



## 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.

Following several revisions of the rules governing them, the ERDF, the ESF and the Cohesion Fund have 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; and
- 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 are 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 are 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 are 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 period 2014-2020 the European Union will allocate over EUR 325 billion (in 2011 prices) to its cohesion policy, including almost EUR 256 billion to two of the Structural Funds: the ERDF and the ESF. The share of this budget dedicated to the ERDF will be decided on the level of each EU Member State.

| ERDF and ESF                   |                    |   |                        | ERDF                             |
|--------------------------------|--------------------|---|------------------------|----------------------------------|
| Investment for growth and jobs |                    |   |                        | European territorial cooperation |
| Less developed regions         | Transition regions | Special allocation for outermost and sparsely populated regions | More developed regions |                                  |
| 164 279                        | 32 085             | 1 387   | 49 271                 | 8 948                            |

*Source: European Commission (in EUR billion, in 2011 prices)*

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%.

## **ROLE OF THE EUROPEAN PARLIAMENT**

Thanks to the new rules brought in by the Treaty of Lisbon, Parliament is on an equal footing with the Commission and the Council when it comes to preparing new legislation concerning the Structural 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.

The new legislative proposal of 14 September 2016 on the mid-term review/revision of the multiannual financial framework (MFF) 2014-2020 ([COM\(2016\) 0603](#)) should allow Parliament to re-examine the priorities for the remaining years of the 2014-2020 financial framework.

This new legislative proposal includes a revision of the MFF with the aim of contributing to two of its main objectives: simplification and flexibility for recipients of EU funds. The proposal includes improvements regarding the use of simplified cost options in Regulation (EU) No 1303/2013 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.

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