance missions. Despite a marked improvement in its economic outlook, some issues require close attention: high levels of debt, remaining challenges in the financial sector (including with regard to bank profitability), and long-term unemployment. The improved macroeconomic environment has benefited SMEs, enabling them to stabilise after a prolonged period of distress. Subdued credit demand is showing signs of recovery. SMEs seeking credit are less likely to be rejected by banks, but are faced with interest rates above the euro-area average. Significant challenges remain in relation to youth unemployment. Ireland has a digital skills gap, with 42 % of the workforce having few or no digital skills. Reskilling and upskilling are a challenge for the education and training system and it is difficult for disadvantaged groups to access tertiary education.

Analysis of Europe 2020 targets shows some gaps in achievement. The employment rate of the 20-64 age group increased to 68.6 % in the second quarter of 2015 (Europe 2020 target is 75 %) and R&D investment reached 2 % of GDP (Europe 2020 target is 3 %). With regard to reducing greenhouse gases, it is expected that Ireland will miss the target, with 2020 emissions expected to be 2 % lower than 2005 emissions. The existing policy, market and budgetary frameworks appear to be insufficient to enable Ireland to gradually achieve the 2020 renewable energy target. On early school-leaving and tertiary education, there has been a consistent positive trend in recent years, with Ireland performing better than the EU average.

Main priorities and results

As regards the 2014-2020 period, the ESIFs are contributing directly to the Europe 2020 strategy. The focus is on key thematic objectives, consistent with the European Semester policy recommendations.

EUR 186.9 million will promote business investment in R&I and **develop links and synergies between businesses, R&D centres and the higher education sector**. Some 690 new research posts should be created in the Southern and Eastern Region in research centres working in partnership with 143 companies. The number of companies engaged with funded strategic research centres is expected to increase from 529 to 713 through the increased development of applied research. In the Border, Midland and Western Region, the number of companies engaged with strategic research centres should increase from 103 to 159.

EUR 75 million will be invested in the extension of next generation broadband to all unserved towns and villages across the entire territory.

EUR 283.8 million of investment will support the **capacity of SMEs in the agriculture, fisheries and aquaculture sectors** to grow in regional, national and international markets and to engage in innovation processes. Investments will also be geared towards **increased levels of innovative practice throughout the agricultural sector and strengthened links between research, technological development and best practice on the ground**. In the Southern and Eastern region, it is estimated that 17 000 new jobs will be created in SMEs in 14 targeted smart specialisation sectors. In the Border, Midland and Western region, 4 500 jobs will be created among the SME clients of Enterprise Ireland.

EUR 433.5 million will support **the shift towards a low-carbon economy** in all sectors. Investments will be used to support carbon-efficient farming practices and increase the average energy performance of Irish households.

EUR 704.8 million will be invested in **promoting climate change adaptation and risk prevention and management**. The focus will be on implementing more efficient methods in fisheries and agricultural production, increasing the use of low-emission technologies and

practices, counteracting soil erosion, increasing the buffering of riparian zones, energy efficiency and increasing the use and production of renewables.

EUR 838.3 million will be invested in **preserving and protecting the environment and promoting resource efficiency**. Investments will focus on enhanced nutrient management practices in agriculture, the conservation and maintenance of biodiversity and marine ecosystems, improving water quality, promoting sustainable fishing and aquaculture (reducing unwanted catches by 10 000 tonnes and increasing organic aquaculture production by 3 000 tonnes until 2023) and improving economic and physical conditions in selected urban areas in the Border Midland and Western and the Southern and Eastern Regions.

EUR 307.3 million will be invested in **promoting sustainable and quality employment and supporting labour mobility**. This is expected to help ensure nearly 140 000 unemployed people, including long-term and young unemployed people, obtain employment or enter education or training. Investments will also be geared to increasing employment opportunities in coastal communities.

EUR 350.8 million will be invested in **promoting social inclusion, combating poverty and discrimination**. This will help ensure that people outside the labour force can access ‘second chance’ education and training opportunities, and that more adults have access to literacy, numeracy and language tuition programmes. By 2023, over 70 000 persons from disadvantaged backgrounds are expected to have participated in employability programmes. In the farming sector, knowledge transfer groups will be set up, especially to ensure the delivery of environmental and public goods.

Use of financial instruments and territorial tools

Ireland is considering using **financial instruments (FIs)** to help address price volatility in the agricultural sector. Scope to use FIs for energy efficiency in social housing should also be explored.

Ireland intends to make use of available territorial tools. Community-led local development is being used to deliver the LEADER programme under the EAFRD and the funding of fisheries local action groups to deliver the EMFF. Some 7 % of the EAFRD will be allocated to LEADER (EUR 153 million). Ireland does not plan to use integrated territorial investment. EUR 40 million will be invested in sustainable urban development. The Atlantic sea-basin strategy will be taken into account in implementation.

Key information

	Cohesion policy (ESF, ERDF, YEI)	EAFRD	EMFF	ETC
No of programmes	3 (1 national, 2 regional)	1 national	1 national	6
Available funds (EUR)	1 019 788 509	2 190 592 153	147 601 979	1 135 072 901 ¹⁷

2. Pre-conditions for effective and efficient use of ESIFs

All general *ex ante* conditionalities at national and regional levels have been met.

3. ESIF management

A range of complementary EU (Horizon 2020) and national policy instruments will be used to maximise the benefits of the ESIF funding. Ireland has put in place mechanisms to ensure coordination between the ESIFs and other EU and national instruments.

4. Simplification for beneficiaries

ESIF managing authorities are making arrangements to ensure an effective reduction in the administrative burden for beneficiaries and authorities. These include the increased use of lump sums and simplified cost options.

¹⁷ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Ireland participates.

1. ESIFs in Italy

Economic and social challenges in the ESIF context

Italy is experiencing a nascent but weak economic recovery after a deep and long recession which widened further the economic performance gap with the rest of the EU. Unemployment is critically high among young people, women and in southern Italy. The economic crisis has exacerbated the long-standing socioeconomic divide between northern and central Italy on the one hand and southern Italy on the other, the latter traditionally the main recipient of ESI Funds. ESI Funds will help to address several of the EU policy recommendations made in the context of the European Semester, primarily those on education and labour market, ports and logistics, public administration and the justice system and management of the funds.

Main priorities and results

ESI Funds are channelled through 74 national, multiregional and regional programmes. These cover very different social, economic and administrative realities and challenges, requiring a highly diversified strategy in the use of resources. The funds' main priorities are: developing an innovation-friendly business environment, putting in place efficient infrastructures and management of natural resources, increasing labour market participation, promoting social inclusion, improving education, improving administrative capacity and the management of ESIF programmes, in particular in less developed regions.

Almost EUR 3.8 billion in ESI Funds will be spent on **research and innovation (R&I)**, helping Italy to reach its Europe 2020 strategy target to spend 1.53 % of GDP on R&I (current figure: 1.26 %). The spending on R&I, plus more than EUR 7.8 billion for **SMEs in sectors including agriculture, fisheries and aquaculture**, will provide a strong and coordinated boost to restoring Italy's overall competitiveness. The EUR 2 billion to be spent on **ultra-broadband infrastructures** and IT services will also boost competitiveness, while enabling Italy to reach its digital agenda strategy objectives. More than EUR 2.7 billion will go on **upgrading rail and maritime infrastructures** in less developed parts of the country in order to ensure a real shift to sustainable mobility. In addition, almost EUR 4 billion will be spent on investments to promote Italy's shift towards a **low-carbon economy**. This will help it to meet its Europe 2020 target of a 20 % reduction in primary energy consumption.

Investing in human capital and helping people enter the labour market will be a top priority, with a strong focus on fighting youth unemployment. Italy will spend over EUR 4.7 billion in ESI Funds to raise the employment rate to its Europe 2020 strategy target of 67-69 %. This will include providing customised services to 560 000 young people not in employment, education or training in 2014 and 2015. EUR 4 billion will be spent on **initiatives to reduce poverty and social exclusion** for an estimated 2.2 million people. An additional EUR 4 billion will be spent on adapting education to labour market needs and reducing early school leaving to 16 % by 2020. This will benefit over 2.8 million pupils and students.

ESI Funds will benefit **rural areas** by promoting the competitiveness of the agricultural and food industry sectors, the sustainable use of natural resources, biodiversity and climate action. A significant contribution will also be made towards meeting digital agenda objectives.

ESI Funds will also support new growth opportunities within the 'blue economy', in particular under the EU strategy for the Adriatic and Ionian region. EMFF funds will support the implementation of the new common fisheries policy, with emphasis on the transition to better environmental sustainability of economic activities in fisheries and aquaculture. The EMFF will contribute to increase the net profit in fisheries by 30 % and to double the production of organic aquaculture.

Financial and territorial instruments

Around EUR 2.187 million will be delivered through **financial instruments**, in particular for SMEs and innovation and to a lower degree for energy efficiency as well as employment and labour market. This amount, supplemented with legacy resources from the previous programming period, is consistent with the investment strategies of the various programmes and with the absorption capacity demonstrated in the 2007-2013 period. Further opportunities to widen the scope and/or increase the volume of resources allocated to financial instruments will be explored as part of the outcome of the on-going *ex ante* assessments.

Italy's urban development strategy will include a centrally managed component consisting of a national programme for 14 'metropolitan' areas around the country. This will complement urban development strategies in regional programmes implemented mostly through dedicated axes and, in a few cases, through integrated territorial investments. A specific territorial strategy, to be implemented through regional programmes, has been drawn up for what are called 'inner areas'. These are primarily rural areas defined using criteria such as demography, depopulation and level of services. The LEADER approach, financed through ESI Funds, will have an important role in the territorial development of rural communities and economies.

Key information

	Cohesion policy (ESF, ERDF, YEI)	EAFRD	EMFF	ETC
No of programmes	50 (11 national or multiregional, 39 regional)	23 (21 regional, 2 national)	1	15
Available funds (EUR)	31 686 254 105	10 444 380 767 ¹⁸	537 262 559	1 996 244 281 ¹⁹

2. Pre-conditions for effective and efficient use of ESIFs

Italy has both national and regional *ex ante* conditionalities. These result from its constitutional set-up and resulting division of powers between national and regional authorities (albeit currently subject to reform). Italy has not fulfilled 3 general, 2 EMFF-specific and 10 thematic *ex ante* conditionalities. The general conditionalities (public procurement, environment and state aid) are of particular significance because legislation and practice in these areas are still a major source of irregularities, making it hard to use the funds in an effective manner. For the thematic conditionalities, action plans are required in areas such as smart specialisation strategies, IT, transport, energy efficiency and active inclusion.

3. ESIF management

Significant weaknesses in administrative capacity in the management of the funds have consistently hampered their effectiveness. This is particularly the case in the less developed regions of southern Italy, as identified by five consecutive policy recommendations in the context of the European semester since 2011. Taking this into account, EU co-funded programmes will have to be accompanied by administrative reinforcement plans. These are designed to guarantee that the authorities in charge of the funds have the basic structure and skills necessary to manage the resources entrusted to them. The ESIF programmes will address weaknesses in public procurement, state aid, the fight against fraud and corruption: these areas are crucial to ensuring that the funds are managed properly. The ESIF programmes will also include a national programme fully devoted to improving the public administration overall.

4. Simplification for beneficiaries

Managing authorities for ESI Funds are developing ways of reducing the administrative burden for beneficiaries and public administration. These include increased use of simplified costs and improving the dedicated information system.

¹⁸ Including 14 670 000 corresponding to a transfer from the first pillar (capping).

¹⁹ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Italy participates.

1. ESIFs in Latvia

Economic and social challenges in the ESIF context

The Latvian economy began to grow again in 2011. The labour market improved and the employment rate, at 70.7 %, is above the EU average (2014). Long-term unemployment, youth unemployment and the share of young people not in employment, education or training have fallen below the EU average. The Youth Employment Initiative is available to Latvia.

Inadequate public funding for research and innovation (R&I) and the fragmented nature of the R&I system cause poor performance in scientific research and damage competitiveness. Latvia has high rates of poverty and social exclusion and a high level of inequality in society. More needs to be done to make vocational education attractive to young people. The quality and access to the healthcare system, energy efficiency of transport, buildings and heating systems need to be improved. ESIF investments will support implementation of the European Semester policy recommendations in these areas.

Main priorities and results

ESIFs **support research and technological development (RTD) and innovation**, helping the country reach its national target of 1.5 % of GDP invested in RTD (0.66 % in 2012), increasing the proportion of innovative SMEs to 40 % (from 29.9 % in 2010) as well as addressing weaknesses in its innovation system and facilitating cooperation between businesses, science and education, which will improve innovation potential.

Ensuring access to high-speed broadband for at least 80 % of households and developing online services will promote the growth of an **information society**. Broadband with at least 30 Mb/s will be provided to rural areas to narrow the digital divide.

The EUR 762 million of investment in SMEs, including in the agricultural and fisheries sectors, aims to increase **their competitiveness and innovation** by supporting new businesses, promoting private investment and creating at least 1 800 jobs. The main areas targeted will be SMEs' export capacity, access to finance, matching workers' skills with labour market demands, increasing competitiveness and assistance to new businesses. Nearly 4.5 % of farmers will receive support to modernise and restructure their farms, and increased funding will help to attract more young farmers to the sector. The competitiveness and productivity of the aquaculture sector will also be supported. This is expected to treble production and will contribute to food supply and employment. ESIF will be used to increase the **institutional capacity** of public administration and the effectiveness of the judiciary.

ESIF will **support the shift towards a low-carbon economy in all sectors**, helping Latvia reach its national Europe 2020 target of 40 % of energy coming from renewable sources (35.8 % in 2012). Funds will concentrate on energy efficiency in housing and commercial premises, the use of renewable energy sources in district heating and low-carbon transport.

ESIF will be allocated to **the sustainable use of natural resources and adaptation to climate change**. The investments will mitigate risks caused by climate change, mainly by reduction of coastal erosion and flood prevention. Measures will be taken to increase recycled waste by 423 120 tonnes a year and to reconstruct sewerage and waste water networks incompatible with quality requirements. A total of 1.3 million inhabitants will be connected to the centralised waste water management network. Preserving and enhancing ecosystems related to agriculture and forestry as well as aquaculture providing environmental services will be co-financed. The Common Fisheries Policy objective for conservation of marine biological resources will be supported.

The ESIFs will be used to **develop a sustainable and efficient transport infrastructure**. Priority will be given to the TEN-T rail and road infrastructure, connecting urban areas with the TEN-T networks, and reconstructing regional roads. This will involve the reconstruction or renovation of 998 km of railway and 574 km of roads (345 km on TEN-T).

Measures to boost employment and increase the mobility of the workforce will allow 22 950 currently unemployed people to find a job. More than 11 000 young people not in education, training or employment will receive an offer of employment, a place in continued education, or an apprenticeship or traineeship.

Funds will be invested in education, skills and lifelong learning. The reform of higher education will involve the creation of a national accreditation agency, accreditation of 80 new study programmes, the introduction of results-based governance in 20 higher education institutions and the modernisation of the learning environment. **Vocational education and training (VET)** will be improved by extending the use of work-based learning. This will allow 70-80 % of students receiving support to obtain a professional or other qualification. The qualifications of 4 500 VET staff will be improved and 70-80 % of VET institutions modernised. Farmers and owners of agricultural and forestry businesses will be trained to improve their knowledge of efficient production and climate-friendly resource management. Cooperation with researchers will be promoted.

Measures designed to improve social inclusion and tackle poverty will help almost 4 000 disadvantaged unemployed people to find a job. Transition to community-based care of children and adults with psycho-intellectual disabilities will be supported, as well as better access to health care for the entire population of Latvia.

Use of financial instruments and territorial tools

Financial instruments worth EUR 185 million will be made available to support businesses and finance energy efficiency measures. Loan, guarantee and equity instruments will mainly be used to support SMEs and energy efficiency in buildings.

Sustainable urban development will be promoted via integrated territorial investment. Local partnerships will become more active thanks to community-led local development, as part of which projects being run by 34 local action groups across Latvia will receive funding.

Measures focusing on a sustainable development of fisheries regions will be implemented in the territories significant for fisheries by applying multi-fund approach.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	1	1	1	6
Available funds (EUR)	4 418 233 214	1 075 603 782	139 833 742	577 852 961 ²⁰

2. Pre-conditions for effective and efficient use of ESIFs

Developing strategic frameworks for the R&I strategy for smart specialisation, addressing early school-leaving and improving environmental policy were the most important *ex ante* conditionalities that were not fulfilled at partnership agreement and programme adoption and action plans were agreed for their fulfilment by the end of 2016. We suggest to add that a mapping of healthcare needs should be the basis for any decision on which infrastructure investments are made (as is the case for other countries, such as Romania or Poland).

3. ESIF management

A ‘one-stop’ agency for concluding contracts has been set up and the work of the joint ESF, ERDF and CF monitoring committee is being supported by thematic subcommittees. The EAFRD and EMFF monitoring committees are managed by the Ministry of Agriculture.

4. Simplification for beneficiaries

Beneficiaries will benefit from a simplified institutional set-up, unified standards, greater use of online administration, an electronic procurement system and increased use of simplified costs options.

²⁰ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Latvia participates.

1. ESIFs in Lithuania

Economic and social challenges in the ESIF context

Lithuania's economy has shown a remarkable ability to regain competitiveness following the crisis. This has supported solid growth in recent years. To ensure sustainable and inclusive growth over the longer term, however, the country will need to address a number of issues.

The first relates to its capacity to move up the added-value chain. The Lithuania's labour market is held back by constraints on the supply of human capital and skills. The working-age population is shrinking rapidly and participation in the labour market remains relatively low. There is a high risk that skills shortages could worsen over time. The proportion of the population at risk of poverty or social exclusion remains high and inequalities are increasing. Private-sector investment, in particular in R&I, is low, which can inhibit long-term growth. Lithuania needs to continue improving security of energy supply and increasing competition in its energy market. Energy intensity is high, making Lithuania one of the least energy-efficient countries in the EU. Analysis of the national Europe 2020 targets shows significant gaps in increasing R&I spending, improving employability and meeting energy targets. These shortcomings are reflected in the European Semester policy recommendations.

Main priorities and results

The ESIF will contribute to **improving the innovativeness and competitiveness** of the economy and to strengthening the links between R&I and industrial policies. R&D expenditure per capita in the business sector is expected to reach EUR 60.7 by 2023 (EUR 24.1 in 2011). This will be achieved by strengthening R&I systems in businesses and promoting R&D knowledge transfer between academia and businesses.

EUR 1.2 billion of **support for SMEs and agricultural, aquaculture and fishery holdings** will be used to help increase the number of enterprises per 1000 inhabitants from 39 in 2013 to 48 in 2023 and the level of productivity and added value to EUR 17 726 per employee per year (EUR 12 432 in 2013). It will also contribute to modernising and improving the economic performance of nearly 8 000 small and medium-sized farms, and to financing the start-up costs of more than 1 100 new young farmers. The ESIFs will also be used to improve the business environment, by making it easier to set up a business, improving SMEs' access to finance and providing tailor-made business services.

The ESIF will help **tackle unemployment**, improve the quality of **education and training** and ensure that **labour market demand** is better met by increasing the level of qualifications and skills of the active labour force and preventing early school-leaving. A total of 55 000 unemployed people will take part in schemes designed to help them return to the open labour market. The ESF will contribute to the creation of 1 800 new jobs in new businesses and support the participation of 5 000 disabled people in professional rehabilitation programmes. As a result, the employment rate for the working population (aged 20-64) is expected to reach 72.8 % in 2023 (69.9 % in 2013). The tertiary attainment rate already being good, and the early school-leaving rate having been reduced, ESIF will be directed to improving the quality of education and its labour-market relevance and to better adjust skills supply with demand. The funds will help to increase adult participation in lifelong learning from 5.7 % in 2013 to 8 % in 2017. More than 60 000 people working in agriculture and forestry will receive training, with the aim of improving the competitiveness of these sectors.

The ESIFs will also be used to help **reduce poverty and improve social inclusion**. Specifically, the investment will help those furthest from the labour market to return to employment, to increase the participation of older workers in the labour market, and to improve access to and the quality of social and healthcare services. These measures will help to reduce the number of people at risk of poverty or social exclusion by 100 000 by 2020.

EUR 1.4 billion will be allocated to **energy and climate change**. The measures financed will contribute to a reduction in greenhouse gases of 600 000 tonnes CO₂ eq./year. Final energy consumption in the service and household sectors is expected to drop by 7.56 GWh by 2023 and the energy intensity of industry is expected to fall to 1.778 MWh/EUR by 2023 (from 2.592 MWh/EUR in 2012). Investment in energy infrastructure will help to strengthen integration into the EU internal energy market.

EUR 1 billion of investment allocated to transport will **extend the TEN-T networks and improve the accessibility**. This allocation will allow 300 km of roads and 70 km of railways to be built or renovated, reduce the number of accidents and improve connections between different modes of transport.

EUR 0.9 billion of investment will be allocated to **environmental measures** and improving **resource efficiency**. The proportion of municipal waste disposed in landfill will fall substantially (from 78 % in 2011 to 35 % in 2023). The funds will be used to support the environment- and climate-friendly land management practices, including organic farming, on 11 % of farmland and the extension of sustainable forestry, thus helping to protect biodiversity. The use of sustainable methods will be extended in fisheries and aquaculture, improving marine ecosystems and aquatic biodiversity in line with the new Common Fisheries Policy. Unwanted catches will be reduced by 43 tonnes and levels of production from organic aquaculture will reach 2 000 tonnes in 2023.

Use of financial instruments and territorial tools

Over EUR 700 million is expected to be made available via **financial instruments**, and targeted in particular at energy efficiency, SMEs and self-employment. This represents an increase of more than 50 % on the 2007-2013 programming period.

Programmes put in place will ensure that the **territorial instruments** available are used to full advantage. Urban authorities will be responsible for managing EUR 210 million of investment, mainly to be allocated to sustainable urban development and economic and social regeneration. The implementation of local development strategies worth around EUR 100 million in all rural and coastal, and some urban, areas will strengthen local partnerships.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	1 (national)	1	1	6
Available funds (EUR)	6 709 396 130	1 613 088 240	63 432 222	555 079 008 ²¹

2. Pre-conditions for effective and efficient use of ESIFs

In accordance with the agreed action plans, Lithuania has adopted the strategies and other policies needed and fulfilled all the *ex ante* conditionalities.

3. ESIF management

The ERDF, ESF and Cohesion Fund are part of a single programme managed by the Ministry of Finance. The EAFRD and EMFF have separate programmes, but are both managed by the Ministry of Agriculture. The managing authorities are members of each other's monitoring committees, thus ensuring close coordination between the ESIFs. A range of complementary EU (e.g. Horizon 2020) and national policy instruments will be used to maximise the benefit gained from the ESIFs.

4. Simplification for beneficiaries

Lithuania plans to simplify the procedures for all the ESIFs to make greater use of simplified costs options and to improve the IT systems available to beneficiaries (e.g. by creating a single access point, improving the quality of information and providing online forms).

²¹ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Lithuania participates.

1. ESIFs in Luxembourg

Economic and social challenges in the ESIF context

Although Luxembourg's economy is performing well overall, growth has still not returned to pre-crisis levels. The main areas in which there are issues to be addressed include the long-term sustainability of public finances, labour productivity and cost competitiveness (which have recently stagnated), employment and social cohesion. Significant efforts are also needed to develop a low-carbon and resource-efficient economy, including through policies affecting the energy sector.

The driver of growth and the strength of this sector has allowed the country to create and sustain a generous welfare state without jeopardising public finances. At the same time, however, the economy has become heavily dependent on this sector. It is therefore essential for Luxembourg to diversify and find alternative sources of growth.

Luxembourg's labour market is performing well and tertiary education attainment rates are high. Employment rates among older workers, women and low-skilled young people are, however, relatively low (with youth unemployment at 21.2 %). The 'joint taxation' system and the design of the social benefit system can create disincentives to work. It should also be noted that the at-risk-of-poverty-or-social-exclusion rate is rising for children, single-parent households and migrants, albeit from a very low level. Luxembourg has made limited progress in strengthening vocational education and training and there have been no developments relating to the general reform of secondary education.

Luxembourg is not on track to meet its Europe 2020 target for reducing the level of greenhouse gas emissions, according to the latest projections. Pollution resulting from agricultural activities is also having a significant effect on water quality. The country should not neglect the need to improve organic fertilisation techniques, in order to make them less harmful for the environment and more effective. Moreover, although Luxembourg has committed itself to halting biodiversity loss by 2020, further action is needed urgently if this target is to be met.

Main priorities and results

Given Luxembourg's relatively modest ESIF allocation, it is inevitable that the programmes have to concentrate on addressing specific aspects of the issues identified above. Increasing **R&D** investment is of crucial importance for creating greater economic diversification. **Cooperation between the national research centre and Luxembourg University** will therefore be strengthened, with the aim of increasing the number of SMEs involved in research by 300. Measures adopted in the area of **agriculture** will increase competitiveness by promoting **entrepreneurship**, facilitating the **restructuring of businesses** and revitalising the sector. An allocation of EUR 30 million from the EAFRD is expected to support investment in the modernisation of facilities, business restructuring and innovative techniques for around 21 % of farms, and 7 % will benefit from the EAFRD-supported business development plan for young farmers.

The ESIF will also be used to address **unemployment** and **social exclusion**. They will support measures designed to improve the qualifications and skills of young people and job-seekers (including from migrant backgrounds) and to ensure a better match between supply and demand in the labour market. The funds will help to extend and improve the Youth Guarantee Scheme and to ensure equal access to **lifelong learning**. As part of this, the ESF will fund measures that aim to provide 15 000 persons with training, an opportunity to improve their qualifications and help in finding a job.

A budget of EUR 62 million of funding has been allocated to measures relating to protection of the environment and resource efficiency. It will be used to help finance measures designed

to restore, preserve and strengthen **ecosystems** that have been affected by agricultural activities. The contracts for management of 90 % of the utilised agricultural area will require management practices to support biodiversity and the protection of natural areas. In addition, contracts covering 28 % of the total utilised agricultural area will require management practices to improve **water quality**. ESIF funding will also support the shift to a **low-carbon and resource-efficient economy**, notably through investment in energy efficiency, renewable energy and the modal shift towards more sustainable modes of transport in cities. It is estimated that the energy consumption of buildings will have been reduced by 20 % by 2020. The use of renewable energy sources is also expected to rise from 2.9 % in 2014 to 11 % in 2020, and annual greenhouse gas emissions are expected to fall by 15 000 tonnes CO₂ eq.

Use of financial instruments and territorial tools

Luxembourg is not planning to use **financial instruments** due to the limited level of funding. Strategies developed by local action groups will benefit 30 % of the rural population. Integrated territorial investment programmes (to which 6 % of ERDF funds are being allocated) will include measures for sustainable urban development.

Key information

	Cohesion policy (ESF, ERDF)	EAFRD	EMFF	ETC
No of programmes	2 national	1	N/A	2
Available funds (EUR)	39 558 626	100 574 600	N/A	535 936 988 ²²

2. Pre-conditions for effective and efficient use of ESIFs

Ex ante conditionalities relating to the smart specialisation strategy have not yet been fully met. The government has not yet adopted the R&I strategy for smart specialisation.

3. ESIF management

A consultation committee has been set up, bringing together the managing authorities of all ESIFs. The committee's objective is to coordinate the development of strategies and priorities for each fund, to ensure that the programmes complementary each other and to prepare and negotiate partnership agreements.

4. Simplification for beneficiaries

Systems for exchanging information are being improved and greater use is being made of ICT. The geographical information system database and the geo-portal website, which provides direct access to data on the location of protected areas of land or water, will be made more comprehensive with the addition of information on all land surfaces and structural features. This update, planned for 2015, should be very useful to beneficiaries.

²² This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Luxembourg participates.

1. ESIFs in Malta

Economic and social challenges in the ESIF context

Malta's economy and labour market performed well in the crisis. Real GDP growth averaged above 2.7 % over the period 2011-2014, driven by strong domestic demand, tourism and exports of goods and services. Despite a challenging external environment, Malta maintained a positive trade balance and was able to increase employment and keep unemployment at a low level (below 6 % in 2014). The external competitiveness of the productive sector is, however, limited by a number of factors, including structural weaknesses in the business environment, low levels of R&I, a high dependence on external energy sources and vulnerability to the external environment. These issues also represent a significant threat to long-term sustainability and quality of life. Malta's good economic results are not matched by its level of social cohesion. Labour market participation remains low, indicative of untapped potential in the economy and the need to adjust the education and training system to better meet labour market requirements. These issues are reflected in the European Semester policy recommendations and have been given particular consideration in the allocation of the ESIF.

Main priorities and results

In order to boost **competitiveness** by promoting **innovation** and creating a **business-friendly environment** Malta will aim to (a) increase capacity for **RTD&I** by means of investment in public infrastructure and research facilities, (b) stimulate business investment and encourage links between businesses and research and education, and (c) strengthen and develop new ICT products and applications, so as *inter alia* to improve the efficiency of public services. Encouraging **entrepreneurship**, **improving business competitiveness** and supporting business growth are seen as particularly important aims within this policy area. Businesses **in the agriculture and fisheries sectors** will be among those to benefit from support. The EMFF aims in particular at improving resource efficiency and economic sustainability in the fisheries and aquaculture sector. Up to EUR 190 million, 23 % of the total ESI Funds received by Malta, will be allocated to this priority area.

The funds will help the country to meet its **Europe 2020 target** of increasing the **proportion of GDP invested in R&I from 0.72 % to 2 %**. Other results expected in this area include an increase in R&I in areas identified by the smart specialisation strategy, including the agricultural sector, an improvement in the quality and efficiency of online government services for businesses and individuals, a reduction in the administrative burden on businesses, and an increase in SMEs' overall contribution to competitiveness and employment, including in agriculture and fisheries/aquaculture.

To develop and maintain an **environment-friendly and resource-efficient economy**, Malta will aim to support public and private investment in **renewable energy** and **energy efficiency**, and investment in agriculture and the water and waste sectors. Action will also be taken to **preserve natural resources**, conserve and protect natural and cultural heritage, restore biodiversity, improve the urban environment and support multimodal and low-carbon transport systems and infrastructure. These measures should help Malta to meet the requirements of the EU *acquis*. 51 % of the ESI Funds received by Malta will be allocated to this priority area. The measures financed will help the country meet its **Europe 2020 targets for reducing greenhouse gases**, increasing the use of **renewable energy** (to 10 % of total energy consumption) and increasing **energy efficiency**. Other results expected in this area include improvements to soil and water quality, including in the agricultural sector, an increase in the proportion of waste recycled and the development of more sustainable waste management practices, better protection of biodiversity, natural and cultural heritage and the urban environment, and greater efficiency and sustainability in the transport sector.

To create employment opportunities by investing in **human capital** and improving **health and wellbeing**, Malta will aim to promote sustainable and high-quality employment, vocational education and training, ensure greater social inclusion and tackle poverty and discrimination, increase the capacity of government institutions, and the judiciary. ESIF will be used to give support to over 5 700 people in employment, over 24 000 in education and training and over 8 500 taking part in social inclusion projects. These measures will help the country to meet its Europe 2020 targets (increasing employment to 70 %, and the tertiary education attainment rate to 33 %, reducing early school-leaving from 33.5 % to 10 %, and lifting around 6 560 people out of the at-risk-of-poverty-or-social-exclusion category).

Use of financial instruments and territorial tools

The amount of funds for **financial instruments** will more than triple compared to 2007-2013, to EUR 34 million. Malta is contributing EUR 15 million to the SME initiative.

It has allocated 5.2 % of its ERDF funding to sustainable urban development (focusing particularly on the preservation of nationally owned cultural and historical assets), improving employment opportunities in socially deprived areas around the southern harbour in Valletta, and supporting the economic and social regeneration of other deprived urban and rural communities.

Key information

	Cohesion policy (ESF, ERDF, CF)	EAFRD	EMFF	ETC
No of programmes	3 (national)	1	1	3
Available funds (EUR)	707 989 554	97 326 898	22 627 422	486 688 291 ²³

2. Pre-conditions for effective and efficient use of ESIFs

Five of the 11 thematic *ex ante* conditionalities (EACs) have not yet been fulfilled, of which three are critical for the ERDF and CF programmes. They relate to (1) the development of a smart specialisation strategy, (2) the implementation of a cost-recovery policy for the water sector, and (3) the development of a comprehensive transport master plan, to include a pipeline of mature projects. Five of the thematic EACs relevant to the ESF programme had not been fulfilled, but an action plan was agreed and these have now been met. An action plan for the EAC on the statistical system is currently being implemented. The EMFF-specific EAC on reporting on fishing capacity has been partially fulfilled (an action plan is in place). The EAFRD-specific EACs relating to risk prevention and management, energy and water efficiency and use and quality of ICT have not yet been met, however.

3. ESIF management

The three ERDF, CF and ESF programmes will be implemented by the same managing authority — the Planning and Priorities Coordination Division in the Ministry for European Affairs & Implementation of the Electoral Manifesto (MEAIM). The EAFRD and EMFF programmes are being managed by the same Ministry. This centralised management system greatly facilitates the coordination of the different programmes.

4. Simplification for beneficiaries

Potential applicants and beneficiaries can obtain advice from a common information helpdesk that is jointly operated by the planning and priorities coordination division and the funds and programmes division of the MEAIM. The services offered by the helpdesk, which was already in operation in the 2007-2013 programming period, will be expanded to cover all ESIFs. The aim is to be able to offer prospective applicants, beneficiaries and the general public a direct line of communication (including via email) with the managing authorities, through which they can request information on general or specific issues.

²³ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Malta participates.

1. ESIFs in the Netherlands

Economic and social challenges in the ESIF context

Despite the economic recovery seen in the Netherlands, the country still has a number of important issues to address. It still has some way to go to meet its Europe 2020 targets for investment in R&I, the use of renewable energy, the implementation of energy-saving measures, the labour-market participation rate and social inclusion. Current efforts therefore need to be at least maintained, if not stepped up. The European Semester policy recommendations reflect several of these issues. Given that the Netherlands receives a relatively modest ESIF allocation, its programmes will mainly be focused on helping the country to achieve its Europe 2020 targets.

Main priorities and results

The ESIF funding will help to strengthen the potential for innovation in the Netherlands by financing measures designed to stimulate **business investment in R&I**. These include strategies for developing links between businesses and R&D institutes and measures to support open innovation through smart specialisation. In particular, cross-overs between sectors identified in the regional smart specialisation strategies will be strengthened. Approximately EUR 355 million has been allocated to this policy area and the measures are expected to **increase R&I intensity in SMEs** and to improve their uptake of innovations. The measures aim to support 2 900 businesses and the ESIF investment is expected to generate an additional EUR 305 million in private investment in R&I. ESIF funding of EUR 163 million will also be allocated to measures designed to increase the **competitiveness** of 2 800 agricultural, fisheries and aquaculture SMEs.

ESIF funding of EUR 462 million will be invested in promoting **active inclusion and creating sustainable and high-quality employment**. The largest part of this total will be allocated to labour integration pathways designed to help excluded groups return to the labour market and to training, re-training and individual coaching. The remaining funds will be used for measures relating to the active and healthy ageing of the workforce and the adaptation of working environments and conditions so as to allow people to continue working for longer. Approximately 27 500 people are expected to find a job or to receive education leading to qualifications thanks to these measures. In addition, part of the total will help to finance training for those working in the agricultural sector, with the aim of improving the uptake of innovation.

ESIF funding allocated to **environmental policy** will mainly be used to finance measures to support the agricultural, fisheries and aquaculture sectors. Approximately EUR 358 million will be invested in measures to restore, preserve and strengthen ecosystems affected by agricultural activities, with the aim of improving the environmental sustainability of the agricultural sector and supporting adaptations necessitated by climate change. The contracts for management of 5.9 % of the utilised agricultural area will require management practices to support biodiversity and the protection of natural areas. Contracts covering another 5.9 % of agricultural land will require management practices to support the development of sustainable water management. The Funds will also contribute EUR 15 million to risk prevention in the agricultural sector, by promoting the uptake of all-weather insurances by farmers thereby targeting an additional 1500 farmers. EUR 76 million will be invested in innovations designed to make fisheries and aquaculture more sustainable and to improve marine ecosystems and aquatic biodiversity. This will help to protect the environment and promote resource efficiency and, specifically, to reduce unwanted catches by 25 %.

The Netherlands will also use the ESIFs to support **the shift towards a resource-efficient, low-carbon economy**. EUR 121 million will be invested in actions directly related to renewable energy and energy efficiency. The measures to be financed include the prototype

development of innovative low-carbon technologies and the demonstration and trial use of these technologies, in order to allow larger-scale roll-out in the future. It is expected that approximately EUR 535 million, or 31 % of the total ESIF funding allocated to the Netherlands, will be used to finance measures designed to tackle **climate change**.

Use of financial instruments and territorial tools

The ESIF funding used to create financial instruments such as loan, guarantee and equity funds is expected to increase to EUR 63 million, from EUR 30 million in the 2007-2013 programming period. This will be directed towards investment in measures designed to increase the R&I intensity in businesses and in measures to improve the energy efficiency of buildings.

The Funds will invest EUR 110 million in sustainable urban development in the four major cities: Amsterdam, Rotterdam, The Hague and Utrecht. The investment will fund measures designed to tackle the mismatch that currently exists between supply and demand on the labour market and will be integrated into wider strategies addressing the social, economic, demographic and environmental challenges faced in some urban areas. In addition, community-led local development will help to strengthen local partnerships. In particular, EUR 42 million is to be invested in local development strategies designed to increase socioeconomic diversification in rural areas. These strategies are expected to affect 65 % of the rural population.

Key information

	Cohesion policy (ESF, ERDF)	EAFRD	EMFF	ETC
No of programmes	5 (1 national, 4 regional)	1	1	7
Available funds (EUR)	1 014 636 456	765 285 360	101 523 244	1 300 772 210 ²⁴

2. Pre-conditions for effective and efficient use of ESIFs

The Netherlands has fulfilled almost all of the *ex ante* conditionalities (EACs) related to support from the ESIFs. The two EACs that have been only partially met to date are (1) the thematic EAC on the promotion of cost-effective improvements of energy end use efficiency and cost-effective investment in energy efficiency when constructing or renovating buildings, and (2) the general EAC on statistical systems and result indicators. Action plans for fulfilling these EACs have been agreed.

3. ESIF management

The number of programmes in place has not changed since the 2007-2013 programming period. The system for managing the delivery of projects financed by the ESIFs is generally stable and reliable. The Netherlands has set up systems for coordinating the monitoring and evaluation of ESIF-funded measures. Mechanisms are being developed to ensure close coordination between Horizon 2020 and the ESIFs.

4. Simplification for beneficiaries

The Netherlands will reduce the administrative burden for beneficiaries by using simplified cost options such as flat rates for labour costs. Improvements in the online ESIF management and the online exchange of information between beneficiaries and managing bodies should also help to simplify procedures for beneficiaries. The Dutch authorities are currently exploring additional ways in which they could simplify the systems in place so as to help beneficiaries.

²⁴ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which the Netherlands participates.

1. ESIFs in Poland

Economic and social challenges in the ESIF context

Although Poland's economy weathered the economic crisis well, a number of important concerns need to be addressed. The first relates to the country's capacity to move up the added-value chain. The Polish labour market is being undermined by a low participation rate and a mismatch between the supply and demand for skills. The bottlenecks in transport, energy and ICT networks and the low efficiency and effectiveness of the judicial enforcement are also hampering growth potential. Poland is falling behind in some key EU 2020 targets: increasing R&I spending, boosting employment, and achieving energy targets. These issues are reflected in the European Semester policy recommendations. A significant amount of funding (two thirds of the country's ESF allocation and 45 % of ERDF and CF funding) is being concentrated in these areas.

Main priorities and results

The ESIF funding will be allocated to **improving the innovativeness and competitiveness** of the economy and to strengthen the links between R&I and industrial policies. The EUR 8.4 billion of investment is expected to bring about an increase in private and public R&D expenditure from 0.9 % of GDP to 1.7 %. A quarter of this change is a direct result of the ESIF. The measures will actively promote private R&I spending, with the aim of raising it from 0.3 % to 0.8 % of GDP. The conditions attached to the funding will ensure that support to innovation is directed towards the areas and tools where they will be of most benefit.

The EUR 10.8 billion ESIF funding allocated to **supporting SMEs and agricultural and fishery holdings** will help to increase the private-sector investment rate (from 12.3 % to 13.4 %) and to increase productivity and added value. It will also be used to finance the provision of tailor-made services to companies and to make administration for business more efficient, with the aim of improving the business environment.

ESIFs will help to finance measures designed to **improve employability**, in particular among women, young people and older workers. The EUR 5.7 billion of investment in active labour market policies will help to increase the employment rate among women to 62.3 % (from 57.6 %) and among men to 79.8 % (from 72.1 %). More than 8 million individuals in Poland are expected to benefit from the ESF-funded measures relating to human capital development. It is hoped that the policies will help the country to achieve its Europe 2020 target for employment. The employment rate in rural areas is expected to rise by approximately 4 percentage points. The funds will also be used to help **improve access to childcare**. A total of 76 % of children aged 3-4 will benefit from childcare services, as compared with 59.3 % in 2012 (with 14 % of this change attributable to measures financed by the ESIFs).

As good progress has already been made in improving the tertiary attainment rate and reducing early school-leaving, ESIF funding is being directed towards measures to **better adapt education to labour market** needs and to adjust skills supply to demand. The aim is to help increase adult participation in lifelong learning from 4.3 % to 6.4 % (with 27 % of this expected change attributable to the ESIFs). The ESIFs will also support measures to **reduce poverty and promote social inclusion**, the aim of which is to reduce the proportion of people at risk of poverty or social exclusion from 26.7 % to 20.9 %.

The ESIFs will help to finance achieving **energy and climate change** objectives. EUR 9.5 billion will provide 40 % of the investment needed to achieve the target reduction in greenhouse gas emissions. Some of the funds allocated to this area will be invested in energy generation from renewables and energy efficiency along the energy chain, thus contributing a tenth of the expected increase in the proportion of energy from renewable sources (from 11 % to 15 %) and of the reduction in primary energy consumption by 14 Mtoe from 2005 levels.

The EUR 1 billion of ESIF invested in strategies relating to **broadband** internet will accelerate the widening of broadband coverage and reduce the urban-rural divide. The ESIF contribution to the expected change in coverage of at least 30 Mb/s from 49 % to 100 % (exceeding the Digital Agenda target) is estimated at 16 %.

EUR 23.8 billion is allocated to transport policy to **complete the TEN-T networks and increase the country's accessibility** (with an expected rise in the index of intermodal accessibility from 0.34 to 0.37). This allocation will finance the construction of more than 800 km of new highways and expressways as well as the modernisation of more than 500 km of railways. The EUR 10 billion investment in railways will improve Poland's competitiveness by shortening the average travelling time between regional capitals from 5.5 hours to 3.7 hours. EUR 8.5 billion will be allocated to improving **waste and water management**. The proportion of waste not sent to landfill will rise from 20 % to 49 %, with half of this increase directly attributable to ESIF. By 2020, 73 % of the population will be connected to the sewerage network (68 % in 2012), with 93 % of the change thanks to the ESIFs.

Use of financial instruments and territorial tools

A large part of Poland's ESIF allocation (EUR 3.4 billion) will be used for **financial instruments** mainly aimed at innovation and competitiveness, SMEs and energy efficiency.

The programmes will make use of the available **territorial instruments**. City councils will manage the EUR 2.4 billion allocated to sustainable urban development and economic and social regeneration. Measures will mainly be implemented by means of integrated territorial investment. Community-led local development will help to strengthen local partnerships.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	22 (6 national, 16 regional)	1	1	11
Available funds (EUR)	76 866 461 337	8 697 556 814	531 219 456	1 563 425 602 ²⁵

2. Pre-conditions for effective and efficient use of ESIFs

Some strategic frameworks referred to in the agreed action plans have not yet been produced. These frameworks can also support the implementation of the European Semester policy recommendations. By involving businesses more in policy-making, smart specialisation will allow to concentrate resources and improve the targeting of support. It is essential to map healthcare needs and develop a system for coordination in order to improve the efficiency of investment. Overarching plans for waste management and regional transport will help to ensure that individual projects are delivered more effectively.

3. ESIF management

Targeted measures will be used to develop the administrative capacities of the railway sector, to implement public procurement and environmental law, to manage state aid and to improve the effectiveness of anti-fraud activity. Implementation of Funds has been further decentralised through the creation of multi-fund regional programmes and the increased use of territorial instruments. The Partnership Agreement Coordination Committee will play the central role in coordinating investment policies. It will set strategic guidelines and achievements at national and regional level will be measured against the Europe 2020 targets.

4. Simplification for beneficiaries

Poland is committed to increasing the use of financial instruments, advanced payments and simplified costs. Planning calls for proposals on an annual basis will create greater certainty and will help to facilitate the planning of projects. Creating a standard payment claim for all programmes should simplify financial management.

²⁵ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Poland participates.

1. ESIFs in Portugal

Economic and social challenges in the ESIF context

In June 2014, Portugal successfully exited its three-year economic adjustment programme returning to the regular cycle of the EU economic surveillance. In July 2014 Portugal received eight country specific recommendations. The most relevant for ESIF intervention concern the labour market and social inclusion, education, training and knowledge transfer, the financial sector (including SMEs' access to finance), network industries (energy and transport), modernisation of public administration (notably to increase efficiency and quality of the justice system), including administrative burden reduction, business environment, and the evaluation of reforms.

Main priorities and results

ESIF assistance in 2014-2020 is based on four key thematic areas (competitiveness and internationalisation, social inclusion and employment, human capital, and sustainability and efficiency in the use of resources) and two cross-cutting dimensions (relating to the reform of public administration and integrated intervention at territorial level).

The Funds will improve **entrepreneurship and business innovation** — partly by developing the e-economy and fostering SME access to finance and advanced business services — and increase **economic competitiveness** by boosting the production of tradable goods and services. Accordingly, it is expected that almost 24 000 enterprises will be supported, of which around 2 000 should be newly created companies.

With ESIF support, **R&D expenditure** is expected to reach 2.7-3.3 % of GDP (1.5 % in 2013), boosting R&D knowledge transfer between academia and businesses, strengthening research and innovation systems in enterprises, and developing an innovation-friendly business environment.

Action will be taken to **tackle unemployment** (over 80 000 jobseekers and inactive people are expected to participate in measures to ease access to employment and up to 211 400 young people will benefit from the YEI), improve the quality of **education and training** and better **match labour-market** demand, raising the qualifications and skills of the active labour force and cutting early school-leaving. Employment among 20-64 year-olds is expected to reach 75 % (65.4 % in 2013), tertiary or equivalent education completed by 30-34 years should rise to 40 % (30 % in 2013) and early school-leaving is anticipated to fall to 10 % (18.9 % in 2013). The ESIFs will also aim to **reduce poverty** by improving access to services and supporting the social economy, helping to cut by 200 000 the number of people at risk of poverty or exclusion.

The Funds will support the shift to a **low-carbon, resource-efficient economy** by promoting energy efficiency and the management of natural resources. This is expected to increase the share of renewable energy in gross final energy consumption to 31 % (24.6 % in 2013), limit the increase in non-ETS greenhouse gas emissions to +1 % as compared with 2005 (-12 % in 2013²⁶) and improve energy efficiency in primary energy consumption by 20 % as compared with 2005 (24.6 % in 2013). More sustainable **fishing** practices will improve marine ecosystems and aquatic biodiversity and reduce unwanted catches by 10% and increase aquaculture production (+ 25 000 t).

Also, funding will contribute to the modernisation of **public administration** through capacity building and investment in human resources development and e-governance.

In **agriculture and rural development**, the Funds will promote knowledge transfer and innovation in agriculture and forestry (around 3 % of total funding), and resource efficiency

²⁶ 2012 data

and the shift towards a low-carbon and climate-resilient economy in agriculture, food and forestry (22 % of total EAFRD funding). Support for agriculture and fisheries SMEs will contribute to sustainable growth and support the maritime economy and labour markets in coastal communities.

Use of financial instruments and territorial tools

The use of funding channelled through **financial instruments** under cohesion policy programmes is expected to increase more than fourfold as compared with the previous programming period, to more than EUR 2.6 billion. The scope of such intervention will be extended beyond support for SME competitiveness and urban regeneration to include energy efficiency and renewable energies, water management, support for self-employment and microenterprises, and strengthening the investment market through social innovation and entrepreneurship.

Regional programmes for mainland Portugal provide for the use of **integrated territorial investments** (ITIs), which will be developed through ‘pacts for development and territorial cohesion’, and community-led local development, by means of integrated multisectoral local development strategies designed and implemented by local action groups and fisheries local action groups. ITIs in Lisbon and Porto will fund integrated sustainable urban development action complemented by specific axes in the mainland regional programmes.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	12 (4 thematic, 7 regional, 1 TA)	3	1	7
Available funds (EUR)	21 342 542 314	4 058 460 374	392 485 464	1 189 200 304 ²⁷

2. Pre-conditions for effective and efficient use of ESIFs

Of 11 thematic *ex ante* conditionalities (EACs), seven are not fulfilled, of which three can be considered critical. The most serious concerns legislation currently in force which prevents the correct transposition of the energy efficiency of buildings directive. Other unfulfilled EACs include water pricing methodology and transport, where a realistic and mature pipeline of projects should be presented. Implementation of the agreed action plans will be monitored closely.

3. ESIF management

Coordination between ESIFs will be improved in four main areas: the integration of information systems, regular monitoring and reporting mechanisms, the overall assessment system and monitoring and evaluation network, and creation of a single access portal.

Eight of the cohesion policy programmes are multi-fund programmes, combining the use of ERDF/CF and ESF. As regards Horizon 2020, COSME and the Connecting Europe Facility, complementary actions, awareness-raising, information and training for potential beneficiaries will be funded to encourage national entities to participate in these programmes.

4. Simplification for beneficiaries

Simplifying procedures for beneficiaries is a key aim of the governance model for the 2014-2020 programming period and the Portuguese authorities intend to adopt national regulations with simpler rules and procedures for all the Funds, make greater use of simplified cost methodologies and enhance the dedicated information system (single access point, improved information for beneficiaries, electronic forms).

²⁷ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Portugal participates.

1. ESIFs in Romania

Economic and social challenges in the ESIF context

Romania's developing market economy is the 13th largest in the EU based on purchasing power parity. Only 9.8 % of its manufacturing companies operate in high/medium-high technology sectors. Access to finance is a problem, especially for SMEs, due to high prices and interest rates. Government R&D expenditure as a percentage of GDP is the lowest in the EU, while the number of SMEs innovating in-house continues to decline relative to the EU average. Online public services are relatively unsophisticated and the building stock has low standards of energy efficiency. Waste recycling and landfilling rates are far from EU targets and implementation of the drinking water and urban waste water directives is lagging behind. Other significant challenges addressed in European Semester policy recommendations and relevant for ESIF intervention concern transport and energy, the labour market, social inclusion, poverty reduction, access to healthcare, vulnerable groups (particularly Roma), education and training, administrative capacity and the judicial system.

Main priorities and results

The discussions on the Partnership Agreement and the programmes for Romania have led to clearer investment priorities, increased R&I funding, a balanced approach to transport investments and objectives more closely aligned with national 2020 targets and European Semester policy recommendations.

Investment of over EUR 1 billion will **improve competitiveness** by strengthening the links between research, innovation, smart specialisation areas and competitive sectors, and boosting technology transfer. The ESIF funding is expected to increase capacity to participate in EU-level research and leverage a 14 percentage-point increase in private research expenditure (as a percentage of GDP). Investments supported by the programmes are designed to double the scale of cooperation between innovative SMEs, research organisations and technology transfer centres. By investing EUR 0.53 billion in **ICTs**, the Funds will help to double added value in the IT sector (relative to GDP) and increase the number of users of e-government systems to 35 % of the population. EUR 3.12 billion of **support for SMEs, farms and cooperatives, and fishery and aquaculture holdings** will contribute to modernisation, higher productivity and survival rates, and agricultural restructuring. The volume of aquaculture production is estimated to increase by almost 260%. **Energy, climate-change and resource efficiency** investments will benefit from an allocation of EUR 10.9 billion, of which EUR 4.9 billion is earmarked for **environmental conservation and protection**. Investment is expected to cut energy consumption for residential buildings by half and for public lighting by a third, and to promote climate-friendly urban mobility. In addition, it will contribute to a cleaner and more resource-efficient country by halving landfilled waste, increasing wastewater collection, reducing the use of water and energy for irrigation, and supporting environment- and climate-friendly land management practices.

A total of EUR 6.13 billion investment in **TEN-T networks and transport accessibility** will lead to the upgrading of 400 km of railways, 325 km of new roads, 9 km of new metro lines and shorter average travel times by road (by 42 %) and rail (by 55 %). In addition, EUR 0.9 billion will be invested in the regional road network.

Investment to increase **labour-market participation** (EUR 2.2 billion) will be used to boost the employment rate to 70 %, targeting young people not in employment, education or training, and other vulnerable groups. Economic diversification in rural areas will also be supported. EUR 3.4 billion will be devoted to **promoting social inclusion and combating poverty and discrimination**, helping disadvantaged people (including Roma) to access the labour market and improve their health and social status. Special attention will be given to providing accessible healthcare and community social services and to the

deinstitutionalisation of children and the disabled.

EUR 1.65 billion will be used to **reduce early school-leaving** to 11.3 % and **increase participation in tertiary education** to 26.7 %. Support is also envisaged for the modernisation of educational infrastructure. Overall, investment in human capital will reach at least 3.5 million people.

EUR 0.8 billion from the Funds will contribute to **enhancing the institutional capacity of public authorities**; of this, EUR 0.55 billion will support reform of public administration and the effectiveness of the justice system.

Use of financial instruments and territorial tools

A significant proportion of the investment EUR 517 million (nearly four times more than in 2007-2013) will be delivered through **financial instruments** (including the SME initiative implemented by the EIB). These will aim to support SMEs, farms and energy efficiency by providing early- and growth-stage equity, loans and guarantees.

Programmes provide for EUR 1.18 billion support for **sustainable urban development**, the shift to a low-carbon economy, environmental protection, the regeneration of deprived communities, and improving education and training infrastructure. The Funds will implement **integrated territorial investment** of EUR 1 billion in the Danube Delta, a territory with specific environmental and socio-economic challenges, and contribute EUR 880 million to community-led local development for urban, rural and fisheries-dependent areas.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	ERDF	ERDF	ETC
No of programmes	6 (national)	1	1	6
Available funds (EUR)	22 541 107 909	8 127 996 402	168 421 371	824 705 627 ²⁸

2. Pre-conditions for effective and efficient use of ESIFs

Strategic policy documents in some investment areas have yet to be completed or fully implemented. A transport master plan, a map of health infrastructure needs and waste management plans will guide infrastructure investment, while a sound entrepreneurial discovery process will bring research closer to businesses and boost innovation. Policy documents on social inclusion, combating poverty and early school-leaving, consolidating public administration and improving public procurement legislation and procedures will support follow-up of the European Semester policy recommendations. Three of the EMFF-specific EACs are assessed as unfulfilled. Action plans should lead to compliance by the end of 2016 at the latest.

3. ESIF management

The Ministry of European Funds operates an ESIF coordination mechanism comprising the Partnership Agreement steering committee, thematic steering committees and working groups, with the participation of line ministries, institutions and stakeholders. Programmes are managed at national level, by three ministries. Measures to improve administrative capacity include improving public investment decisions, transparency, ethics and integrity, and human resources management.

4. Simplification for beneficiaries

Romania has undertaken to simplify guidelines for applicants, improve public procurement legislation and simplify procurement procedures for private beneficiaries, use simplified cost options, simplify the procedures for building permits, and simplify and rationalise administrative procedures. Simplification is a permanent task of one of the working groups in the framework of the Partnership Agreement coordination mechanism.

²⁸ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Romania participates.

1. ESIFs in Slovakia

Economic and social challenges in the ESIF context

Slovakia has weathered the economic crisis well, but there are important challenges ahead. The country needs to boost its economic capacity. It is among the Member States with the highest long-term and youth unemployment rates. The Roma are marginalised, live in substandard conditions and are not well integrated into mainstream education and the labour market. Poor transport infrastructure and an inefficient energy market limit the potential for growth. The R&D intensity remains one of the lowest in the EU. Slovakia also ranks relatively poorly on several indicators of business environment quality. These challenges are reflected in the European Semester policy recommendations.

Main priorities and results

The Funds will enhance the **innovation and competitiveness of enterprises**, improve the performance of the R&I system and promote cooperation between research organisations, higher education and the business sector. With EUR 1.8 billion worth of investment, private and public R&D expenditure is to increase from 0.8 % to 1.2 % of GDP. The Funds actively promote private R&I spending, which is to be levered from 0.3 % to 0.8 % of GDP. Conditions linked to investment ensure the better targeting of innovation tools.

EUR 915 million of **support for SMEs and agricultural and fishery holdings** will increase productivity and added value in the business sector. The business environment will be improved through the provision of tailor-made services to companies and measures to facilitate the economic exploitation of new ideas and foster business start-ups. Investment to improve competitiveness in the agri-food sector will benefit 1 250 farms and 400 food companies. The EMFF will make the fisheries and aquaculture sector more sustainable.

EUR 737 million will finance initiatives to improve **education and training systems** at all levels and ensure that pupils acquire the right skills. Among the key areas for investment are quality early childhood education and care, better learning outcomes, inclusive education and vocational education; this will benefit over 100 000 pupils and students.

Employment and social inclusion will help provide people in difficulty and those from disadvantaged groups with the same opportunities as others to find or keep jobs and integrate into society. Some 250 000 jobless persons, in particular low-skilled and long-term unemployed individuals, should see their chances on the labour market improved and there will be a strong emphasis on combating youth unemployment. Support will be given to 150 municipalities with the most deprived Roma communities.

EUR 278 million will be invested in the **effectiveness of public administration** and its judicial system and law enforcement, in order to reduce regulatory and administrative burdens and promote high standards of transparency, integrity and accountability.

Over EUR 1 billion of investment in the **low-carbon economy** will focus on increasing energy efficiency in public and residential buildings and enterprises, promoting more efficient district heating and developing low-carbon action plans. Final energy consumption in public buildings should decrease by 279 million kWh/year. Investment will also be used to increase the share of renewable energy sources in final energy consumption from 10.4 % to 15.5 %.

Investment of EUR 805 million in **ICTs** will accelerate the spread of broadband coverage and next-generation networks to 100 % 30 Mb/s coverage in line with the Digital Agenda target, improve services for citizens and businesses, and improve the effectiveness of public administration.

ESIF investment of EUR 3.7 billion will be used to complete TEN-T networks and increase **transport accessibility**. This will involve 100 km of new motorways and 125 km of modernised railways. The Funds will also contribute to the modernisation of public transport

in selected cities and improved conditions for inland water navigation, including the modernisation of the port in Bratislava. Almost EUR 1.5 billion of investment will help to build **environmental infrastructure**, protect the environment and promote resource efficiency. Over 200 000 additional people will be served by improved wastewater treatment and over 12 000 covered by flood protection measures. Efforts to ensure the sustainable use of natural resources and protect Slovakia's rich biodiversity will be focused on avoiding the abandonment of 1.2 million ha of farmland. Environment- and climate-friendly land management practices will be supported on 21 % of agricultural land.

Use of financial instruments and territorial tools

The use of **financial instruments** is planned to increase more than fivefold from the initial allocation in the previous programming period and will reach around EUR 455 million. Most of the support will go to SMEs, energy efficiency and environmental and transport infrastructure. The scope should be explored for extending instruments to R&I and ICTs, including broadband infrastructure.

Specific programmes will ensure a genuine uptake of **territorial instruments**. Investment of EUR 890 million, mainly in improving access to effective high-quality public services and safe and environment-friendly regional transport, will be delivered via regional integrated territorial investments. Also, some EUR 368 million will be invested in sustainable urban development. Local partnerships will be enhanced by community-led local development. EUR 200 million of public expenditure will create around 1 500 jobs by supporting SMEs in rural areas under local development strategies.

Key information

	Cohesion policy (ESF, ERDF, CF, YED)	EAFRD	EMFF	ETC
No of programmes	7 (6 national, 1 regional)	1	1	7
Available funds (EUR)	13 768 317 148	1 559 691 844	15 785 000	1 019 287 563 ²⁹

2. Pre-conditions for effective and efficient use of ESIFs

Strategic frameworks for certain areas of investment (e.g. research) have not been completed and need to be delivered in line with the agreed action plans. Action plans have been adopted to support the follow-up of European Semester policy recommendations. A mechanism to monitor the implementation of measures under the Small Business Act will help to underpin the promotion of entrepreneurship. Projects will be delivered more effectively on the basis of waste management plans and regional transport master plans.

3. ESIF management

ESIF coordination is the responsibility of the Central Coordination Body in the Office of Government. The number of bodies involved in implementation has been reduced so as to streamline delivery. Analysis of administrative capacities has identified areas (in particular, public procurement, environmental law and anti-fraud activity) for further development and quality and efficiency improvements.

4. Simplification for beneficiaries

Slovakia has undertaken to simplify and harmonise the selection of operations, simplify reporting on project expenditure, ensure a single network of entities providing advisory and information services, and update information systems in line with e-cohesion principles so as to reduce the administrative burden on beneficiaries.

²⁹ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Slovakia participates.

1. ESIFs in Slovenia

Economic and social challenges in the ESIF context

With an overall decline of more than 9 % between 2008 and 2013, real GDP is estimated to have **grown by 3.0 % in 2014**. The recovery in investment expenditure has been driven mainly by infrastructure construction with **EU co-financing**, while private-sector investment remains subdued. Real GDP is expected to grow by 2.2 % on average in 2015-2016. The unemployment rate remains below the EU average and is expected to decline further. However, the labour market continues to face structural challenges in the form of long-term unemployment and low employment among low-skilled and older workers.

Main priorities and results

Improving innovation and competitiveness in the Slovene economy by enhancing R&I infrastructure and capacities for excellence. With over EUR 485 million of investment, total private and public R&D expenditure in relation to GDP is expected to increase from around 2.6 % (2012) to 3 % in 2020. Also, it is estimated that the share of innovation-active enterprises will increase by 8.5 % in the period to 2023. ESIF investment of over EUR 72 million will increase **broadband** coverage and contribute to more balanced regional development by enabling an additional 20 000+ households to be connected to new broadband networks with speeds of at least 100 Mb/s.

EUR 774 million of **support for SMEs (including in agriculture, fisheries and aquaculture)** will help to improve entrepreneurial activity, increase productivity and raise enterprises' added value. The Funds aim to further improve the business environment by strengthening services to enterprises and facilitating access to finance. Around 7 500 firms will be supported, with an expected creation of 1 000 new jobs. In agriculture, 3.4 % of the holdings are expected to benefit from investments in technology, adapting to climate change, animal welfare and water and energy efficiency. A further 3.5 % will receive support under measures for young farmers and structural adjustment.

In relation to **energy and climate change** objectives, an ESIF allocation of EUR 281 million will provide investment to reduce greenhouse gas emissions and increase energy efficiency and the use of renewable energy sources. The annual primary energy consumption of public buildings is expected to be reduced by 23 GWh/year and the share of renewable energy sources in gross final energy consumption increased to at least 25 % by 2020. In view of the increasing number of natural disasters as a result of climate change, EUR 289 million will be spent on **risk prevention and management**, and around 38 000 people will benefit from flood protection measures.

Furthermore, almost EUR 615 million of investment will go on **environmental protection** and the **efficient and sustainable use of resources**. The Funds will help improve infrastructure in the water sector, make fisheries and aquaculture more sustainable, preserve biodiversity and marine ecosystems, and improve the urban environment. Thanks to ESIF intervention, an additional 120 000 people will benefit from improved water supply and 100 000 from improved wastewater treatment. A wide range of agri-environmental and climate-centred contracts will focus on improving water management on around 25 % of agricultural land and preventing soil erosion and improving soil management on over 27 %.

With an investment of over EUR 262 million, the Funds will contribute to **removing bottlenecks in the TEN-T network** and **increasing the sustainability and quality of transport infrastructure**. In particular, the focus is on enhancing the competitiveness of the railway infrastructure (25 km of upgraded railway lines on the TEN-T network) and improving regional mobility (better accessibility and shorter travel times).

More than EUR 370 million is earmarked to **support sustainable, quality employment**, with initiatives designed to benefit almost 49 000 participants, particularly the long-term unemployed, the low-skilled, older workers and young people. The Funds will also promote active and healthy ageing. Further investments of EUR 239 million in **education, training and vocational training for skills and life-long learning** will allow almost 43 000 participants to acquire new competencies and/or raise their level of education, and more than 59 000 to take part in specialisation/requalification programmes. The investments will further address the skills mismatch and ensure greater use of ICT.

Poverty, social exclusion and discrimination will be tackled by promoting social inclusion, social entrepreneurship and appropriate infrastructure, and providing vulnerable people with accessible, high-quality services. With investments of EUR 262 million, preventive programmes will cover 19 000 people from vulnerable target groups.

The ESI Funds funding of EUR 62 million will support **investments in institutional capacity-building in the public sector and in the efficiency of public administration** and public services at national, regional and local levels with a view to implementing reforms, better regulations and good governance. This will include support for improving the efficiency and quality of the justice system.

Use of financial instruments and territorial tools

Compared with the previous programming period, Slovenia is more than tripling its allocation to **financial instruments more than four times**, which will amount to about EUR 449 million. Most of the support will address SMEs' financial needs, especially in research, development and innovation, and (to a lesser extent) energy efficiency.

Urban authorities will deliver an ERDF investment of EUR 107 million via integrated territorial investments (ITIs). Outlined ITI priorities are urban regeneration, sustainable urban mobility and energy efficiency. Local partnerships will be enhanced by community-led local development, which will cover 66 % of the rural population. The EMFF will invest in development and job opportunities for local fishing communities and enhance environmental assets in fisheries and aquaculture.

Key information

	Cohesion policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC
No of programmes	1 (national multi-fund)	1	1	9
Available funds (EUR)	3 011 899 768	837 849 803	24 809 114	1 104 803 616 ³⁰

2. Pre-conditions for effective and efficient use of ESIFs

Ex ante conditionalities (EACs)/strategies for certain areas of investment, notably health, transport and smart specialisation, including the EMFF-specific EAC on a fishing capacity report, have not been completed and need to be delivered in line with the agreed action plans. The plans also cover horizontal issues such as public procurement and environmental legislation and support the achievement of European Semester policy recommendations.

3. ESIF management

In 2014-2020, there will be only one multi-fund programme to implement cohesion policy in Slovenia. All funds will be coordinated at the level of the Partnership Agreement. Technical assistance will be used to expand capacity in the national administration.

4. Simplification for beneficiaries

Yearly Annual implementation action plans will help to streamline the projects. The use of simplified cost options is envisaged, where relevant.

³⁰ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Slovenia participates.

1. ESIFs in Spain

Economic and social challenges

The traditional Spanish growth model (based on construction, tourism and other low added-value activities with stagnant productivity) has shown its limitations. The ESIFs need to support the transition towards a more knowledge-based, innovative and less resource-intensive development model and, at the same time, reduce the inequality gap, which has broadened as a result of the crisis. The main challenges are increasing productivity and competitiveness and fostering employment, especially for young people, in a framework of fiscal consolidation. Although the EU financial assistance set up in June 2012 concluded satisfactorily in January 2014, SMEs' access to credit is still restricted.

The ESIFs will help in addressing many of the European Semester policy recommendations, e.g. investing in human capital, helping (especially young) people enter the labour market, easing SMEs' access to finance and implementing the new national RD&I strategy. Significant funding (75 % of the ESF and over 30 % of the ERDF) is concentrated in these areas.

Main priorities and results

Increasing labour market participation and labour productivity; improving education, training and social inclusion policies, with a specific focus on young people and vulnerable groups. Investing in human capital and helping people enter the labour market will be top priorities, with a stress on jobs for young people. The education and training systems (including vocational education) will be improved so that young people learn the right skills. Greater opportunities will be offered to people in difficulty and from disadvantaged groups. With funding of over EUR 10.8 billion, this is expected to contribute to a rise in the employment rate (estimated from 59.3 % in 2012 to 74 % in 2020), reduce early school-leaving (estimated from 24.9 % in 2012 to close to the target of 15 % in 2020) and cut by 1.5 million the number of people at risk of poverty or exclusion.

Supporting the adaptation of the productive system to higher added-value activities by enhancing the competitiveness of SMEs (including in agriculture and fisheries). Support for SMEs will include measures to foster entrepreneurship and start-ups and to make firms more competitive and better able to engage in higher added-value activities (including through ICT), with a view ultimately to a greater presence in international markets. Easing access to finance will be a priority. The transport system in less developed and transition regions will be rationalised to support economic activity. Over EUR 9.4 billion will be channelled into ensuring that 100 % of the population has access to 30 Mb/s internet (59 % in 2013) and significantly increasing the number of exporting firms. It is estimated that 15 000 young people will enter the primary sector and 5 % of farms will be restructured and modernised.

Promoting an innovation-friendly business environment and strengthening RD&I. The stress is on applied RD&I and ICTs, including public-private partnerships and technology transfer, particularly in favour of SMEs. All investments in R&D infrastructure and projects will be subject to four cumulative conditions: (i) be included in the corresponding R&I Strategy for Smart Specialisation, (ii) be a staircase to excellence, (iii) have a proven competitive advantage, and (iv) trigger a positive socioeconomic impact. The development of human capital through education and training, including higher education, cooperation with firms and increased private investment, will be key. With almost EUR 5.7 billion, it is expected that the proportion of R&D expenditure co-financed by the private sector will grow from 45.6 % (2012) to 60 % in 2020, resulting in around 25 % of Spanish firms with over 10 employees incorporating technological innovation (as compared with 13.22 % in 2010-2012). Investments will contribute to effective justice by supporting the development of e-Justice.

Making more efficient use of natural resources, *inter alia* developing the potential of the blue economy. Not only energy efficiency and renewable energies will be supported, but also clean urban transport and targeted environmental investments. Sustainable fisheries and aquaculture will be promoted and marine ecosystems and aquatic biodiversity improved. The funding of over EUR 10.4 billion is expected significantly to reduce energy consumption in buildings and enterprises. It is also estimated that 14 % of agricultural and forestry areas will be covered by management contracts to support biodiversity.

Use of financial instruments and territorial tools

Spain is planning to allocate almost EUR 1.5 billion to **financial instruments** (FIs), which is a marked increase over the previous period. Of this, EUR 800 million will be delivered through the SME initiative. However, the scope should be explored for using FIs for further investment in ICT, environmental and transport infrastructure, and energy efficiency, especially in regions that have yet to plan how to use FIs.

Over EUR 970 million will be invested in integrated **sustainable urban development** actions, covering several thematic objectives and included in the corresponding urban strategies. **Integrated territorial investments** will be used in at least five cases.³¹ Over EUR 900 million will be channelled through community-led local development.³²

Key information

	Cohesion policy (ESF, ERDF, YEI)	EAFRD	EMFF	ETC
No of programmes	45 (6 national, 38 regional, 1 TA)	18 (1 national, 17 regional)	1	8
Available funds (EUR)	27 941 949 230	8 297 388 821	1 161 620 889	1 378 541 701 ³³

2. Pre-conditions for effective and efficient use of ESIFs

Some of the thematic *ex ante* conditionalities (EACs), mainly concerning water, waste, transport and employment, are not yet fulfilled. However, appropriate action plans have been put in place.

3. ESIF management

The ESIFs are coordinated through specific structures (coordination, evaluation and monitoring committees) and thematic networks (for communication, research and innovation, urban, environment, equal opportunities, social inclusion, rural affairs and fisheries).

The delivery system has been simplified, with fewer intermediate bodies, a separation between national and regional intermediate bodies and expenditure in different ERDF programmes, and greater use of e-administration.

4. Simplification for beneficiaries

The use of flat rates and simplified cost options, as permitted by the regulations, will be considerably expanded.

³¹ Blue ITI (Atlantic Strategy), Mar Menor (Murcia), Cádiz, Extremadura, Teruel.

³² Mainly in rural and coastal areas, but also in some high-density urban areas under certain conditions.

³³ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which Spain participates.

1. ESIFs in Sweden

Economic and social challenges in the ESIF context

Swedish GDP and employment have been boosted by growing domestic demand. Household consumption has grown on the back of low interest rates, rising disposable incomes and expansionary fiscal policy. Government consumption is expanding due to higher spending on integrating migrants, education and care for the elderly. Sweden has made limited progress in addressing the European Semester policy recommendations. Despite relatively modest economic activity, employment has grown particularly strongly in recent years. It has recovered well from the financial crisis and is already back to pre-crisis levels, with the employment rate among the highest in the EU. Nevertheless, due to the growing labour force, unemployment has stayed at around 8 % for several years. The continuing challenge for the Swedish labour market is to integrate the high number of economically and socially vulnerable persons. Analysis shows that Sweden is in a very good position, already achieving most Europe 2020 targets and even setting itself more ambitious targets.

Main priorities and results

Sweden has chosen to focus on the following priorities strongly linked to the Europe 2020 objectives of smart, sustainable and inclusive growth: 1) Fostering competitiveness, knowledge and innovation; 2) Strengthening the sustainable and efficient use of resources for sustainable growth; and 3) Improving employment, employability and access to the labour market.

Research, development and innovation; RD&I will be supported by investments of EUR 330 million, thereby ensuring Sweden's leading role in innovation. Programmes will help **create strong R&I environments** in order to strengthen the interaction between research and industry, increase firms' ability to bring their products to market and further boost innovation. Sweden will use the ESIFs to implement **smart specialisation strategies** in all eight regions by involving over 5 600 enterprises that will cooperate with research institutes in their areas of excellence and receive ESIF support to bring new products to market. Funding of EUR 200 million will support the transition to a low-carbon economy across all sectors.

The ESIFs are playing a vital role in **improving SME competitiveness** by investing EUR 500 million across all sectors, including agriculture and fisheries. In addition, EUR 250 million will be spent on enhancing access to and usage of **ICTs**, mainly in the north of the country.

The Funds will also focus on **improving employability**, in particular among unemployed young people and immigrants, but also to help employed persons avoid (long-term) unemployment. Funding of EUR 818 million, including EUR 44 million from the Youth Employment Initiative (YEI), will support employability, social cohesion and job creation. It is estimated that this will have a direct impact on the professional and social life of at least 300 000 citizens. It is estimated that at least 40 000 unemployed young people all over Sweden will be helped and the YEI will provide extra services to 20 000 youngsters.

As regards the environment, the ESIFs will target the **restoration, preservation and enhancement of ecosystems**, in particular in agriculture, fisheries and forestry. Over 28 % of agricultural land will be covered by contracts for biodiversity and around 33 % by contracts for better water management. In fisheries, ESIF will primarily support the implementation of the revised Common Fisheries Policy (including the Discard Ban) and other measures taken to protect and restore the aquatic environment. Responding to the need for innovation in rural areas, Sweden will implement the European Innovation Partnership, whereby research results are disseminated to farmers and rural companies, and plans to create around 170 000 places on training courses. It is also expecting the Funds to support the creation of 3 400 rural jobs

outside agriculture and to enhance access to services and infrastructure for up to 43 % of the rural population.

Use of financial instruments and territorial tools

Financial instruments will be used more in the 2014-2020 programming period, raising the ERDF allocation to EUR 133 million, i.e. about 80 % increase from 2007-2013. Three types of financial instrument are planned: eight regional venture capital funds to support SMEs, a 'fund of funds' to support private venture capital funds nationwide and a national 'green fund' to promote the transition to a low-carbon economy. Sweden uses ERDF support only for equity instruments for general SME support and support in the energy sector.

The programmes will ensure an uptake of **territorial instruments**. Three ERDF programmes involve the implementation of **sustainable urban development** strategies and one is using the **integrated territorial investment** approach. The Funds will invest in **local development**, with more than 50 % of the rural population helped by local development strategies implemented by 50 local action groups across the country. Local partnerships in rural, urban and intermediate areas and linkages between rural and urban areas will be enhanced by a dedicated national **multi-fund programme** combining the ERDF and the ESF and focused exclusively on community-led local development.

Key information

	Cohesion policy (ESF, ERDF, YEI)	EAFRD	EMFF	ETC
No of programmes	8 regional, 2 national, 1 CLLD	1	1	10
Available funds (EUR)	1 763 510 980	1 763 565 250	120 156 004	981 326 308 ³⁴

2. Pre-conditions for effective and efficient use of ESIFs

Sweden fulfils all relevant *ex ante* conditionalities (EACs), except for that on energy efficiency, and the general EAC on statistical systems and result indicators for the Operational Programme for community-led local development.

3. ESIF management

The main operational coordination tool for all ESIFs will be the *Fondsamordningsgruppen* (Fund Coordination Group), which will seek to ensure the necessary cooperation between the national authorities responsible for ESIF management: the Agency for Regional and Economic Growth, the Swedish ESF Council and the Swedish Board of Agriculture.

4. Simplification for beneficiaries

As an important step to simplification, the managing authorities already allow beneficiaries to manage projects electronically. Full electronic handling of ESIF implementation will be completed in 2016. For the ESF, a new simplified cost option for beneficiaries will be used on the basis of a delegated act adopted by the Commission on 9 July 2015.

³⁴ The total is the sum of EU funding to the European Territorial Cooperation (ETC) programmes in which Sweden participates.

1. ESIFs in the United Kingdom

Economic and social challenges in the ESIF context

In 2014, the UK economy grew by 2.8 % — the best performance since 2006. For 2015, it is forecast to grow by 2.5 %. The employment rate (73.5 %) is now the highest on record. Unemployment (5.5 %) is at its lowest for almost seven years and is continuing to fall.

The UK labour market performs well overall, but labour productivity growth is sluggish. Basic skills levels are lower than in comparable countries and the UK labour market is also characterised by underemployment, low hours of work for certain groups and low transitions. Child poverty and low income households are challenges that may be aggravated by past tax-benefit changes and work incentives may also be impacted.

One of the main issues the UK faces is low productivity. The ESIFs can address a number of factors affecting productivity through capital intensity and investment in R&D (smart growth) and education and skills (inclusive growth). The UK is already directing considerable domestic resources to Europe 2020 objectives, taking account of relevant European Semester policy recommendations. While committed to the broader policy objectives, the UK has not signed up to Europe 2020 targets, including those relating to the employment rate, R&D expenditure levels, early school-leaving and involvement in tertiary education.

Main priorities and results

2014-2020, ESIF funding of over EUR 16 billion will contribute directly to the Europe 2020 strategy. It is expected that ESIF investments of EUR 1.6 billion will attract higher levels (EUR 127.5 million) of **private R&I investment**.

EUR 266 million will be invested to improve ICT infrastructure in order to address clear market failures and bring forward planned initiatives to enhance the rate and quality of local growth and **increase ICT take-up by businesses**.

Investments of EUR 2.4 billion will **support SMEs** by addressing barriers to growth, e.g. through access to finance, business advice, supply-chain development and sectoral support (including in agriculture, fisheries and aquaculture). Improving access to finance is a key priority, particularly given the shortage of investment funds in many parts of the UK.

EUR 1.4 billion will help build the market in **low-carbon environmental technologies, goods and services** (e.g. by supporting innovation, working with supply chains, financial instruments (FIs) and encouraging a shift in modes of transport), encourage **energy efficiency** (*inter alia* in enterprises and industrial processes) and improving energy consumption in circa 15 500 households. Investment will be spent on producing 45 158 MW **additional renewable energy**, supporting bespoke **low-carbon** solutions (e.g. smart cities and sustainable mobility), **low-carbon, environment-friendly public transport** and unlocking the potential of **marine energy resources**.

Approximately EUR 4.5 billion will contribute to the **delivery of climate-change policies and priorities for sustainable land-use and management** through targeted agri-environment-climate action and managing flooding and coastal erosion risks. The Funds will contribute to the sustainable development of fisheries and aquaculture areas. Marine ecosystems and aquatic biodiversity will also be improved. It is estimated that the Funds could help cut GHGs by 554 048 t CO₂ eq./year.

Funding of over EUR 360 million will deliver **improvements in the functioning of the TEN-T network in less-developed regions**.

The ESF share of the ESIF programmes is 45.9% (€ 5,148,691,817). The Youth Employment initiative will be available in Inner London, Merseyside, Tees Valley & Durham, West Midlands, South West Scotland and in Kingston upon Hull, City of Thurrock, Nottingham and Leicester.

The main priorities in the UK operational programmes will be to tackle barriers to entering work, staying in work or making progress at work, including by providing skills training and other support; in particular paying attention to transitions between unemployment and work. There will be a particular focus on disadvantaged people and young people. The UK allocates EUR 1.1 million from the total ESF amount of EUR 5.1 million for social inclusion, combating poverty and discrimination.

Expected results include **a greater proportion of innovative enterprises** (*inter alia* through more link-ups between SMEs and academic institutions and planned involvement by the British Business Bank), **increased access to and use of superfast broadband** in line with the EU's Digital Agenda, **support for the move to a low-carbon economy, improved sustainable land management in agriculture and forestry, reduced levels of inactivity among the young and long-term unemployed and higher levels of training and skills.**

Use of financial instruments and territorial tools

The ESI Funds will be used to improve SME access to finance by increasing the supply of funding where there is market failure and putting in place support services. Concrete proposals for the prospective use of financial instruments have not yet been firmed up as the *ex ante* assessments are still on-going; however, indications so far are that the UK will increase its allocation to financial instruments by around 50 % compared to 2007-2013, exceeding EUR 1 billion. The majority will be used in SME support, innovation and energy. Furthermore, there is scope in the programmes for exploration of use of financial instruments to deliver broadband and environmental infrastructure.

Territorial issues: In particular, at least 5.4 % of the ERDF allocation will be invested in sustainable urban development in cities and core city regions in England. At least 5 % of the total EAFRD contribution to UK rural development programmes will be reserved for LEADER. EUR 48.5 million from the ERDF and EUR 58.3 million from the ESF will be reserved for community-led local development support in England. Integrated territorial investments will be used for sustainable urban development and as a tool for an integrated approach to investment in the less-developed region of Cornwall and the Isles of Scilly. The Atlantic sea-basin strategy will also be a valuable source of inspiration for ESIF implementation.

Key information

	Cohesion policy (ESF, ERDF, YEI)	EAFRD	EMFF	ETC
No of programmes	12 regional	4 regional	1 national	10
Available funds (EUR)	10 974 276 104	5 199 666 491	243 139 437	1 991 080 334 ³⁵

2. Pre-conditions for effective and efficient use of ESIFs

The detailed assessment of general and thematic *ex ante* conditionalities has been provided at programme level due to the devolved structure of the UK administration. All general and thematic *ex ante* conditionalities have been fulfilled.

3. ESIF management

A range of complementary EU (e.g. Horizon 2020) and national policy instruments will be used to maximise the benefits of the ESIFs. The UK has put in place mechanisms to ensure coordination between the ESIFs and other EU and national instruments.

4. Simplification for beneficiaries

Managing authorities are developing arrangements, including greater use of lump sums and simplified cost options, to ensure an effective reduction of administrative burden for beneficiaries and administrators.

³⁵ This is the sum total of EU funding to the European Territorial Cooperation (ETC) programmes in which the United Kingdom participates.