

European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund: financial management

2008/0233(AVC) - 13/01/2009 - Legislative proposal

PURPOSE: to adapt certain provisions of Regulation (EC) No 1083/2006 in order to facilitate the mobilisation of Community financial resources.

PROPOSED ACT: Council Regulation.

BACKGROUND: the unprecedented crisis hitting international financial markets has brought about major challenges for the Community, which necessitates a rapid response in order to counter effects on the economy as a whole and, in particular, to support investments in order to promote growth and employment. The adaptation of certain provisions of Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund is necessary in order to facilitate the mobilisation of Community financial resources for the start-up of operational programmes and assisted projects within the framework of these programmes in such a manner as to accelerate implementation and the impact of such investments on the economy.

CONTENT: the proposal deals with the following:

- it strengthens the possibility of provision by the European Investment Bank (EIB) and the European Investment Fund (EIF) of assistance to Member States in the preparation and implementation of operational programmes;
- it will be possible to award a contract directly to the EIB and EIF as financial entities recognised by the Treaty, when financial engineering operations are organised involving them as holding funds;
- in order to facilitate the use of financial engineering instruments, notably within the field of sustainable urban development, contributions in kind may be considered as eligible expenditure in the constitution of, or contributions to, funds;
- in order to support enterprises, and in particular small and medium-sized enterprises, it renders more flexible the conditions governing the payment of advances within the framework of State aids under Article 87 of the Treaty;
- expenditures relating to major projects which have not yet been adopted by the Commission may be included in expenditure declarations in order to accelerate the implementation of major projects. Provisions concerning pre-financing are amended in order to bolster the financial resources of Member States thus facilitating the rapid start-up of operational programmes in a crisis context;
- the payment of a payment on account at the beginning of operational programmes will allow a regular cash flow and facilitate payments to beneficiaries during programme implementation. For this reason provisions are established for such payments on account for the Structural Funds: 7.5 % (for Member States of the EU as constituted before 1 May 2004) and 9 % (for the Member States that acceded to the EU on or after 1 May 2004) in order to accelerate the implementation of operational programmes.

Due to principles of equality of treatment and of legal security, the amendments relating to Articles 56 (2) (contributions in kind) and 78 (1) (expenditure paid by beneficiaries to be supported by receipted invoices) must apply during the whole 2007-2013 programming period. Retroactive application is therefore necessary with effect from 1 August 2006, the date on which Regulation (EC) No 1083/2006 came into force. As the unprecedented crisis affecting international financial markets necessitates a rapid

response in order to counter effects on the economy as whole, other amendments should enter into force on the day following its publication in the Official Journal of the European Union.