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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE
COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

**European Structural and Investment Funds 2014-2020
2018 Summary report of the programme annual implementation reports
covering implementation in 2014-2017**

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1. INTRODUCTION

The objective of the European Structural and Investment ('ESI') Funds is to foster lasting socio-economic convergence, resilience and territorial cohesion. The ESI Funds are the largest source of EU support for key areas requiring investments falling under the political priorities of the Juncker Commission. By supporting job creation and growth, investment in the Digital Single Market and the Energy Union, strengthening the Single Market and economic governance, these investments respond to the needs of the real economy and support structural change and reforms identified through the European Semester process.

This Report provides the third annual overview of the implementation of the more than 530 shared management (national and regional) programmes based on the annual programme reports received in mid-2018¹. Specifically, it summarises available performance information covering implementation in the years 2014 to 2017².

Following the midterm review of the 2014-2020 Multiannual Financial Framework and the GDP technical adjustment in 2017, the EU share of the ESI Funds budget increased by EUR 6 billion to a total of EUR 460 billion. With matching increases in national co-financing, the total investment planned rose by EUR 9 billion to a total of EUR 647 billion.

By the end of 2017, over 1,7 million projects have been selected across Europe, amounting to a total investment volume of EUR 338 billion, or 53 % of the planned total. The value of the projects selected in 2017 alone represented EUR 158 billion, the largest annual rise so far. It clearly indicates that the Member States are turning the investment plans into concrete projects to deliver sustainable social and economic benefits.

Investment is progressing well in many of the thematic areas targeted as EU priorities. For instance, 55% of the total planned investment in SMEs was allocated to projects. While the selection of investments in some themes remains lower than the overall average, differences in selection rates have narrowed. For instance, the rates of selection of climate actions and investment in the digital economy have improved by the end of 2017. More recent reports from cohesion policy programmes indicate continued strong progress in project selection up to 30 September 2018, with 67% of funds allocated to projects. That is an increase of EUR 66 billion in 9 months bringing total decided investment to over EUR 400 billion.

The selected projects have reported total expenditure of nearly EUR 96 billion by end 2017, accelerating and more than doubling in 12 months. By the end of 2017, 16% of the total available funds for the period were paid from the EU budget to the Member States. (This has reached 23% by the end of October 2018.) That said, implementation of rural development programmes is on track. By autumn 2018, beneficiaries supported by the EAFRD received over EUR 33,8 billion, which represents almost 33% of the total financial envelope available for the programming period.

¹ As required under Article 53 of "Common Provisions" Regulation (EU) No 1303/2013.

² This Report complements the report on ESI Funds budgetary implementation
http://ec.europa.eu/budget/library/biblio/publications/2018/AnalysisBudgImplem_ESIF_2017_EN.pdf

The overall performance data reported to the end of 2017 show that

- 1 million businesses have been targeted by support to improve their productivity and growth or to create jobs;
- 15,3 million people have been supported in their search for a job, training or education or have benefitted from social inclusion measures;
- 15% of the total agricultural area are covered by climate and environment related actions to improve biodiversity, soil and water management.

Section 2 below provides an overview of implementation progress until the end of 2017. Section 3 presents in more detail the progress by key thematic area. Section 4 presents a synthesis of the evaluations conducted so far by the Member States.

2. OVERVIEW OF IMPLEMENTATION PROGRESS

To coincide with this Report the **ESI Funds Open Data Platform³** has been updated to show the financial volume of project selection and the forecasts and achievements for common indicators as reported by the programmes in their 2018 annual reports. The data are available by Member State, programme, theme and ESI Fund. The platform shows the most recent values reported, which may vary from the data available upon finalising this text.

2.1. Overview of financial progress

During 2017 the **total investment planned** under the ESI Funds was subject to several changes leading to a net increase. The midterm review of the 2014-2020 multi annual framework led to an increase in the allocation to the Youth Employment Initiative ('YEI') (see Box 2). A technical adjustment based on the recalculation of financial allocations under Cohesion policy led to a net increase in the ERDF and ESF budgets. Under the EAFRD there were some further transfers at national level from Common Agriculture Policy ('CAP') Pillar 1 to the Rural Development Programmes.

In their 2018 annual reports, the Member States have reported increased **financial allocations to selected projects**. The total volume of the projects selected for support was **EUR 338 billion representing 53% of the total investment volume planned over the period 2014-2020**. The EU contribution to the projects selected is estimated at EUR 240 billion. That overall rate of project selection is comparable to the same period of the last programming period.

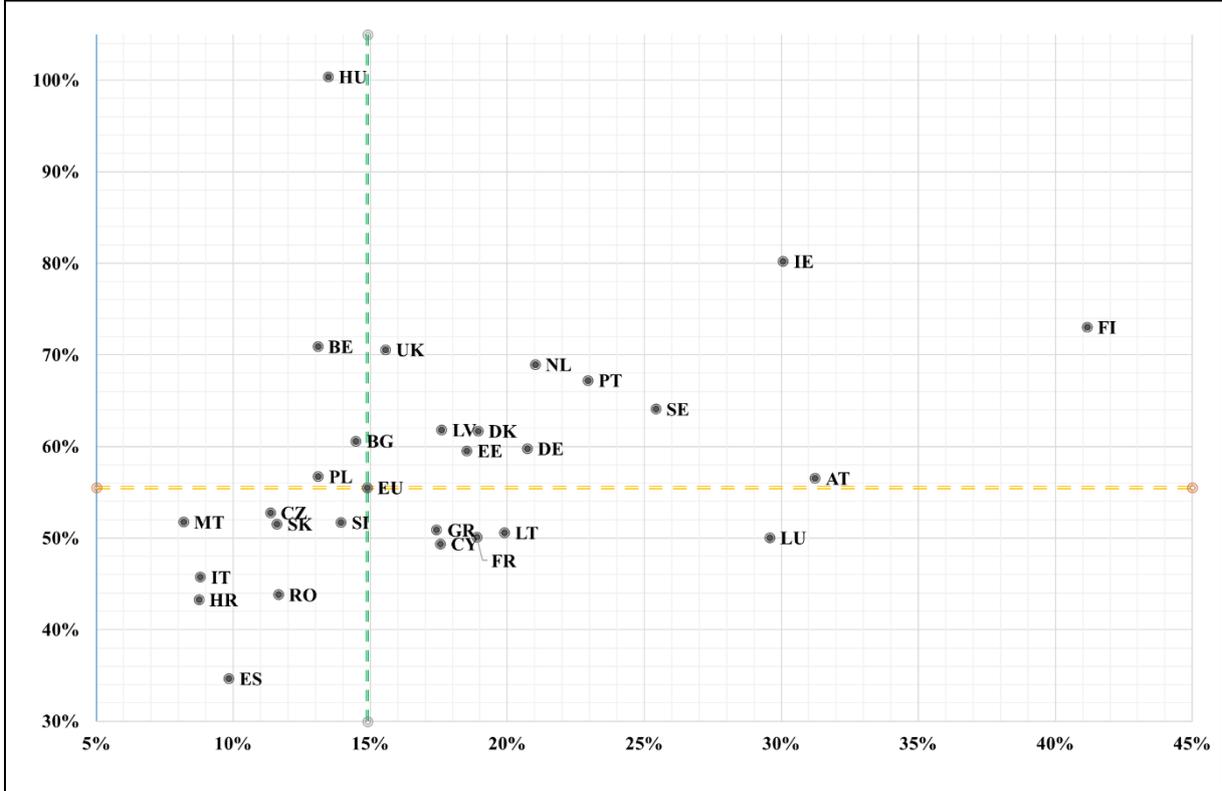
Annexes 1.1 and 1.2 show the breakdown by fund of project selection volumes at end-2017 and by autumn 2018 respectively. Annex 2.1 and 2.2 present the same financial data by Member State. (In the 9 months since the end of 2017, the total cohesion policy financial volume of the selected projects increased EUR 66 billion by autumn 2018, now reaching 67% of planned investment.)

Comparing these two snap shots with previous years, it is evident that the implementation trends are dynamic. By autumn 2018, there were more homogenous project selection rates overall across the different thematic objectives. However, earlier delays in selection rates in some themes and some Member States are still reflected in lower than average expenditure.

³ ESI Funds Open Data Platform: <https://cohesiondata.ec.europa.eu/>

The graph below shows a high degree of variability in selection and spending rates by Member State at the end of 2017 compared to the ESI Fund’s averages.

Graph: ESI Funds: scatter plot of Member States selection and expenditure rates 2017



Source: ESI Funds Open Data Platform, European Commission
 Notes: Vertical axis = % selection; Horizontal axis = % expenditure

This graph shows that high selection rate does not automatically translate into prompt expenditure. Expenditure will be slower to materialise for projects that have still to be planned or procured, where the bulk of projects is multi annual in character or the projects are otherwise immature.

In terms of **payments from the EU budget** to the Member States, a total of EUR 75 billion was paid by end-2017 (16% of the planned total, including pre-financing and interim payments of declared expenditure). The regulatory provisions of the 2014-2020 period (e.g. N+3 rule, the level of pre-financing) have provided limited incentives to the Member States to encourage a fast start to implementation. Despite the low execution rate overall, the N+3 decommitment exercise in 2017 concerned only a few programmes adopted in 2014. In total, only EUR 30 million were decommitted under cohesion policy programmes. The decommitment rule should however encourage financial discipline in 2018. A large number of ESI Funds programmes adopted in 2015 will need to sharply accelerate the declaration of expenditure.

2.2. Progress towards achieving programme objectives

The 2018 annual reports provide information on progress towards the programmes' targets and objectives. By the end of 2017, Member States and regions selected around 1,7 million projects, ranging from large infrastructure investments to support to farm holdings.

Fund	Cumulative projects selected by the end of 2017
ERDF	160 000
EAFRD ⁴	1 000 000
ESF/YEI	505 000
Cohesion Fund	8 600
EMFF	18 500
Total	1 692 100

The headline performance figures reported by those projects by end-2017 for common indicators are:

- 1 million enterprises will benefit from selected projects (50% of the target) with support to 450 000 enterprises already completed⁵;
- 15 million participants have benefitted from ESF and YEI supported projects;
- 1 million projects have been supported so far to help the agricultural sector and rural businesses become more competitive and to create and maintain jobs in rural areas;
- 26 million hectares of agricultural land or 15% of the Utilized Agricultural Area ('UAA') are selected for support for land management to better protect biodiversity;
- 56% of the total rural population (163 million inhabitants) is covered by over 2 700 selected LEADER Local Action Groups (LAGs) under the EAFRD;
- of the 368 Fisheries Local Action Groups (FLAGs) selected, 70% are operational.

The focus of the 2014-2020 programmes on the intervention rationale and on the wider use of fund specific common indicators is leading to more robust and coherent performance reporting. The 2018 programme reports, in most cases, present a much richer source of information on performance, in terms of common indicators, than in earlier years. Generally, the reported values show a plausible relationship between the indicator targets and values from selected projects. Where reporting inconsistencies are detected these are queried with the programmes. The process of quality checking the annual reports led to the correction of certain errors in reporting. The Commission anticipates that the remaining shortcomings can be eliminated through improved reporting by the programmes and/or the increasing of targets.

Obtaining assurance on the performance data reported to the Commission is crucial for the allocation of the performance reserve in 2019. In 2017, the Commission and national audit authorities have already begun to examine the systems in place and data so far reported.

⁴ This figure only refers to investment-type of projects. The figure for non-investment-type of projects supported by the EAFRD amounts to 2 664 000.

⁵ All ESI Funds target enterprise support. The selected projects will support (or have delivered support) to 598 000 firms under ERDF, 162 400 micro, small and medium-sized enterprises under ESF and 248 600 rural firms under EAFRD (106 600 young farmers supported and investments in physical assets in 142 000 farm holdings).

Targeted system audits focused on the management and reporting of performance data by programme authorities. The large majority of audits carried out to date by the Commission have come to a positive overall assessment of the reliability of the systems tested, except for few programmes for which serious system deficiencies or serious data inaccuracies were identified. Commission audit results will be complemented by work carried out by national audit authorities to be reported in their February 2019 annual control reports.

3. IMPLEMENTATION OVERVIEW BY KEY THEMES

This report provides an overview of progress in implementing more than 530 ESI Funds' programmes, in 2014 to 2017, in terms of the financial volume of the projects selected and progress in contracting and delivering common outputs and results. The source of these data is the contents of the 2018 annual programme reports.

The Annexes provide an overview of the financial volume and rate of project selection reported by thematic objective and Member States as at end-2017 and to autumn 2018 for the ESI Funds. In relation to the indicators, this Report synthesises the achievements under the common indicators for each Fund and the contribution expected from the selected projects. Examples of the projects already supported are also provided.

3.1. R&I, ICT and SME competitiveness

Overall, around EUR 184 billion is planned to be invested in this area, mainly from the ERDF and the EAFRD. Projects amounting to around 51% of this amount (over EUR 97 billion⁶) were selected by end-2017 with an estimated 13% or EUR 24 billion in expenditure reported.

3.1.1. Research and Innovation⁷

The EUR 34 billion allocated to specific **research and innovation projects** under the ERDF and the EAFRD represents 51% of the 2014-2020 total planned. Expenditure reported amounted to only 8% of this total.

By the end of 2017, 43 500 firms were forecast to benefit from selected ERDF schemes promoting cooperation with research institutes (69% of the target) with 7 000 co-operation actions already completed. Investments in improved RTD infrastructure are forecast to benefit 71 500 researchers (55% of the target) of which 15 000 already have such access. The monitoring of support to new products (including services) also shows important progress with 35 450 'new-to-firm' products targeted in selected operations (55% of the target) with 3 700 already completed.

EAFRD funding to selected projects amounted to EUR 8 billion at end-2017. In the area of R&I, the European Innovation Partnership for agriculture is becoming an effective vehicle for innovation, bringing farmers, researchers, advisors and businesses together in 3 097 practical innovation projects. These projects hold an important potential to create innovative solutions to make farming smarter, more efficient and more sustainable. The results of these projects are shared in the EIP-AGRI platform, providing many new ideas and inspiration for the farming community. By the end of 2017, 667 interactive innovation projects were launched (21% of the target).

⁶ A share of the selection volume under "multi-thematic objectives" falls under this area – see Annex 1.1.

⁷ <https://cohesiondata.ec.europa.eu/themes>

- *In the Czech Republic, the second phase of the SUSEN sustainable energy project, financed the installation of technological instruments in a sustainable energy research and development centre with ERDF support. Work at the centre focusses primarily on the use of ionising radiation and nuclear energy. The centre provides 128 jobs, and around 55 students and graduates will also be involved in its activities each year.*
- *Digital training courses organised by the Ländliches Fortbildungsinstitut (LFI), part of the Austrian Chamber of Agriculture, have been used by 10 000 farmers. The online courses avoided countless hours travelling to an educational centre and its associated environmental toll. The EAFRD co-finances EUR 196 000 out of a total project cost of EUR 245 000.*

3.1.2. Digital Economy

An estimated EUR 9,8 million have been allocated to projects under the **digital economy themes** at end-2017 (48% of the total planned). Selection of projects has shown an important improvement in 2017. Expenditure - at 5% of the total planned - continues to lag compared to the EU average, linked to the slow start of implementation under this theme.

The selection of ERDF supported projects to deliver improved broadband access have now registered significant progress with 4,3 million households expected to benefit (30% of the target), although only 227 000 households already have access from implemented projects. With late selection and long implementation periods, the likelihood of achievement of the target will only become clearer later in the period. In terms of improving IT take-up and engagement in e-commerce, 16 000 enterprises are already targeted by selected projects (19% of the target).

Support under the EAFRD aims to improve access to ICT services and infrastructure for 18 million rural citizens. This is done through 4 400 investment projects. So far, 36% of funds earmarked for improving ICT services in rural areas have been allocated to projects and 1 255 000 rural residents (7% of the respective target value) are already benefiting from improved services.

- *The RO-NET project provides broadband for people in 783 of the 2 268 localities in Romania identified as 'white areas' where there is no network access. The project is bringing broadband closer to around 400 000 people, 8 500 businesses and 2 800 public institutions. The total investment cost of the project is EUR 67 million, with ERDF contribution of EUR 46 million.*
- *The EAFRD supported a network of social and healthcare professionals in the South Karelia region (Finland) to create an information system to manage home-based risks in rural areas. A combination of social and digital components has made the project a success story. EAFRD support amounted to EUR 122 000 out of a total budget of EUR 290 000.*

3.1.3. Improving the competitiveness of SMEs

Competitiveness of SMEs is a priority under ERDF, EAFRD and EMFF programmes. EU support of around EUR 53 billion was allocated to specific projects by end-2017 (55% of the total planned). With spending of over EUR 17 billion representing 18% of the total planned, progress in delivery of investment is above average.

The ERDF supports a wide range of measure targeting specific needs of SMEs. Key objectives include job creation, support to start ups, productivity growth, support to internationalisation and increased trade and providing access to finance. The financing already granted will support:

- 427 000 SMEs (52% of the target); support to 127 000 SMEs has already been completed;

- 280 000 jobs which are expected to be directly created in the targeted firms (67% of the target); 42 000 jobs have already been created;
- the creating of start-ups: 74 000 start-ups have been targeted under selected projects (46% of the target); support to 19 400 has already been completed.

The EAFRD supports solutions to encourage entrepreneurship and employment in farming and rural businesses and improve their economic viability and resilience. By the end of 2017,

- more than 112 000 farm holdings received investment support to facilitate restructuring and modernisation and achieve productivity gains (25% of the target) and more than 49% of the budget allocated to start up aid and support for investment in non-agriculture activities in rural areas was committed;
- 51 000 young farmers who bring new energy and have the potential to exploit the full benefits of technology in terms of increased productivity and sustainability received support for setting up;
- 125 200 farm holdings received support in the form of risk management tools to reduce the uncertainty about the future that can compromise farmers' competitiveness;
- 57 200 farm holdings were helped to participate in quality schemes.

Under the EMFF, 62% of the projects selected until end-2017 focus on SME development.

- *Croatia is providing local SMEs with vital access to financing with financial instruments supported by the ERDF. The EU support of EUR 280 million matched by national public & private contribution is expected to trigger over EUR 1 billion of investments by businesses. More than 1 200 SMEs have already received support of around EUR 150 million.*
- *In Estonia, a young farmer used EAFRD funding to renovate the cowshed by installing a new feeding system and more milking places, along with a more efficient manure-processing system in order to accommodate increasing production needs. As a result of the investment, the farm's profit has already doubled and animal welfare as well as working conditions have improved significantly. EAFRD funding amounted to EUR 184 000 out of the total budget of EUR 600 000.*
- *In the Netherlands the EMFF supported the first turbot aquaculture farm in the country that has succeeded in producing turbot hatchlings from their own breeding stock on a semi-commercial scale. The next step is the production of copepods, rotifers and algae to create fish feed onsite, providing the highest quality and profitability with a sustainable and traceable production cycle.*

3.2. Low carbon economy, climate change, environment and transport and energy networks

The ESI Funds invest more than EUR 264 billion in the areas addressing sustainable development. At the end of 2017, more than EUR 142 billion was already allocated to specific projects, representing around 54% of the total amount across ERDF, CF, EAFRD and EMFF⁸. An estimated EUR 50 billion in expenditure was reported representing 19% on average, with strong variations by thematic objective.

⁸ The ESF contributes to sustainable development objectives (i.e green skills) through the secondary objectives of support under thematic objectives 8 and 10 in particular.

Box 1: Mainstreaming of climate action into the ESI Funds

During 2014-2020, 25% of the ESI Funds are planned to be spent on projects with climate action objectives. This makes a significant contribution to the ambition to devote at least 20% of the EU budget to those objectives. A specific methodology applies to the calculation of climate change support for each Fund⁹. The methodologies identify specific categories of support that contribute to climate action giving them a weighting of 0%, 40% or 100%. All ESI Funds contribute positively to climate action to different degrees with ERDF and EAFRD providing the highest contribution in absolute terms.

The amounts programmed and allocated to climate action projects is detailed in Annex 3. The amounts allocated to climate change objectives increased significantly during 2017 as programme implementation accelerated. Under the ERDF and the Cohesion Fund these amounts doubled over the last year, however, their share from the total amounts allocated to projects continues to remain slightly below the planned volume. The ESF is outperforming the planned allocation to climate objectives.

3.2.1. Low Carbon Economy

In relation to **low carbon economy priorities**, EUR 28 billion have been allocated (45% of the planned investment) with spending of EUR 4,6 billion (7%). While the selection rate has improved and now approaches the average, the low spending reflects the slow initial rate of approval of projects and the challenges of expanding investment activity in some of the specific investment themes such as in energy efficiency.

The expected achievements from the investment effort in energy and low carbon show improved forecasts from selected projects:

- on renewable energy the projects selected to end 2017 aim to install 6 300 megawatts of capacity (80% of the target) with 590 MW so far installed;
- projects are selected to renovate 330 000 households improving energy performance (39% of the target); 84 000 renovations have been implemented to end-2017;
- in terms of the target for energy savings in public buildings, more than 3 terawatt/hours of energy are planned to be saved by selected projects (59% of the target).

Support under the EAFRD includes investment measures, land management measures, as well as knowledge transfer and advice. By the end of 2017, 75% of the actions aiming at carbon sequestration and conservation in agricultural and forestland were completed, which represents a level of achievement of 73% of the corresponding target. 16,6% of the projects in the area of renewable energy were approved.

- *Modernisation of the gas transmission system in Poland's Lower Silesia region took place with the construction of two new gas pipelines of a total length of 59 km and a gas compression station. The area covered by the investments houses some 3 million people who now benefit from a secure, sustainable, competitive and affordable energy supply. More than EUR 20 million has been invested in building the pipelines and gas compression station, of which over EUR 9 million came from the ERDF.*
- *With the support provided by the EAFRD, a dairy farm in Wallonia, Belgium, set up a biogas unit of 33 kW, generating renewable energy from manure. The main achievement is the use of green energy for electricity on the farm, mainly during the milking process, which is fully automated and highly energy consuming. The total cost of the investment was EUR 222 000, of which EUR 16 000 was funded by the EAFRD.*

⁹ Commission Implementing Regulation (EU) No 215/2014 of 7 March 2014 (OJ L 69, 8.3.2014, p. 65).

3.2.2. Climate change adaptation and risk prevention

In relation to **climate change adaptation and risk prevention**, projects with a total volume of EUR 24 billion were selected (58% of the planned total) with spending around EUR 14 billion (33%).

Two ERDF common indicators in particular seek to capture progress in investments to reduce climate related risks through adaptation measures. By the end of 2017,

- 17,5 million people will benefit from selected flood protection measures;
- 19 million people will benefit from selected forest fire protection measures.

Both figures exceed the targets set¹⁰; this shows clear progress in addressing the risks linked to climate change.

In rural areas, the EAFRD provides support for preserving and enhancing biodiversity, improving water and soil management, reducing greenhouse gas and ammonia emissions from agricultural production. A minimum of 30% of each rural development programme is earmarked for actions benefiting the environment and climate change mitigation and adaptation. The actual amounts Member States have allocated to projects in this area exceed this minimum by far, with an EU average of 57,6% allocated to environment and climate related measures.

- *The Portuguese Institute for the Sea and Atmosphere (IPMA) developed and installed a new Meteorological Radar in the Autonomous Region of Madeira. It will allow meteorological surveillance as well as the improvement and optimisation of the current meteorological models which will contribute to the creation of a robust data platform for technical and scientific use, indispensable in adapting to climate change. The total investment amounted to EUR 3,4 million with Cohesion Fund contribution of EUR 3,1 million.*
- *In Slovakia, EAFRD support is used to construct a water reservoir that will help to combat the more frequent extreme weather events such as heavy rainfall and forest fires due to climate change. Adjusting small water flows contributes to biodiversity, carbon sequestration and adaptation to climate change. The reservoir contributes to sustainable forest management, as it prevents soil erosion and retains water in the forest. Total budget of the project is EUR 530 000 with the EAFRD providing EUR 397 000.*

3.2.3. Environment and resource efficiency

In relation to **environment and resource efficiency priorities**, EUR 45 billion have been allocated to projects (52% of the planned total) with spending of around EUR 19 billion (22%).

After earlier delays in selection, waste recycling capacity of 1,8 million tonnes is now selected for support (34% of the target). Likewise, there is good progress on selecting projects to improve wastewater treatment for 14,5 million people (85% of the target) and improve water supply for 7,3 million people (58% of the target).

EAFRD has supported projects to improve biodiversity on 26 million hectares of agricultural land (87% of the target). Altogether 40% of the total agricultural land is covered by climate and environment related actions, including area facing natural constraints. Moreover, 18% of EU farmland is envisaged to come under management requirements for biodiversity, 15% of the farmland should be subject to better soil management and 15% for better water

¹⁰ Issues with the consistent use of these indicators when target setting and excluding double counting are being addressed.

management. Significant progress has also been made towards the target of covering 3,3% of agricultural land with management contracts aiming to reduce greenhouse gas and ammonia emissions; almost 2% is already covered. Similarly, good progress towards the target of livestock units being subject to investments helping to reduce greenhouse gas and ammonia emissions has been made with a completion rate of 33%.

Around 24% of all projects selected for EMFF support by end-2017 promote resource efficiency and the protection of the environment. Most of those projects aim at protecting and restoring marine biodiversity by substantially increasing physical control of landings and lowering the volume of unwanted catches thereby contributing to the implementation of the Common Fisheries Policy.

- *Bulgaria has set up its first Cohesion policy supported financial instrument for the water and wastewater sector. With the funding, 16 regional water operators will be able to upgrade their water supply, wastewater and water treatment facilities. This scheme is expected to trigger an investment up to EUR 230 million to deliver quality service to citizens, EUR 115 million come from the Cohesion Fund.*
- *In Sweden, wetlands have been created in the agricultural landscape as a way of decreasing the runoff of nutrients into water bodies. The project will help increase biodiversity and, by controlling the water flow, the wetland can be used to store water for irrigation, if needed. EAFRD support amounted to EUR 26 000 out of the total budget of EUR 64 000.*

3.2.4. Strategic networks

In relation to investment in **strategic networks**, significant TEN-T and other transport investments are planned under the ERDF and Cohesion Fund. Overall project selection by end-2017 was EUR 44 billion (62% of the planned total) with spending of EUR 12 billion (17%).

Among the transport indicators, important progress is reported in terms of selected rail and road projects:

- 2 700 km of reconstruction of rail lines, including TEN-T rail lines (45% of the target); implemented projects cover a modest 5% of the target so far.
- 7 500 km of road reconstruction (75% of the target) of which 690 km TEN-T (90% of the target). Implementation of TEN-T road reconstruction reached 300 km (30% of the target).

- *In Greece the construction of the 106 kilometres double-track, electrified, high speed railway line was completed on the Athens-Thessalonica railway axis between Tithorea and Domokos. As a result, passengers are able to travel from Athens to Thessalonica in 3,5 hours making the rail connection competitive. The ERDF, the Cohesion Fund and the CEF contributed almost EUR 1 billion.*

3.3. Employment, social inclusion and education

Over EUR 172 billion is planned in this area, particularly from the ESF, with the ERDF, the EAFRD and the EMFF also investing. At the end of 2017, projects amounting to an estimated EUR 85 billion were selected, representing nearly 50% of the planned total allocation. Overall spending was nearly EUR 23 billion or 13% of the planned total.

In aggregate terms, the ESF and YEI programmes have already delivered the following achievements:

- 15,3 million participants supported, including 7,9 million unemployed and 4,9 million inactive participants;
- 2,8 million long-term unemployed participants supported;
- amongst all participants 1,4 million were in employment, 1,9 million have gained a qualification and 870 000 participants were in education or training thanks to ESF or YEI support.

Among these participants, those with low skills represent 46% participants; 16% were migrants, had a foreign background or were from minorities (including marginalised communities such as the Roma).

The doubling of the number of ESF and YEI participants since end-2016 clearly indicates a sharp acceleration in the implementation of projects on the ground.

3.3.1. Employment

An estimated EUR 30 billion has been allocated to sustainable and quality employment projects predominantly from the ESF and YEI to the end of 2017, representing 51% of the EUR 60 billion planned. By the end of 2017 under the employment objective:

- 7,4 million participants had been supported;
- 722 000 participants had gained a qualification;
- 1,1 million participants were in employment, including self-employment.

Investments in this area are performing well with the exception of investments related to the modernisation of labour market institutions, for which the project selection rate was still below 20% by the end of 2017.

By the end of 2017, over EUR 246 million was spent under the EAFRD to address employment in agriculture and rural areas, to promote social inclusion, and to fosters lifelong learning and vocational training in agriculture and forestry.

About 11% of all projects selected for EMFF support by end-2017 promote sustainable and quality employment and supporting labour mobility. Most of those projects aim at promoting human capital, social dialogue and networking.

- *In Luxembourg, the ESF-funded project "Fit4Entrepreneurship" targets 200 job seekers willing to set up their own business. Managed by the Chambre de Commerce, the public employment service and the Chambre des Métiers, it includes a diagnosis of entrepreneurial skills, a training programme, individual support by entrepreneurs and post-creation assistance.*
- *In order to maintain the traditional activity of extensive sheep and cattle grazing, the government of Andalusia (Spain) created a pilot training programme on pastoralism. The project provided the training to 100 students preparing a professional path in pastoralism. After the training, 60% of the participants were professionally engaged in livestock activity. The EAFRD contributed with EUR 34 000 to the total cost of EUR 38 000 of the project.*

Box 2: Youth Employment Initiative (YEI)

The YEI has continued to provide important funding support to young people in the eligible Member States. By the end of 2017, an estimated EUR 7 billion has been allocated to 162 000 projects, representing 67% of the EUR 10,3 billion planned. The expenditure declared by beneficiaries reached 31% (EUR 3,2 billion) of the total YEI allocation, which shows solid implementation on the ground. During this period, 2,4 million young people had been supported by the Youth Employment Initiative. 1,5 million participants had completed the YEI intervention and 776 000 participants were in education/training, had gained a qualification or were in employment, including self-employment.

In 2017, in the context of the MFF mid-term review, the EU co-legislators agreed to increase the resources of the YEI, covering the remainder of the programming period (2017-2020). The YEI specific allocation was increased by EUR 1,2 billion, spread over 4 years to benefit 11 Member States still meeting the requirements for support. Consequently, Member States amended their operational programmes and partnership agreements by the end of 2017 to reflect the increase, and matching ESF support.

In the context of the 2018 budget procedure, it was agreed by the co-legislators in November 2018 that the new YEI resources would be further frontloaded, by increasing the 2018 commitment appropriations and decreasing those for 2020, thus bringing the overall amount for 2018 from EUR 116 million up to EUR 350 million. The 11 Member States concerned will again amend their programming documents as appropriate, to reflect the frontloading.

- In Greece, sectoral training programmes to enhance skills and employability of unemployed aged 18-24 are run in collaboration with business associations. With up to 15 000 places, the programmes target sectors with high growth potential, including ICT, export trade, retail trade and logistics. They comprise of 120 hours of theoretical and 260 hours of practical training, five individual counselling sessions and certification of qualification. The business associations are responsible for selecting theoretical training providers and finding traineeships in companies for the practical component.

3.3.2. Social inclusion

By the end of 2017, an estimated EUR 30 billion have been allocated to projects addressing social inclusion, representing 46% of the planned EUR 63,7 billion predominantly funded by ESF programmes, with ERDF support to health and social infrastructures. Under this objective:

- 3,3 million participants have been supported
- 220 000 participants were in employment, including self-employment;
- 152 000 participants have gained a qualification;
- 164 000 inactive participants were engaged in job searching;
- 42,5 million citizens are now expected to benefit from ERDF support allocated to the modernisation of health systems.

In 2017, investments in the socio-economic integration of marginalised communities such as the Roma have picked up. However, investments in the area of social entrepreneurship and community-led local development are still lagging behind.

In rural areas, EAFRD supports local development strategies promoting social inclusion, reducing poverty and fostering economic development under the LEADER approach. To date, 58% of people living in rural areas (representing about 111% of the target) are covered by over 3 400 local development strategies implemented by Local Action Groups (LAGs) that benefited from 18% of the available public funds.

- *The ESF project "Second Chance School" in Gijón (Spain) offers vulnerable young people (low-skilled, early-school leavers, people lacking socio-family support, having health problems, etc.) practical and tailor-made trainings focussed on skills and abilities to help them reintegrate/stay in education or find a job. Between 2009 and 2017, 1 400 people participated.*
- *In Luxembourg, the "World city" project supported the organisation of summer activities for children aged between 7 and 12 living in the area of Miselerland. The thematic focus was on cultural diversity, fostering shared attitudes and values conducive to 'living together'. About 300 children from the region participated every day, with an average of 10% of refugee children. The project was funded by the EAFRD - LEADER with EUR 223 000.*
- *Two new health and social service centres in Molenbeek and Cureghem, Brussels (Belgium) (EUR 3,7 million support from the ERDF) provide integrated social, mental health and primary health care services for the local population. There is a special focus on accessibility for vulnerable groups, including migrants. A team is developing a mobile outreach programme with "Medibus".*

3.3.3. Education

To the end of 2017, an estimated EUR 25 billion has been allocated to projects addressing education and vocational training, representing 52% of the planned EUR 49 billion predominantly funded by ESF programmes, with ERDF support to education infrastructures. Spending amounted to around EUR 6 billion (13% of the planned total). Under this objective:

- 4,5 million participants have been supported;
- 1 million participants have gained a qualification;
- 583 000 participants were in education or training;
- 1,8 million students (26% of the target) should benefit from ERDF projects investing in a schools infrastructure;

Investments in this area are on track with a project selection rate reaching 52%. The implementation of activities in the area of vocational education and training is the most advanced both in terms of project selection and execution rates.

- *In Latvia, the aim of one ESF-funded project is to increase the number of qualified VET students through participation in work-based learning (WBL) and practices (or traineeships) in enterprises. By May 2018, 1 400 enterprises, 34 vocational education establishments and 2 900 VET students were involved, out of which 640 were WBL students and 2 275 were involved in traineeships.*
- *In Åland (Finland), the ESF-funded project "Welcome! - Välkommen in!" aims to increase e-commerce competence and knowledge in the service sector to improve customer service quality and help businesses answer the challenges from global competition in retail. Altogether 472 people from 100 enterprises participated in the project that provided more than 8 000 hours of training. In 2017, participating enterprises had 75% higher sales compared to 2015.*
- *In Bavaria (Germany) an office building was re-converted into an education centre with ERDF support, offering 250 additional places in 1 100 square meters for seminars. The modernised training centre will play an important role in qualifying tomorrow's skilled workers.*

3.4. Strengthening institutional capacity and efficient public administration

To the end of 2017, an estimated EUR 3 billion has been allocated to projects addressing institutional capacity and reforms, representing 48% of the planned EUR 6,4 billion (mainly from the ESF programmes with ERDF support also in Estonia, Italy, Romania and in Interreg programmes). Spending on the ground amounted to EUR 370 million (6% of the planned total). Under this objective:

- 117 000 participants have been supported by ESF;
- 734 projects targeting public administrations or public services at national, regional or local levels have been supported by the ESF.

Up to one third of supported projects are focusing on digitalisation. Other key themes target service delivery, general training, civil service system and human resources management as well as organisation and management of government. Support to public administrations in Member States is predominately used at national level, with only a small share going to the regional and local levels.

Implementation of project targeting capacity building for stakeholders delivering education, lifelong learning, training and employment and social policies is lagging behind (1% of expenditure declared). The reasons for delays differ between Member States, and include legal changes affecting implementation or difficulties connected with the innovative and complex features of intervention.

- *In Bulgaria, an ESF project, implemented by the National Institute of Justice (NIJ), supports quality professional training to enhance the efficiency of the judiciary. A total of 5 600 magistrates and officials from the courts and investigating authorities completed NIJ training courses in 2017. The novelties of the projects include the development of regional and e-learning trainings, thematic trainings adapted to specific regional needs and providing for inter-institutional collaboration and "knowledge partnerships".*
- *In Lithuania, an ESF project aims to increase the efficiency of public procurement by reducing corruption possibilities. Planned action will increase awareness and competencies of staff in the Public Procurement Office and other contracting organizations and create supporting documentations (guidelines, etc.) on public procurement methodology. Training of representatives of contracting organizations and conferences in various Lithuanian institutions will be organised.*

3.5. Progress implementing financial instruments (FIs)

The 2018 annual reports included the detailed reporting on financial instruments (FIs) to the end of 2017 for 24 Member States. Progress is generally satisfactory with EUR 13,5 billion committed in the funding agreements, representing 65% of indicative allocations, predominantly from the ERDF. Of the committed amounts, EUR 1,5 billion (11%) was already disbursed to final recipients with substantially differences between Member States. A more detailed presentation can be found in the summaries of data published by the Commission.

3.6. Territorial and urban development

In 2014-2020, around EUR 32 billion is allocated to integrated territorial development and sustainable urban development. Implementation of these strategies, initially slow, is now catching up. Under Cohesion policy funds, around EUR 10,7 billion has been allocated to projects, representing 33% of the planned allocation. Although project selection is now progressing relatively well, expenditure is still lagging behind, with only EUR 1 billion expenditure (3,2% of the planned total) by end-2017.

The selected integrated development strategies, mainly benefiting social integration, cover a reported population of 39 million citizens (87% of the target). In terms of physical works the selected projects to renovate buildings and housing units will deliver 50% of the planned targets – with forecasts of 1,1 million square metres renovated and 10 500 renovated housing

units. More than 21 million square meters of urban open space (73% of the target) is being renovated to improve quality of life and security in urban areas.

3.7. Interreg

The ERDF funded Interreg programmes falling under the Territorial Cooperation goal had generated a financial volume of EUR 7,1 billion of selected projects by end-2017 (57% of the planned total) though expenditure on the ground is still low (5% of the planned total).

Data on the physical progress under Interreg is included in the indicators aggregated under key investment themes above and on the Open Data Platform¹¹.

4. PROGRESS IN THE EVALUATION OF THE PROGRAMMES

The legislation for the 2014-2020 programming period emphasises the need to evaluate the contribution to growth, sustainable development and job creation of the ESI Fund programmes. The programmes define objectives that are specific and articulate the change sought in particular areas. Evaluations are essential to establish whether those changes have taken place and how the programmes have contributed.

The Staff Working Document accompanying this Report synthesises the evaluation work conducted since 2016. A small number of evaluations have been identified that were mainly aimed at the process of implementation and progress towards achieving the targets set. Those evaluations show, on average, clearer evaluation design and more appropriate data availability and use than previously.

For the period 2014-2020 it is still very early to evaluate the results and impacts of the programmes due to the limited volume of completed projects. The start of impact evaluations, by nature carried out later in the programme cycle, will likely be delayed where implementation has been slower than expected in certain Member States or thematic objectives.

On the other hand, a large number of national evaluations conducted in 2017-2018 focussed on 2007-2013 programmes and are mostly impact evaluations. Overall, the results of impact evaluations related to both programming periods can be considered reliable only for a limited number of the evaluations, which highlights the need for improvement in the quality of the works produced.

An updated analysis on the revised national evaluation plans received by the Commission by June 2018 shows that there are still some shortcomings in the areas of the skills needed, the methods to be used and the data required.

A significant increase of completed evaluations is expected in 2018-2019 according to the evaluation plans. They will be mostly implementation and process-oriented evaluations. Nearly half of the impact evaluations are only planned to be undertaken after 2020 when the programme outcomes are expected to be delivered.

The Staff Working Document accompanying this Report also describes the different work strands pursued by the Commission to support the work of the Member States (networking, guidance, helpdesks, etc.) and the evaluation work of the Commission.

¹¹ <https://cohesiondata.ec.europa.eu/countries/TC>

5. CONCLUSIONS

The ESI Fund programmes are a major investment instrument of the European Union with every region in the European Union benefiting from the policy. The evidence now available from financial implementation and from common output and result indicators provides a more complete overview of implementation progress than has been available in any previous period.

An important acceleration has taken place during 2017 in the overall implementation of programmes co-financed by the ESI Funds. The project selection rate almost doubled compared to end-2016, to exceed 52% of the total funding. Expenditure generated by the projects also started to catch up as have the achievement values of the output and result indicators of the programmes linked to important social and economic benefits. The acceleration has continued into 2018, with the Cohesion policy Funds' selection rate at 67% by 30 September 2018.

The implementation picture revealed by the annual programme reports is diverse, both between regions, across Member States and between the different investment themes. Based on past experience, the Commission expects that implementation rates for investment expenditure and the delivery of outputs and results will continue to increase in 2019. The upcoming performance review in 2019 will further incentivise better spending of ESI Funds in terms of achieving programme objectives.

As the ESI Fund implementation progresses, it will ultimately provide material on which to conduct impact evaluations. However, a significant number of evaluations by the Member States will still take some time to be launched, completed and for their results to become available.

Looking ahead, important financial targets are set for the end of 2018 ("N+3" rule). There are risks that specific programmes will lose EU financing.

Next year's reporting cycle will involve comprehensive programme reports by June 2019 and national progress reports by end-August 2019. Those reports will provide a full quantitative and qualitative overview of the implementation of investment objectives. They will cover a range of important issues. In particular, the Member States will report on financial and physical milestones under the performance framework to be used to award the performance reserve in 2019. The reports will be synthesised by the Commission in a strategic report by the end of 2019.