



EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)

The European Regional Development Fund (ERDF) is one of the main financial instruments of the EU's cohesion policy. Its purpose is to contribute to reducing disparities between the levels of development of European regions and to reduce the backwardness of the least favoured regions. Particular attention is paid to regions which suffer from severe and permanent natural or demographic handicaps, such as the northernmost regions with very low population density as well as island, cross-border and mountain regions.

LEGAL BASIS

Articles 174 to 178 of the Treaty on the Functioning of the European Union (TFEU).

Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006.

OBJECTIVES

Article 176 of the TFEU provides that the European Regional Development Fund is intended to help to redress the main regional imbalances in the European Union. It can do that through support for:

- The development and structural adjustment of regions whose development is lagging behind;
- The conversion of declining industrial regions.

The ERDF has two main goals for the period 2014-2020, namely:

- Investment for growth and jobs — aiming to strengthen the labour market and regional economies;



- European Territorial Cooperation — aiming to strengthen cross-border, transnational and interregional cooperation within the European Union.

Resources assigned to the first goal will be allocated to three different categories of regions:

- More developed regions whose GDP per capita is above 90% of the EU average;
- Transition regions whose GDP per capita is between 75% and 90% of the EU average;
- Less developed regions whose GDP per capita is below 75% of the EU average.

The European Regional Development Fund also supports sustainable urban development. At least 5% of the ERDF allocation for each Member State has to be earmarked for integrated actions for sustainable urban development that will tackle the economic, environmental, climate, demographic and social challenges affecting urban areas.

Details of the allocation and future use of ERDF funds are determined in the Partnership Agreements. These are strategy documents drawn up by each Member State with the assistance of regional and social partners.

THEMATIC CONCENTRATION

As the ERDF contributes to the Europe 2020 Strategy for smart, sustainable and inclusive growth, it has to focus on the priorities specified in this strategy. The main priorities are:

- a. Research and innovation;
- b. Information and communication technologies (ICT);
- c. Small and medium-sized enterprises (SMEs);
- d. Promotion of a low-carbon economy.

The level of concentration required varies according to the category of regions being supported. More developed regions have to allocate at least 80% of their ERDF resources to at least two of these priorities and at least 20% to the low-carbon economy. Transition regions have to allocate at least 60% of their ERDF resources to at least two of these priorities and at least 15% to the low-carbon economy. Less developed regions have to allocate at least 50% of their ERDF resources to at least two of these priorities and at least 12% to the low-carbon economy.

BUDGET AND FINANCIAL RULES

During the programming period 2014-2020, the EU will spend over EUR 350 billion on cohesion policy. That is equal to 32.5% of the overall EU budget. Around EUR 199 billion is allocated to the European Regional Development Fund. This includes EUR 10.2 billion for European Territorial Cooperation (ETC) and EUR 1.5 billion of special allocations for outermost and sparsely populated regions.



The level of co-financing required in projects financed by the ERDF is geared to the development of the regions concerned. In the less developed regions (and outermost regions), the ERDF can finance up to 85% of the cost of the project. In the transition regions this can be up to 60% of the cost of the project, and in the more developed regions up to 50%.

PROPOSAL FOR THE POST-2020 EU COHESION POLICY

In May 2018, the European Commission proposed regulations for EU cohesion policy after 2020. These include:

- A regulation on the European Regional Development Fund and on the Cohesion Fund;
- A regulation on specific provisions for the European Territorial Cooperation goal (Interreg).

These proposals maintain the two current goals of the ERDF: 'Investment for jobs and growth' and 'European Territorial Cooperation'.

They also maintain thematic concentration for the top two priorities: support to innovation, digital economy and SMEs delivered through a smart specialisation strategy (PO1); and a greener, low carbon and circular economy (PO2). The Commission also proposed a list of activities that are not to be supported by the ERDF, including direct support to large enterprises, airport infrastructure (except in the outermost regions) and some waste management operations (e.g. landfill).

According to the Commission proposals, in the programming period 2021-2027, around EUR 200.6 billion will be allocated to the ERDF (including EUR 8.4 billion for ETC and EUR 1.5 billion of special allocations for the outermost regions).

These regulations are subject to the ordinary legislative procedure, where the European Parliament is on an equal footing with the Council. This means that before the end of 2020, these two institutions will have to find a consensus on the rules for the ERDF in the future.

In March 2019, the European Parliament adopted its first-reading position on the Commission's proposals.

ROLE OF THE EUROPEAN PARLIAMENT

The European Parliament is on an equal footing with the Council when it comes to preparing new legislation concerning the Structural and Investment Funds. The ERDF Regulation for the period 2014-2020 was subject to the ordinary legislative procedure, where Parliament has full rights to propose modifications. During the negotiations on EU cohesion policy for the period 2014-2020, Parliament managed to increase the flexibility in applying the rules on thematic concentration and investment priorities. In addition, it has strengthened ERDF support for cities and integrated urban policies.

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