

European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund, 2007-2013

2004/0163(AVC) - 11/07/2006 - Final act

PURPOSE: to lay down the general provisions governing the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF).

LEGISLATIVE ACT: Regulation 1083/2006/EC of the European Parliament and of the Council on the European Regional Development Fund and repealing Regulation 1260/1999/EC.

CONTENT: this Act lays down the general rules which are to govern: i) the European Regional Development Fund (ERDF) ii) the European Social Fund (ESF) and iii) the Cohesion Fund. Together they form the tools with which the EU implements its Cohesion Policy and are referred to as “the Funds”. Only the ERDF and the ESF are defined as the “Structural Funds”; the Cohesion Fund being separate. The total budgetary allocation earmarked for the Funds, between 2007 and 2013, will be EUR 308 billion.

This general Regulation is supported by, and complements, four more specific Regulations on each of the Funds, which were approved by Council and Parliament simultaneously. They are:

- Council Regulation 1081/2006/EC on the European Social Fund. For a summary of its provisions see COD/2004/0165;
- Council Regulation 1084/2006/EC establishing the Cohesion Fund. For a summary of its provisions see AVC/2004/0166;
- Council Regulation 1080/2006/EC on the European Regional Development Fund. For a summary of its provisions see COD/2004/0167;
- Council Regulation 1082/2006/EC on a European grouping of territorial cooperation (EGTC). For a summary of its provisions see COD/2004/0168.

The EU’s Cohesion Policy is based on Treaty Article 158 which states that the Community must strive to strengthen the economic and social cohesion of the enlarged Union; the intention being to promote economic sustainable development across the EU’s regions and to correct current economic imbalances between the regions. The Funds, together with the help of the European Investment Bank (EIB) as well as other existing financial instruments, are the means with which the Community realises this objective. The Regulation’s provisions, indeed much of the Cohesion Policy, is defined by three Objectives:

Objective 1: Convergence:

The specific purpose of this objective is to speed up the economic convergence of the least-developed Member States and regions by improving conditions for growth and employment; supporting quality investment in physical and human capital; investing in a knowledge based society; helping societies adapt to economic and social changes; protecting the environment and promoting administrative efficiency.

Resource allocation: Convergence has been awarded, by far, the lion's share of the total funding. The overall resources for the Convergence Objective will amount to 81.54% of the total or EUR 251 163 134 221 over a seven year period (2007-2013). Funding for the Convergence Objective will be sourced from the ERDF, ESF and CF. 60% of all funding under this objective will be earmarked for projects which prioritise both the aims and targets set out in the Lisbon Agenda and the "Integrated Guidelines for Growth and Jobs (2005-2008)".

Eligibility: Under the Convergence Objective, those regions eligible for the Structural Funds (ERDF/ESF) must have NUTS level 2 status, whereby their gross domestic product per capita is less than 75% of the average GDP of the EU-25. The Member States eligible for Cohesion Funds, under the Convergence Objective, are defined as those whose gross national income (GNI) per capita is less than 90% of the average GNI of the EU-25. Following the entry into force of this Regulation the Commission will publish a list of all the regions and Member States who fulfil these specifications.

Objective 2: Regional competitiveness and employment:

The specific purpose of this objective is to: strengthen a regions' competitiveness and its attractiveness to potential investors. Objective 2 funds will support employment opportunities brought about through social changes – such as the liberalisation of a trade regime. Other priorities include investing in quality human capital, promoting innovation alongside a knowledge-based society; encouraging entrepreneurship and improving the accessibility and adaptability of both workers and businesses.

Resource allocation: The overall resources allocated to this Objective amount to 15.95% of the total or EUR 49 127 784 318 over a seven year period (2007-2013). Funding for the Regional competitiveness and employment objective will be sourced from the ERDF and the ESF. 75% of all funding under this objective will be earmarked for projects which prioritise both the aims and targets set out in the Lisbon Agenda and the "Integrated Guidelines for Growth and Jobs (2005-2008)".

Eligibility: Those eligible for the Structural Fund under this heading are defined as those Member States and regions not eligible under the Convergence objective – in other words those outside of the least developed Member States and regions.

Objective 3: European Territorial Co-operation:

European Territorial Co-operation will seek to strengthen cross-border co-operation through joint local and regional initiatives. Programmes supported under this heading will strengthen transnational co-operation through actions linked to Community priorities.

Resource allocation: The overall resources allocated to Objective 3 amounts to 2.52% of the total or EUR 7 750 081 461 over a seven year period (2007-2013). It will be funded through the ERDF. Of this amount: 73.86% will be devoted to financing cross-border cooperation; 20.95% will be earmarked for financing transnational co-operation and 5.19% will be earmarked for financing interregional cooperation, cooperation networks and the exchange of experience. The ERDF, under Objective 3 of the Cohesion policy, will also contribute towards the European Neighbourhood and Partnership Instrument as well as cross-border sea-basin programmes.

Eligibility: All regions, classified as NUTS level 3 who are situated along all internal and certain external land borders and all NUTS level 3 regions of the Community along maritime borders will be eligible for financing. Following the entry into force of this Regulation, the Commission will draw up a list of all eligible regions, which will be valid from 2007 to 2013. For the purpose of interregional co-operation, co-operation networks and exchange of experience the entire territory of the Community will be eligible for funding.

As well as establishing the general rules governing the Funds, the Regulation lays down the principles and rules on:

Partnership – close co-operation between the Member States and the Commission on the preparation, implementation and monitoring of operational programmes.

Programming – the Funds will be implemented through multi-annual programmes. These will be organised in several stages. “Operational programmes” will define the various activities being funded.

Additionally – contributions from the Structural Funds will not replace public or equivalent structural expenditure by a Member State.

Evaluation – these will be carried out by the Member States or the Commission either through internal or external experts.

Monitoring – Member States will be responsible for setting up monitoring committees responsible for assessing the effectiveness of the operational programmes. Based on reports prepared by the monitoring Committee, the Commission will prepare an Annual Report.

In line with provisions spelt out in the Regulation the Commission has prepared and proposed the “Community Strategic Guidelines on Cohesion Policy”. For a detailed summary of the Guidelines see AVC/2006/0131. These guidelines must be adopted by 1 February 2007. Following approval of the Guidelines the Member States will prepare “national strategic reference frameworks”, which identify a link between the Community priorities and its national reform programmes. These will then form the basis of the Operational Programmes, to be approved by the Commission in the course of 2007.

ENTRY INTO FORCE: 1 August 2006.