European Regional Development Fund (ERDF) and Cohesion Fund 2021–2027

2018/0197(COD) - 29/05/2018 - Legislative proposal

PURPOSE: to define the objectives and scope of the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) for the period 2021-2017.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: for the next multiannual financial framework covering the period 2021-2017, the Commission proposes to **modernise cohesion policy** to help redress imbalances within and between Member States.
Based on the evidence that the applicable rules were overly complex and fragmented between the different funds and the various forms of financing, the Commission proposed to establish a **single rulebook for seven EU funds** implemented under shared management in order to simplify access to and use of EU Funds (Common Provisions Regulation - CPR).
The aims of the **ERDF** is to help to redress the main regional imbalances in the Union through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions.
The **Cohesion Fund** contributes financially to projects in the field of the environment and trans-European transport infrastructure networks. In many countries, the ERDF and the Cohesion Fund represent at least **50%** of public investment - these Member States would not otherwise have the financial capacity to make such investments. There is considerable potential for spill-over effects across national and regional borders, for example in terms of investment in innovation and SMEs.

CONTENT: the proposal for a Regulation - presented for a Union of 27 Member States - sets out the **provisions applicable to both ERDF and Cohesion Fund** intervening under the 'Investment for jobs and growth' goal and, with regard to the ERDF, under the 'European territorial cooperation' goal (Interreg).

Objectives for ERDF and Cohesion Fund: the ERDF shall support the achievement of the following policy objectives (PO):

- a smarter Europe through innovation, digitisation, industrial change and support for small and medium-sized enterprises (PO 1);
- a greener, low-carbon Europe, investing in energy transition, renewable energy and the fight against climate change (PO 2);
- a more connected Europe with strategic transport and digital communication networks (PO 3);
- a more social Europe, which will support quality jobs, education, skills, social inclusion and equal access to health care (PO 4);
- a Europe closer to citizens, which will support locally driven development strategies and sustainable urban development across the European Union (PO 5).

The **Cohesion Fund** shall support PO 2 and specific objectives under PO 3 in particular the development of a sustainable, climate resilient, intelligent, secure and intermodal TEN-T as well as promoting sustainable multimodal urban mobility.

Operations under the ERDF are expected to contribute 30 % of the overall financial envelope of the ERDF to **climate objectives** (37% under the Cohesion Fund).
Landfills, airport infrastructure, the tobacco industry, decommissioning of nuclear facilities shall not be supported by the funds.

- **Thematic concentration**: in the current context of budget cuts, the proposed Regulation provides that the majority of ERDF and Cohesion Fund investments shall be geared towards the first two objectives: **a smarter Europe** (PO 1) and a **greener Europe** (PO 2). Member States shall invest between **65% and 85%** of their resources under the two funds in these priority areas, depending on their income ratio:
- **countries with GNI above 100%** of the EU average shall allocate at least 85% of their ERDF resources to PO 1 and 2, and at least 60% to PO 1;
- **countries with GNI between 75% and 100%** of the EU average shall allocate at least 45% of their ERDF resources to PO 1 and at least 30% to PO 2;
- **countries with a GNI below 75%** of the EU average should allocate at least 35% of their ERDF resources to PO 1 and at least 30% to PO 2.

This thematic concentration shall be attained at **national level**, with some flexibility at the level of individual programmes and between the three groups of Member States formed according to their gross national income.

Scope of the funds:

- **the ERDF** shall support the following: (a) investments in infrastructure; (b) investments in access to services; (c) **productive investments in SMEs**; (d) equipment, software and intangible assets; (e) information, communication, studies, networking, cooperation, exchange of experience and activities involving clusters; (f) technical assistance;
- the **Cohesion Fund** shall support the following: (a) investments in the environment, including investments related to sustainable development and energy presenting environmental benefits; (b) investments in TEN-T; (c) technical assistance.

Indicators: in order to ensure consistent monitoring of progress achieved, the proposed Regulation refines the common set of output indicators, while adding for the first time a common set of results indicators. These latter enable **reporting results in real time** on the Open Data Platform and comparison across programmes and Member States. Evaluations will include lessons learned, problems and opportunities to further improve the actions and their impacts.

Specific territorial factors: the proposal provides for an increased focus on **sustainable urban development** by dedicating 6% of ERDF resources to this area, delivered through territorial instruments. It also provides for the setting up of a **European Urban Initiative** to be managed by the Commission.

The proposal also sets out special measures to accommodate the specific situation of **outermost regions**. These include schemes to offset transport costs and investments.

Proposed overall budget: the Commission proposal for a multiannual financial framework provides for an envelope of **EUR 273 billion** for the ERDF and the Cohesion Fund for the period 2021-2027, of which: (i) ERDF: EUR 200.62 billion and; (ii) Cohesion Fund: EUR 41.34 billion.