



Council of the
European Union

Brussels, 11 November 2014
(OR. en)

14779/14

FSTR 62
FC 42
REGIO 117
SOC 728
FIN 789

NOTE

From: Presidency
To: Permanent Representatives Committee/Council

No. prev. doc.: 12198/14 + ADD 1-23
No. Cion doc.: COM(2014) 473 final

Subject: Draft Council conclusions on the Sixth report on economic, social and territorial cohesion: investment for jobs and growth

1. The European Commission's Sixth Report on Economic, Social and Territorial Cohesion (The Sixth Cohesion Report) was published on 23 July 2014 (doc. 12198/14).

2. The Italian Presidency presented draft Council Conclusions on the Sixth Cohesion Report, which were examined by the Structural Actions Working Party (SAWP) at several meetings (30 September, 16 October, 31 October and 6 November). At its last meeting on 6 November, the SAWP finalised the text (cf annex to this document), leaving open a very limited number of issues, referred to points 17, 24, 25 and 30. In particular some delegations expressed their concern on the inclusion in the draft Council Conclusions of the reference to the conclusions of the European Council in June 2014 concerning the possibilities offered by the EU's existing fiscal framework to balance fiscal discipline with the need to support growth and investment and to make best use of the flexibility that is built in the Stability and Growth Pact rules (cf. paragraph 30), whereas others expressed their concern about the risk of having a text that could be unbalanced by accentuating too much the aspects of economic governance in comparison to the aspects of supporting growth.
4. The Permanent Representatives Committee is therefore invited to:
- discuss the outstanding political issues with reference to the above listed points,
 - recommend to the Council (General Affairs Council meeting on 19 November 2014) to adopt the draft Council conclusions in the Annex to the present note.
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Draft Council conclusions on the Sixth report on economic, social and territorial cohesion: investment for jobs and growth

THE COUNCIL OF THE EUROPEAN UNION

1. RECALLING the Treaty on the European Union, and in particular Article 3, third subparagraph, thereof providing for that the Union shall promote economic, social and territorial cohesion, and solidarity among Member States, and the Treaty on the Functioning of the European Union, in particular Article 174 thereof which stipulates that in order to promote its overall harmonious development the Union shall develop and pursue its actions leading to the strengthening of economic, social and territorial cohesion and, in particular, shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favored regions, paying particular attention among the regions concerned to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions;
2. RECALLING the Treaty on the Functioning of the European Union and in particular Article 175 thereof which provides that Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives of economic, social and territorial cohesion and that the formulation and implementation of the Union's policies and action and the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement and that the Commission shall submit a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions on the progress made towards achieving economic, social and territorial cohesion and on the manner in which the various means provided for in the referred Article have contributed to it;

3. RECALLING the Treaty on the Functioning of the European Union and in particular Article 349 which provides for specific measures for outermost regions also as far as conditions of access to structural funds are concerned;
4. ACKNOWLEDGING the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions - Sixth report on economic, social and territorial cohesion: investment for jobs and growth (hereinafter also: "the Sixth report"), composed of the Commission Communication¹ and a Staff Working Document;
5. RECALLING the Conclusions of the **European Council** of 7 and 8 February 2013², in particular points 2, 3 and 88 thereof that, in order to allow for a detailed assessment of the quality of spending, ask the **General Affairs Council** to discuss every two years the implementation and results of the European Structural and Investment (ESI) Funds and to provide input to the Spring Council's overall assessment of all EU policies and instruments to deliver growth and jobs across the European Union, and RECALLING that, according to Article 53 of the Regulation (UE) No.1303/2013, the Commission shall report each year from 2016 to the Council on ESI Fund programmes;
6. TAKING NOTE of the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - The urban dimension of EU policies – key features of an EU urban agenda³;
7. TAKING NOTE of the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Guidelines on the application of the measures linking effectiveness of the European Structural and Investment Funds to sound economic governance according to Article 23 of regulation (EU) No.1303/2013⁴;

¹ COM(2014) 473 final.

² EUCO 37/13.

³ COM(2014) 490 final.

⁴ COM(2014) 494 final.

8. RECALLING the Conclusions of the European Council 26/27 June 2014 and in particular the "Strategic agenda for the Union in times of change", which calls for a Union of jobs, growth and competitiveness to be achieved through a set of priorities for the Union for the following five years, to be achieved – *inter alia* – by making full use of the EU structural funds; RECALLING the Conclusions of the European Council 23/24 October 2014 on economic issues⁵;
9. TAKING NOTE that the Communication on the Sixth Report sets cohesion policy into the broader context of the economic and financial crisis and in relation to the achievements of the Europe 2020 strategy objectives and targets; summarises the achievements regarding smart, inclusive and sustainable growth; explains the evolution of cohesion policy over time; presents the main new regulatory innovation laid down for the 2014-2020 programming period introduced to enhance the result orientation of the policy; takes stock of the preliminary findings from the negotiations on the Partnership Agreements and Operational Programmes submitted at the time the Sixth report was issued;
10. RECOGNISING that Europe is facing challenges in terms of competitiveness, high and persistent unemployment, poverty and social exclusion and in pursuing economic, social and territorial cohesion, considering that Member States differ in terms of severity of their challenges and that it is necessary to boost growth and jobs in a sustainable and balanced manner;
11. RECOGNISING that cohesion policy is the main investment policy at EU level for pursuing economic, social and territorial cohesion and one of the main investment policies to achieve the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth and because of that it needs to be fully aligned to the Europe 2020 strategy, while providing a large support in a number of domains;

⁵ EUCO 169/14.

12. TAKING NOTE of the consequences of the crisis, in particular the decline of public investment by 20% in real terms between 2008 and 2013, and by 60% in the most affected Member States and the elimination of many of the gains in increasing employment and reducing unemployment achieved before the crisis, RECOGNIZING that the crisis reinforced the role of cohesion policy in boosting growth and jobs and reducing disparities between the level of development of various regions and ACKNOWLEDGING the valuable mitigating effect of cohesion policy against the economic and financial crisis in many countries, considering that the investments supported by cohesion policy have helped to prevent from a further drop of public investments and higher rates of unemployment, poverty and social exclusion in the EU;
13. ACKNOWLEDGING the tangible benefits and positive results already achieved and estimated for cohesion policy in 2007-2013 as well as the possible indirect spill-over effects but, nevertheless, REGRETTING the reversal of the trend towards economic, social and territorial convergence among regions prevailing before the crisis;
14. ACKNOWLEDGING the increased efforts to develop monitoring and evaluation systems to assess the results of cohesion policy, WELCOMING the further improvement of these processes adopted for 2014-2020 programming period, in order to strengthen result-orientation and maximize the potential for an evidence-based, effective and efficient delivery of cohesion policy and to ensure that the investments supported by the ESI Funds are more effective and the use of the Funds more efficient;
15. RECOGNISING the reference to the territorial dimension included in the 2014-2020 European Structural and Investment (ESI) Fund regulatory framework and TAKING NOTE that all territories, including urban areas, can play a key role, in line with Member States development needs and institutional arrangements, in implementing cohesion policy and meeting the objectives of the Europe 2020 strategy by giving territorially differentiated local answers to the common European challenges;

16. TAKING NOTE that good governance is important for cohesion policy efficient implementation as well as for the impact on Member States and regions' economies and thus that the effectiveness of cohesion policy also relies on the institutional and administrative capacity of Member States and authorities involved in the programming and implementation of the co-financed interventions;
17. RECALLING that Regulation (EU) No. 1303/2013 (Common Provision Regulation) broadens and reinforces the link between cohesion policy and the EU economic governance, by requiring that the programmes take into account the National Reform Programmes, where appropriate, and relevant country-specific recommendations, as well as by identifying measures ensuring that the effectiveness of ESI Funds is underpinned by sound economic policies;
18. ACKNOWLEDGING that the thematic concentration fulfilled in the 2014-2020 Partnership Agreements and Operational Programmes makes the focus of cohesion policy on Union priorities more evident, and confirms that cohesion policy is a major instrument aimed at supporting growth and jobs at EU-level, RECALLING the importance of appropriate regulatory, institutional and strategic frameworks in order to ensure the effectiveness of investments supported by ESI Funds, and UNDERLINING that the adopted programmes are designed and will be implemented in accordance with subsidiarity, shared management and partnership principles and underpinned by a specific intervention logic;
19. CONSIDERING that the findings of the Sixth Report could provide valuable input to the Europe 2020 strategy review process that will be finalized in 2015;
20. WELCOMES the Sixth report;

21. RECOGNISES that in the current programming period cohesion policy continues to play a key role for the re-launch of growth and jobs across the EU, while concentrating its intervention in the less developed regions, supporting investments capable of boosting growth and creating sustainable employment, and fostering economic, social and territorial cohesion in all EU regions, and, to that aim, WELCOMES the commitment to support growth and jobs, announced in the Strategic Agenda adopted by the European Council, and TAKES NOTE that the European Council supports the incoming Commission's intention to launch an initiative mobilising 300 billion euro of additional investment from public and private sources over the period 2015-2017;
22. RECALLS the objective of cohesion policy to promote the overall harmonious development across the EU and POINTS OUT that the multi-level governance structure, underpinned by the partnership principle, as well as the sectorial and territorial integrated approach are the main features of the policy;
23. CALLS UPON the Commission and the Member States to ensure full commitment to implement cohesion policy as reformed for the 2014-2020 period, ensuring consistency with the adopted provisions, and to avoid additional obligations or burdensome application of the rules;
24. STRESSES that the new programming exercise needs to ensure the quality of the interventions and the compliance with the relevant country-specific recommendations as well as with the ex-ante conditionalities and RECALLS the supportive role that cohesion policy can play in promoting important reforms, and removing long-term bottlenecks, and the reinforced link between cohesion policy and economic governance;

25. In that spirit **CALLS ON** the Commission and the Member States to accelerate the negotiation and the procedures leading to adoption of all the Partnership Agreements and all the 2014-2020 Programmes, **UNDERLINES** the negative impacts that could derive from a late adoption of the programmes, **STRESSES** the importance of ensuring the availability of the allocated resources, as agreed within the Multi-annual Financial Framework 2014-2020, and **URGES** the Commission and the Member States to cooperate and explore all the possibilities in order to facilitate the prompt and timely implementation of the programmes 2014-2020 and to speed up all procedural steps needed to preserve the availability of the financial resources within the EU budget;
26. **UNDERLINES** the importance of simplification and **RECOMMENDS** that the Commission and the Member States continue their efforts to simplify the implementation of cohesion policy, in order to enhance the result orientation of the policy and to reduce administrative burdens at all levels; **STRESSES** the importance of platforms to share good practices in various areas of implementation;
27. **RECALLS** that cohesion policy investments in many Member States play a key role in achieving the Europe 2020 strategy objectives and **INVITES** the Member States to adequately undertake relevant structural reforms in order to increase the effectiveness of investments supported by the ESI Funds; **RECOMMENDS** the Commission and the Member States to take into account the findings of the Sixth report and **CALLS UPON** them to pay attention to cohesion policy's role in the context of the Europe 2020 strategy review and its potential contribution to prepare EU economy for the future;
28. **CALLS UPON** the Member States to explore opportunities linked to sound and transparent financial instruments and to involvement of private resources, while minimizing the risks and ensuring that no additional burdens are put in the long-term on public budgets, and **INVITES** the Commission to facilitate the exchange of good practice and knowledge in that respect;

29. INVITES the Commission to implement the measures to link the effectiveness of ESI Funds to sound economic governance in dialogue with Member States and in full respect of the principles and conditions laid down in Regulation (EU) No. 1303/2013 while RECALLING that under the first strand of measures linking effectiveness of ESI Funds to sound economic governance, the Commission should be able to request amendments to the Partnership Agreement and to the programmes in order to support the implementation of relevant Council recommendations or to maximise the growth and competitiveness impact of the available ESI Funds where Member States are receiving relevant financial assistance and that reprogramming should be used only in cases where it could indeed have a direct impact on the correction of the challenges identified in the relevant country-specific recommendations under the economic governance mechanisms in order to avoid frequent reprogramming which would disrupt fund management predictability;
30. AGREES that the objectives of enhancing growth and jobs could be achieved through a coherent interaction within the EU economic policy mix of fiscal consolidation, structural reforms and growth enhancing investment supported by cohesion policy, UNDERLINES that EU economic governance and cohesion may have a positive correlation, considering that effective, high quality cohesion funding can enhance growth and jobs and as a result have positive effect on public finances, and that EU economic governance and cohesion policy should cooperate in order to deliver the objective of "sustainable, sustained and balanced growth"⁶ in the EU, RECALLS the conclusions of the European Council of 26/27 June 2014⁷ according to which the possibilities offered by the EU's existing fiscal framework to balance fiscal discipline with the need to support growth should be used, and that structural reforms that enhance growth and improve fiscal sustainability should be given particular attention, including through an appropriate assessment of fiscal measures and structural reforms, while making best use of the flexibility that is built into the existing Stability and Growth Pact rules;

⁶ Six Report on Economic, Social and Territorial Cohesion, pag.248.

⁷ EUCO 79/14.

31. RECALLS that good governance does not create, but rather reduces unnecessary administrative burdens at all levels and contributes to create a favorable environment for the effectiveness of the ESI Funds as well as other public and private investments; ENCOURAGES the Member States to continue reinforcing the institutional and administrative capacity to ensure the efficiency and the effectiveness of the investments and INVITES the Commission to facilitate the exchange of good practice and knowledge in that respect and explore possibilities for further simplification and proportionality taking into account the findings in the Sixth report on varying governance capacities;
32. ENCOURAGES the Commission and the Member States to further analyse and develop the territorial dimension of cohesion policy, in line with Member States development needs and institutional arrangements, taking note of the Territorial Agenda 2020, and to continue the work towards an EU Urban agenda ensuring that it is made in full respect of the subsidiarity principle and competences under the EU Treaties, taking into account the intergovernmental cooperation on the issue;
33. RECOMMENDS that a regular debate in the General Affairs Council takes place among relevant ministers to discuss on the implementation and results of the ESI Funds, contributing in a meaningful and substantial way to ensure effective implementation and result orientation of cohesion policy, debating on the ESI Funds on the basis of the yearly Commission summary reports as well as Commission strategic reports in 2017 and 2019⁸, and providing input, as requested by the European Council in February 2013⁹, to the Spring Council's overall assessment of all EU policies and instruments to deliver growth and jobs across the European Union;
34. RECALLS that this debate would add substance to the discussion in the General Affairs Council, by focusing on key issues, ensuring that a relevant part of the EU budget is spent in the most effective way to support growth and jobs;

⁸ Article 53 of the Regulation (UE) No. 1303/2013.

⁹ EUCO 37/13.

35. UNDERLINES the need to ensure that this debate is coordinated with relevant Council formations, in particular with ECOFIN, fully respecting the competencies of each, to ensure that adequate information is shared as appropriate;
 36. INVITES all the EU Institutions and the Member States to consider these Conclusions, also in the context of Europe 2020 strategy review process as well as in any developments to boost growth and jobs.
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