

# Amending ERDF, Cohesion Fund and Just Transition Fund as regards specific measures to address strategic challenges in the context of the mid-term review

2025/0084(COD) - 01/04/2025 - Legislative proposal

**PURPOSE:** to refocus investments on critical priorities in the context of the mid-term review of cohesion policy.

**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:** the legal framework for cohesion policy programmes provides for a **mid-term review in 2025**, which offers Member States the opportunity to redirect resources from the 2021-2027 period towards investments in EU defence capabilities, competitiveness and strategic autonomy and other emerging priorities, including the objectives of the Clean Industry Agreement, by submitting corresponding programme amendments to the Commission. As the Union's main investment instrument within the Multiannual Financial Framework, cohesion policy plays a crucial role in supporting these priorities.

However, the framework for cohesion policy investments set out in the ERDF, Cohesion Fund and Just Transition Fund (JTF) regulations is not sufficiently aligned with these new priorities. Furthermore, additional flexibility is required to accelerate investment in these areas. This proposal sets out a number of adjustments to these regulations to achieve these objectives.

**CONTENT:** by introducing targeted amendments to Regulations (EU) 2021/1056 and (EU) 2021/1058, the Commission proposes to use the mid-term review of cohesion policy to **maximise its contribution to the current and emerging political priorities** of the Union and increase its impact on economic, social and territorial cohesion.

To facilitate the process, the Commission proposes amendments to the regulatory framework of the cohesion policy funds to: (i) align investment priorities with the evolving economic, societal and geopolitical context as well as with climate and environment objectives and (ii) introduce greater flexibility and incentives to facilitate the rapid deployment of resources and accelerate the implementation of the programmes.

The specific objectives of the proposal are as follows:

## ***Competitiveness and decarbonisation***

Given the role of businesses, regardless of their size, in steering research, innovation, knowledge and technology transfer, the Commission is proposing to extend the support of the European Regional Development Fund to large companies in critical areas, such as defence, strategic technologies, and

decarbonisation. In addition, the Commission encourages Member States to increase investments in strategic technologies under the Strategic Technologies for Europe Platform (STEP), to boost Europe's competitiveness and innovation.

### ***Defence and security***

The Commission proposes to create two new specific objectives within the existing scope of the European Regional Development Fund (ERDF) to support defence. The first one will allow Member States and regions to reprogramme funds to enhance productive capacities in defence enterprises, regardless of their size and location. The second objective is to build resilient infrastructure to foster military mobility in the EU. This should in particular benefit the Eastern border regions of the Union.

To incentivise uptake, the resources reprogrammed for these specific objectives will benefit from an additional one-off pre-financing of 30% in 2026 and the possibility of up to 100% EU financing.

### ***More affordable housing***

To promote investments in affordable housing, including social housing and support to related reforms, three new specific objectives are introduced for the ERDF and one for the Cohesion Fund. For these specific objectives, the Commission will pay, in addition to the yearly pre-financing for the programmes, 30% exceptional one-off pre-financing based on the resources allocated to dedicated priorities and the maximum co-financing rate for dedicated priorities supporting these objectives is 100%. At the same time, it must be ensured that housing is climate resilient.

### ***Securing access to water, sustainable water management and water resilience***

Member States should increase investments in water resilience, including in the digitalisation of water infrastructure, mitigating the effects of drought and desertification. To help accelerate investments in the area of promoting secure access to water, sustainable water management and water resilience, the Commission will pay, in addition to the yearly pre-financing for the programmes, 30% exceptional one-off pre-financing based on the resources allocated to dedicated priorities supporting the specific objective and the maximum co-financing rate for dedicated priorities supporting these objectives is 100%.

### ***Energy transition***

In order to enhance energy security and accelerate the transition across the Union and also to promote clean mobility, a new specific objective should be created to promote energy interconnectors and related transmission infrastructure, and the deployment of recharging infrastructure from ERDF and Cohesion Fund resources.

### ***Eastern border regions***

Moreover, cohesion programmes in the Eastern border regions, disproportionately affected by the Russian war of aggression against Ukraine, will benefit from a preferential prefinancing level, if they move at least 15% of their overall funds to the newly introduced specific objectives and the Strategic Technologies for Europe Platform (STEP) objectives.

### ***Deadlines for reprogramming***

The proposal stated that Member States and regions should submit their amendments to the programmes within **two months** from the entering into force of the revised legislation. The Commission will assess the proposed amendments and engage closely with the authorities, in order to adopt the revised programmes.

### ***Budgetary implications***

The proposal concerns cohesion policy programmes under the 2021-2027 period and will result in **additional pre-financing** to be paid under the ERDF in 2026. Based on the estimated uptake of the proposal, the total additional pre-financing to be paid in 2026 amounts to **EUR 16.1 billion**. At the same time, taking into account payment forecasts and implementation shifts, the **net budgetary impact is estimated at EUR 3.6 billion**, which will be included in the draft budget 2026.

The possibility to apply for an increased Union financing rate for investments in defence, housing, water resilience, certain energy infrastructure and for programmes covering eastern border regions will also lead to a partial front-loading of payments, followed by lower payments at a later stage as the overall envelope is unchanged. The actual budgetary impact of the increased co-financing rate on an annual basis will depend on the Member States' uptake and the pace of submission of payment applications.