

Briefing note

European Economic Recovery Plan - Impact on Cohesion policy

1. Introduction

This briefing note provides an overview of the [European Economic Recovery Plan](#), a comprehensive package of measures launched by the Commission to boost demand and restore confidence in European economies in the framework of the Lisbon Strategy for Growth and Jobs. Published by the European Commission on 26th November, the plan is based on two key pillars: i) a set of incentives to boost demand and save jobs in the short term and ii) a package of measures and reforms to ensure that the EU economy will be able to fully recover from this crisis and face long-term challenges.

2. The European Recovery Plan - Brief overview

1) Measures to boost demand and restore confidence

The aim of the Commission is to propose a budgetary stimulus to boost demand, save jobs and help restore confidence in the EU area. The Commission is proposing to devote a budgetary impulse of €200 billion: €170 billion from Member States sources (around 1.2% of EU GDP) and €30 billion from the EU budget. The budgetary stimulus will be developed on the following principles:

- Timely, temporary, targeted and co-ordinated;
- a mix revenue and expenditure instruments;
- the measures should be conducted within the stability and Growth Pact and
- should be accompanied by structural reforms that support demand and promote resilience.

2) “Smart Investments” for ensuring full recover

The EU Recovery Plan lists a set of measures and targeted investments aimed at ensuring that the EU economy will face successfully long-term challenges, and be able to remain competitive. The Recovery Plan will reinforce and accelerate the reforms planned under the Lisbon Strategy. For this purpose, the EU Recovery Plan lists **10 actions** that will be undertaken under the four priority areas (**people, business, infrastructure and energy, research and innovation**) of the Lisbon Strategy:

<p>■ PEOPLE</p> <ol style="list-style-type: none"> 1. Launch a major European employment support initiative 2. Create demand for labour 	<p>■ BUSINESS</p> <ol style="list-style-type: none"> 3. Enhance access to financing for business: 4. Reduce administrative burdens and promote entrepreneurship
<p>■ INFRASTRUCTURE AND ENERGY</p> <ol style="list-style-type: none"> 5. Step up investments to modernise Europe’s infrastructure 6. Improve energy efficiency in buildings 7. Promote the rapid take-up of green products 	<p>■ RESEARCH AND INNOVATION</p> <ol style="list-style-type: none"> 8. Increase investment in R&D, Innovation and Education 9. Developing clean technologies for cars and construction 10. High-speed Internet for all

More information on the measures proposed under each action is available in the annex 1 section of this briefing. On 16 December 2008, the Commission will issue individual reports for each Member State including recommendations for reaching the objectives set in this Recovery Plan.

3. Impact of the EU Recovery package on Cohesion Policy

The EU recovery package will have a direct influence in several cohesion policy areas. In particular the EU Recovery Plan calls for an **acceleration of payments to Member States for facilitating access to Structural Funds**, with the aim of speeding up the implementation of projects on the ground.

■ Additional Advanced Payments

The Commission is proposing to modify the general regulations on the ERDF, ESF and the Cohesion Funds to allow additional advance payments. For the Structural Funds, The Commission is proposing that the EU-15 will receive additional 2.5% of funding (around €3.8 billion) in 2009. EU Cross-border Co-operation programmes will also receive additional 2% of advances in 2009, amounting to €160 million. The new 2009 advances payment will be paid as soon as the regulation is adopted, normally within 30 days following the adoption of the regulation.

Commission pre-financing in 2009	Advances in 2009 before the recovery plan, in billion € (in % of total allocation)	Advances in 2009 added by the recovery plan, in billion € (in % of total allocation)	Total advances in 2009 in billion €
Structural Funds			
EU- 15	0	3.80 (2.5%)	3.80
EU-12	2.29 (2%)	2.29 (2%)	4.58
EU Cross-Border Cooperation	0.08 (2%)	0.16 (2%)	0.24
Cohesion Fund			
EU-15 (3 countries)	0.26 (2.5%)	0	0.26
EU-12	2.37 (4%)	0	2.37
Total	5.0	6.25	11.25

■ Other measures proposed by the Commission

The Commission has also proposed further modifications in the legislation with the aim of accelerating the implementation on the ground, through the following measures:

- Accelerate implementation of major projects by accepting payment claims before a project has been formally approved by the Commission;
- Simplify eligibility rules to allow flat-rate reimbursements for certain overheads (shared cleaning and security services in business parks);
- Simplify the treatment of advances paid to beneficiaries in the form of state aids.

→ **All legislative changes proposed by the Commission will have to be agreed by the Council before being put into practice.**

■ **Additional funding opportunities**

Revamp of JASPERS

The European Commission, together with EIB and EBRD have set up JASPERS, a joint initiative aimed at supporting Member States and regions in the preparation for major projects (where total costs exceed €25 million for project on environment and €50 million for other kind of projects). The Commission will reinforce the operational capability of JASPERS and extend the accessibility to its services.

New Opportunities under JEREMIE

The Commission is also inviting Member States to explore possible revisions in priorities and objectives of cohesion investments with a view to accelerate the spending in the areas with more growth potential, such as energy efficiency measures, and strengthening the support for SMEs. Therefore the Commission will work closely with the EIF for accelerating and expand the existing funding provisions for SMEs, under the JEREMIE initiative. The Commission, together with the EIF and EIB will also launch early next year two specific networking platforms for establishing a forum for exchange of information, guidance and good practice.

4. Future Developments

The European Heads of State and Government Summit taking place on 11-12 December 2008 is expected to fully endorse the European Economic Recovery Plan. At the 2009 Spring European Council the progress made with the implementation of the plan will be assessed. Further measures necessary at EU and Member State level to promote economic recovery will also be discussed during this meeting.

More official information on the EU Recovery Plan is available from the [Lisbon Strategy webpage](#) of the European Commission.

SWUKBO
28th November 2008

Actions	Measures proposed
PEOPLE	
1. Launch a major European employment support initiative	<ul style="list-style-type: none"> - Simplifying criteria for ESF support and step up advance payments of up to €1.8bn from early 2009; - Revising the rules of the European Globalisation Adjustment Fund (revision to be published in early December 2008)
2. Create demand for labour	<ul style="list-style-type: none"> - Member States to consider reducing employers' social charges on lower incomes; - Reducing VAT rates for labour-intensive services.
BUSINESS	
3. Enhance access to financing for business	<ul style="list-style-type: none"> - The European Investments Bank (EIB) has put together a package of €30bn for loans to SMEs (with an increase of €10 billion over its usual lending in this sector); - EIB will reinforce by €1bn a year its lending to mid-sized corporations; - Commission will put in place a simplification package to speed up its State Aid decision making.
4. Reduce administrative burdens and promote entrepreneurship	<ul style="list-style-type: none"> - Ensuring a simple system for business start-ups; - Remove the requirement on micro-enterprises to prepare annual accounts; - Accelerating the adoption of the European private company statute proposal; - Ensuring that public authorities pay invoices within one month; reducing the fees for patent applications.
INFRASTRUCTURE AND ENERGY	
5. Step up investments to modernise Europe's infrastructure	<ul style="list-style-type: none"> - In 2009 and 2010 an additional €5bn will be available for funding trans-European energy inter-connections and broadband infrastructure projects; - The Commission proposes to accelerate the

	<p>implementation of the Structural Funds (see section 3 of this briefing for additional information);</p> <ul style="list-style-type: none"> - Launch a €500 mln call for proposals for trans-European transport projects in 2009; - The EIB will increase its financing for climate change, energy security and infrastructure investments by up to €6bn per year. The European Bank for Reconstruction and Development (EBRD) will act on similar lines, doubling its budget for energy efficiency and climate change mitigation and for financing municipalities and other infrastructure services.
6. Improve energy efficiency in buildings	<ul style="list-style-type: none"> - Member States to set targets for high energy-efficiency standards for buildings (in the context of the recast of the energy performance of buildings Directive); - Member States are called to re-programme their Structural Funds Operational Programmes (OPs) for more investment on energy-efficiency measures (for this purpose, the Commission is proposing an amendment of the Structural Funds Regulations); - The Commission will work with the EIB and national development banks to create a 2020 fund for energy, Climate Change and infrastructure; - Member States and industry are called to develop innovative financing models.
RESEARCH AND INNOVATION	
7. Promote the rapid take-up of green products	<ul style="list-style-type: none"> - Proposals for reducing VAT rates for green products and services, particularly for improving energy efficiency of buildings; - Member States are asked to implement environmental energy performance requirements.; - The Commission will urgently draw up measures for supporting products that offer high potential for energy savings.
8. Increase investment in R&D, Innovation and	<ul style="list-style-type: none"> - The Commission calls the Member States to increase

Education	investment in education and in private sector R&D investments.
9. Developing clean technologies for cars and construction	- The Commission will support innovation in manufacturing through three major Public Private Partnerships (PPPs): European green cars initiative, European energy-efficiency buildings initiative, factories of the Future initiative.
10. High-speed Internet for all	- Commission and Member States will work together with stakeholders to develop a broadband strategy to accelerate the up-grading and extension of these networks, with the aim of reaching 100% coverage of high speed internet by 2010. The Commission intends to devote €1 billion to this priority in the period 2009/10