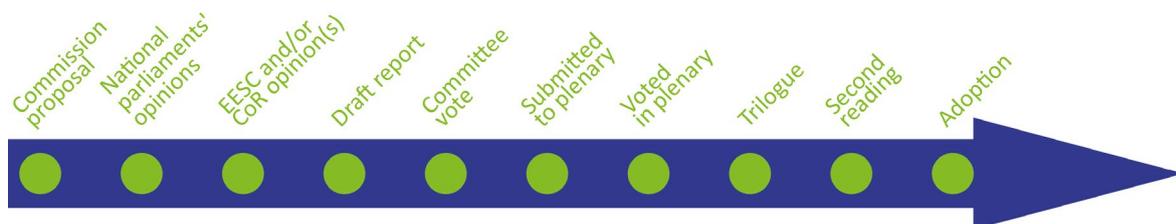


European Regional Development Fund and Cohesion Fund 2021-2027

OVERVIEW

In the context of the Multiannual Financial Framework for 2021-2027, the European Commission published a proposal for a regulation on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) on 29 May 2018. The new single regulation on the ERDF and CF (previously covered by two separate regulations) identifies the specific objectives and scope of support for both funds, including non-eligible activities. The majority of ERDF funding will focus on smart growth and the green economy, while the fund will also support other activities such as connectivity, social issues and local development. The CF will continue to focus predominantly on environmental and transport infrastructure. Special provisions were proposed for territories such as urban areas and outermost regions. The indicator framework for monitoring progress will include new common results indicators. On 28 May 2020, the Commission amended the proposal to better support recovery from the coronavirus pandemic. A final political trilogue meeting took place on 9 February 2021, sealing agreement between the Council and the European Parliament. The Parliament voted on the draft regulation at its June II plenary session. The final act was signed 24 June and published in the Official Journal on 30 June 2021.

Proposal for a regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund		
<i>Committee responsible:</i>	Regional Development (REGI)	COM(2018) 372 29.5.2018
<i>Rapporteur:</i>	Andrea Cozzolino (S&D, Italy)	2018/0197(COD)
<i>Shadow rapporteurs:</i>	Krzysztof Hetman (EPP, Poland) Susana Solís Pérez (Renew Europe, Spain) Caroline Roose (Greens/EFA, France) Francesca Donato (ID, Italy) Raffaele Fitto (ECR, Italy) Martina Michels (The Left, Germany)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
<i>Procedure completed:</i>	Regulation (EU) 2021/1058 OJ L 231, 30.6.2021, pp. 60-93.	



Introduction

In preparation for the [2021-2027 Multiannual Financial Framework](#), the European Commission adopted a series of [legislative proposals](#) in May and June 2018. This included the [proposal](#) on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), published on 29 May 2018. The proposed single regulation on the ERDF and CF (previously covered by two separate regulations) establishes the specific objectives and scope of support for both funds, including non-eligible activities. It also provides an indicator framework for monitoring progress and outlines provisions for specific territories, such as urban areas and outermost regions. The ERDF-CF proposal was [amended](#) on 28 May 2020 to facilitate recovery from the coronavirus pandemic.

While the regulation on the ERDF and CF sets out only the specific objectives for both funds, the general rules regarding delivery and implementation are established by what is known as the [Common Provisions Regulation](#) (CPR) for several EU funds (proposal also published on 29 May 2018 and later amended twice). The financial allocations put forward in the multiannual EU budget post-2020 can be found in the [regulation](#) laying down the Multiannual Financial Framework for the years 2021-2027 adopted on 17 December 2020. More specific percentage allocations to various goals and groups of regions within the cohesion policy framework are outlined in the 'financial framework' section of the CPR [proposal](#) (Title VIII and Annex XXII in the proposal; Title VIII and Annex XXVI in the adopted CPR [Regulation](#) 2021-2027).

Existing situation

General cohesion policy framework

Article 174 of the [Treaty](#) on the Functioning of the European Union (TFEU) stipulates that the EU aims to strengthen economic, social and territorial cohesion by reducing regional disparities, with particular attention paid to the least favoured regions and areas with special territorial features. EU [cohesion policy](#) helps to address these challenges via the European Regional Development Fund (ERDF), Cohesion Fund (CF) and the European Social Fund (ESF, renamed ESF+ in the 2021-2027 period). Cohesion policy funding amounted to €351.8 billion in the years 2014-2020, i.e. almost a third of the total EU budget.

The cohesion policy framework established for the previous seven-year period (2014-2020) on the basis of the Common Provisions Regulation¹ of 2013, covering the three cohesion policy funds (ERDF, ESF and CF), as well as the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. These five funds together were called European structural and investment funds – ESI funds – in the 2014-2020 period. In the 2021-2027 period, the terminology changed to 'Union funds', which include a number of other funds covered by the new Common Provisions Regulation [adopted](#) in 2021.²

While the [Common Provisions Regulation](#) of 2013 sets out the general rules for ERDF and CF, the specific rules are covered by two separate regulations on each of the funds: the [ERDF Regulation](#) (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 investment for the growth and jobs goal, and repealing Regulation (EC) No 1080/2006), and the [Cohesion Fund Regulation](#) (Council Regulation (EU) No 1300/2013 of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006).

The 2014-2020 framework focuses on investments towards [11 thematic objectives](#): 1) Research, technological development and innovation; 2) Information and communication technologies (ICT); 3) Small and medium-sized enterprises (SMEs); 4) Low-carbon economy; 5) Climate change; 6) Environment and resource efficiency; 7) Transport; 8) Employment; 9) Social inclusion and poverty; 10) Education and training; 11) Efficient public administration. In the 2021-2027 period, the

number of thematic objectives has been reduced to [five](#), and they are now called policy objectives (see section on Thematic concentration below).

European Regional Development Fund

Under cohesion policy rules 2014-2020, the ERDF (which has existed since 1975) provides funding for all EU regions, categorised into less developed, transition and more developed regions, on the basis of their GDP per capita (less developed regions: GDP/head <75 % of the EU-27 average; transition regions: GDP/head between 75 % and 90 %; more developed regions GDP/head >90 %). The less developed regions receive the highest percentage of funding.

While the ERDF supports all of [11 thematic objectives](#), its main focus is objectives 1-4, i.e. research and innovation, ICT, SMEs and the low-carbon economy. This means that most resources are concentrated on smart growth and environmental measures. In the more developed regions, at least 80 % of ERDF resources at national level must be allocated to two or more of these four objectives and at least 20 % to the low-carbon objective. In the case of transition regions, these proportions are 60 % and 15 %, respectively, and for the less developed regions 50 % and 12 %. Moreover, a minimum of 5 % of the ERDF resources must be allocated at national level to sustainable urban development. As far as details of the investments are concerned, the 2014-2020 ERDF Regulation lists a high number of [investment priorities](#) within these thematic objectives.

Cohesion Fund

Since 1994 the Cohesion Fund has supported environmental and transport infrastructure projects in EU Member States with gross national income (GNI) per capita below 90 % of the EU average. In the 2014-2020 period, these 'cohesion countries' are the EU-13 (Member States that have joined the EU since 2004), as well as Greece and Portugal. The Cohesion Fund mainly finances investments in environmental and transport infrastructure projects, contributing to thematic objectives 4-7: 4) Low-carbon economy; 5) Climate change; 6) Environment and resource efficiency; 7) Transport). As the CF includes a technical assistance component it also contributes to thematic objective 11) Efficient public administration. The CF covers a relatively long list of [investment priorities](#), mainly in the field of transport, energy and environment.

Parliament's starting position

In its [resolution](#) of June 2017 on the building blocks for a post-2020 EU cohesion policy, the Parliament presented its views on the future of cohesion policy beyond 2020. It underlined the importance of investing in SMEs, the digital agenda; low-carbon economy; climate change; green economy and renewable energy; social inclusion; education, training and culture. It also called for an enhanced urban dimension and actions for the integration of migrants. Moreover, it stressed the need for better synergies with other Union funds and programmes. It advocated better communication and enhancing the result and performance orientation of the policy.

In March 2018, ahead of the Commission's package of proposals, the Parliament adopted a [resolution](#) on the next MFF: Preparing the Parliament's position on the MFF post-2020. It stressed that cohesion policy should continue to cover all EU regions, while concentrating the majority of its resources on the most vulnerable areas. The EP stated that, in addition to the goal of reducing regional disparities, cohesion policy funds should also contribute to achieving the EU's broad political objectives, such as 'growth and competitiveness, research and innovation, digitalisation, industrial transition, SMEs, transport, climate change mitigation and adaptation, environmental sustainability and just energy transition, employment, social inclusion, gender equality, poverty reduction, and demographic challenges'. Parliament supported the performance-oriented approach. In terms of stronger cohesion and solidarity in Europe, it advocated dedicated actions in the field of asylum and migration. It also called for continuous support under cohesion policy for the outermost regions.

While many comments in these resolutions were related to the general cohesion policy framework laid out in the CPR proposal, some demands were also taken up in the regulation on the ERDF and CF. Examples include the thematic concentration on priority areas, continued performance orientation and better communication (through adding common results indicators, including integration of migrants among funding priorities, enhancing the urban dimension and continued support for outermost regions). Synergies with other EU funds were also addressed (especially the new Horizon Europe and Connecting Europe Facility).

Council starting position

In its [conclusions](#) of November 2016 on the 'results and new elements of cohesion policy and the European Structural and Investment Funds', the Council of the European Union stated that ERDF and CF resources must be prioritised on the right geographical and thematic objectives. In its view, while predefined requirements for thematic concentration on innovation, SMEs and green growth are important, they must be balanced against other emerging needs at national and regional level.

In April 2017, the Council adopted [conclusions](#) on 'making cohesion policy more effective, relevant and visible to our citizens'. It invited the Member States and the Commission to increase the visibility of cohesion policy and its tangible results as part of raising awareness of the positive impact that the EU can have on the everyday life of EU citizens. It also acknowledged that cohesion policy is a key EU policy supporting investments for growth and creating jobs. At the same time, it advocated a tailor-made approach that takes into account the different social, territorial and economic realities on the ground.

In its [conclusions](#) on the 'synergies and simplification of cohesion policy' of November 2017, the Council called for synergies between ESI funds and other EU instruments, as well as a simpler and more coherent system of indicators allowing a better assessment of impact. In its [conclusions](#) of March 2018 on 'streamlining the delivery system and implementation of cohesion policy and the European Structural and Investment (ESI) Funds post-2020', the Council supported the territorial approach, including a focus on cross-border cooperation, smart specialisation, urban dimension and a strategic partnership with the outermost regions.

Preparation of the proposal

The Commission proposal for a regulation on the European Regional Development Fund and the Cohesion Fund was accompanied by an [impact assessment](#). It discusses the findings of [ex-post evaluations](#) of previous cohesion policy programmes financed by the ERDF and Cohesion Fund (completed in 2016),³ as well as the [public consultation](#) on EU funds in the area of cohesion carried out between January and March 2018.

The main conclusions from the impact assessment show the need for administrative simplification, flexibility to respond to emerging needs and for better use of financial instruments (issues addressed in the CPR proposal). Moreover, activities with a high and low impact in terms of EU added value were identified. The best performing investments turned out to be: support for SMEs; smart specialisation strategies and facilitating regions to move up the economic chain; the low carbon economy; sustainable urban development; and regional co-operation. The lowest impact was identified in support for large enterprises and airport investments (except in the outermost regions). It was concluded that large enterprises responded better to improved local business conditions rather than financial incentives, while airport investments on the whole tended to perform poorly. Additionally, waste and water sector investment has already created significant change in many Member States, reducing the need for further funding.

To deal with the forthcoming budget reduction, the impact assessment considered three policy options: 1) a cut of funding for all types of regions; 2) reducing the contribution to the more developed regions; 3) maintaining support in key areas (thematic concentration) with reduction in other themes. The third option was preferred, in order to maintain the focus on areas with highest

EU added value, where evaluation evidence suggested the policy's highest impact. Maintaining support in all EU regions, including the more developed ones, was also considered the most effective way to meet cross-cutting challenges (globalisation and economic transformation, transition to the low carbon and circular economy, environmental challenges, migration and pockets of urban poverty), a sign of solidarity and a way to ensure visibility of cohesion policy funds in all Member States.

The impact assessment therefore recommended maintaining support in key areas with the highest added value, while reducing support in other fields with low impact. The choice of priorities in the proposed cohesion policy framework and the thematic concentration of the ERDF take these findings into account.

EPRS published an initial [appraisal](#) of the Commission's impact assessment in September 2018. The appraisal states that the impact assessment (IA) provides a good description of policy challenges and lessons learned from previous programmes. However, social and environmental impacts are not directly assessed, and the potential impacts of the proposed measures discussed only generally. While the evidence base and expertise appears to be sound, the IA could benefit from additional explanations regarding the assumptions and uncertainties underlying the analysis.

The changes the proposal would bring

General framework

The proposed regulation on the ERDF and CF outlines the specific policy objectives to be supported by the ERDF and CF (among the five policy objectives established in the CPR [proposal](#)). The draft regulation also specifies the thematic concentration of ERDF support (i.e. percentages allocations for certain objectives required for the three different groups of regions). In addition, it gives detailed guidance on the scope of support from the ERDF and CF, specifying the types of investments to be supported and excluded. In its [annex](#), it lays down the common output and result indicators to track progress and performance. The regulation proposal also contains provisions on the treatment of territories with particular territorial features, such as urban areas and the outermost regions. The organisation of the ERDF and CF regulation is similar to the two previous separate regulations on the ERDF and the CF. The main difference is the extension of non-eligible activities, introduction of common result indicators⁴ (only common output indicators existed in the previous period, while the result indicators were programme-specific), and the disappearance of separate articles on areas with natural or demographic handicaps and the northernmost regions with very low population density. There is also a slight shift as regards the content and required earmarked percentages of thematic concentration of ERDF activities (CF continues to support the same two areas as before, i.e. transport and environment).

Thematic concentration

Under the proposal, the 11 thematic objectives from 2014-2020 have been reduced to five 'policy objectives' (POs): 1) a smarter Europe – innovative and smart industrial transformation; 2) a greener, low carbon Europe – clean and fair energy transition, green and blue investment, circular economy, climate adaptation and risk prevention; 3) a more connected Europe – mobility and regional ICT connectivity; 4) a more social Europe – implementing the European Pillar of Social Rights; 5) Europe closer to citizens – sustainable and integrated development of urban, rural and coastal areas through local initiatives. The ERDF will support all these policy objectives. In the context of budget reduction, however, the majority of ERDF resources will be concentrated on PO1 and PO2 (i.e. smart and green economy). This is in line with the [findings](#) from evaluation evidence and the impact assessment, which suggested the highest added value and the greatest contribution to EU priorities of EU funds in these areas. To increase flexibility, it is proposed that thematic concentration criteria will apply at national level with some possibility to adapt them at the level of individual programmes.

Table 1 – Thematic concentration criteria at national level (ERDF)

For countries with:	minimum % PO1	minimum % PO2
GNI below 75 %	35 %	30 %
GNI 75-100 %	45 %	30 %
GNI above 100 % of the EU average	60 %	not applicable (PO1 and PO2 minimum 85 %)

Source: [European Commission](#), 2018.

Furthermore, the proposal set thematic concentration criteria for the above-mentioned country groups as follows: group 1 (i.e. GNI above 100 % of the EU average) to allocate at least 85 % of their total ERDF resources under priorities other than for technical assistance to PO1 and PO2, and at least 60 % to PO1; group 2 (i.e. 75-100 % GNI) shall allocate at least 45 % of their total ERDF resources under priorities other than for technical assistance to PO1, and at least 30 % to PO2; group 3 (i.e. below 75 % GNI) to allocate at least 35 % of their total ERDF resources under priorities other than for technical assistance to PO1, and at least 30 % to PO2.

The compromise [agreement](#) between the Parliament and Council, which forms the basis for the final text of the [regulation](#), created the possibility for Member States to comply with thematic concentration at national level or at the level of category of region. The changed thematic concentration requirements are as follows: for country group 1 or more developed regions: at least 85 % of ERDF resources to PO1 and PO2, with at least 30 % to PO2; for country group 2 or for transition regions: at least 40 % of ERDF resources to PO1 and at least 30 % to PO2; for country group 3 or less developed regions: 25 % of ERDF resources to PO1, at least 30 % to PO2.

As regards the details of investments, the ERDF will support: 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 final regulation also includes support for applied research and innovation activities, including industrial research, experimental development and feasibility studies, safeguarding existing jobs and creating new ones, innovation clusters including between businesses, research organisations and public authorities. Additional investments in companies other than SMEs were also added, for instance mid-caps or for projects supporting energy efficiency and renewable energy.

The Cohesion Fund will continue to provide financial support mainly for environmental and transport infrastructure projects in the cohesion countries. Thus, it will support only PO2 (environment) and parts of PO3 (TEN-T and transport mobility). The focus on these two areas (environment and transport) is the same as in the previous period, and as in the previous period the scope of CF also includes technical assistance. The detailed support will include: a) investments in the environment, including investments related to sustainable development and energy presenting environmental benefits; b) investments in TEN-T; c) technical assistance. The final regulation also includes increased focus on renewable energy and information, communication and studies among supported CF activities.

Both funds are expected to contribute to the overall target of [30 %](#) of EU budget expenditure contributing to climate objectives. Investments under the whole ERDF financial envelope are expected to contribute 30 % to climate objectives, while this percentage rises to 37 % under the Cohesion Fund.

Non-eligible activities

As set out in the 2018 proposal, activities excluded from the scope of ERDF and CF support include: decommissioning and construction of nuclear power stations, reduction of greenhouse gas

emissions from certain activities,⁵ tobacco and tobacco products, certain undertakings in difficulty, airport infrastructure except in outermost regions, disposal of waste in landfill, facilities for the treatment of residual waste, fossil fuels (with the exception of investment in clean vehicles),⁶ broadband infrastructure in areas with already good coverage, and purchase of rolling stock for use in rail transport, with some exceptions (Article 6). In addition, the Cohesion Fund will not support investments in housing unless they are related to energy efficiency and renewable energy use. The choice of these non-eligible activities aims to ensure consistency with evaluation evidence for activities with the highest impact, as well as the EU political and sustainability objectives. Some of these non-eligible activities were already present in the previous separate Cohesion Fund and ERDF Regulations. The main additions in the 2021-2027 framework are the landfill and treatment of residual waste, fossil fuels, broadband infrastructure and rolling stock for rail transport.

The compromise [agreement](#), which became the basis of the adopted [regulation](#), has made a number of changes to the list of non-eligible activities proposed by the Commission. It introduces several additional conditions into the provisions covering undertakings in difficulty, regional airports, disposal of waste in landfill and residual waste, and establishes a number of exceptions in respect of the outermost regions. The list of non-eligible investments in fossil fuels has been revised, and now allows exceptions for support for investments in gas-fired heating systems and gas networks.

Indicators

In order to measure progress towards performance, the regulation refines the common set of output indicators, while for the first time adding a common set of results indicators. These will facilitate comparison and aggregation at EU level. Results will be reported in real time (every two months) on the [Open Data Platform](#), improving transparency and communication of data to the general public, the media, analysts, and researchers. The full indicator framework (available in [Annex I](#) to the proposed regulation) includes output and result indicators for each of the five policy objectives, such as support to businesses and individuals, upgraded energy performance, broadband coverage, length of new transport links, improved social and health care facilities, strategies for local and urban development.

Sustainable urban development

The regulation proposal increases the focus on sustainable urban development by dedicating 6 % of ERDF resources to this area (5 % in the previous 2014-2020 period), which was increased to 8 % in the adopted regulation. These actions are to be delivered through territorial instruments, such as community-led local development, integrated territorial investments (ITIs) or other tools under PO5 (i.e. 'A Europe closer to citizens'). Moreover, the regulation provides for ERDF support to the European urban initiative to be implemented by the Commission through direct or indirect management. The initiative aims to cover all urban areas and contribute to the Urban Agenda of the EU. It will consist of three strands supporting sustainable urban development: 1) capacity building, 2) innovative actions, and 3) knowledge, policy development and communication. In the course of interinstitutional negotiations, the three strands have been reduced to two: 1) Support of innovative actions; and 2) Support of capacity and knowledge building, territorial impact assessments, policy development and communication.

Outermost regions

The proposed regulation sets out special measures regarding allocations for outermost regions to accommodate their specific situation. The additional allocation for these regions can be used to offset additional costs resulting from their permanent development restraints, however, some types of support cannot be funded by this allocation (Article 11). Also, the exclusion of funding airport infrastructure as a non-eligible activity does not apply to outermost regions. The adopted regulation introduces further exceptions to non-eligible activities for these regions regarding disposal of waste

in landfills, treatment of residual waste and productive investments in enterprises irrespective of their size.

European territorial cooperation (Interreg)

European territorial cooperation (Interreg) will continue to be supported by the ERDF and it is subject to a separate specific legislative [proposal](#). In this context, for regions with matching 'smart specialisation' assets, pan-European clusters will be built in priority sectors under a new interregional instrument aimed at 'helping those involved in smart specialisation strategies (S3) to cluster together, in order to scale up innovation and bring innovative products and processes to the European market'.⁷ It is important to note, however, that the new instrument ('interregional innovation investments') has not been included in the final version of the Interreg [regulation](#). In addition, a new European [cross-border mechanism](#) was proposed in a separate regulation. While the [Interreg regulation](#) has been [adopted](#), the legislative procedure on the cross-border mechanism has stalled in the Council.

Amendments in 2020 in light of the coronavirus pandemic

On 28 May 2020, the European Commission published an [amended](#) proposal on the ERDF and CF to facilitate recovery from the coronavirus pandemic. The changes are limited and targeted at providing additional flexibility in the ERDF's scope and objectives, as well as enabling response in the event of a future crisis situation. The amendments include adding the following elements to ERDF specific objectives: job creation in SMEs, fostering resilience for distance and on-line education and training, fostering resilience of health systems, and enhancing the role of culture and tourism in economic development, social inclusion and social innovation. Moreover, the scope of ERDF support is expanded to include the purchase of supplies necessary for strengthening the resilience of health systems and for strengthening disaster resilience. Under exclusions from the scope, support for undertakings in difficulty is allowed when authorised under a temporary State aid framework established to address exceptional circumstances. A new chapter has also been added on 'Temporary measures in response to exceptional and unusual circumstances'. It enables the use of ERDF resources in case of an unusual event with a major impact on government finances or a severe economic downturn. By way of derogation, ERDF support can then be used to respond to such unusual circumstances, in particular through financing of working capital for SMEs in the form of grants. In addition, a derogation can also be made to reduce thematic concentration requirements and minimum allocation for sustainable urban development. In Annex I, the output and result indicators on tourism and culture have been modified to allow for their use outside policy objective 5.

The modified proposal did not imply any budgetary changes from the MFF proposal, and thus the overall amounts for the ERDF and the Cohesion Fund for the 2021-2027 period remain unchanged.

Advisory committees

The European Committee of the Regions (CoR) adopted its [opinion](#) in plenary on 5 December 2018. It welcomed the simplification of rules but regretted the spending cuts, which are particularly high for the Cohesion Fund. It suggested introducing horizontal enabling conditions regarding the Paris Agreement in order to ensure the EU meets its climate objectives. It welcomed the focus on green economy and the new Interreg component for innovative interregional investments, while calling for an increased ETC budget. It advised against ERDF thematic concentration at national level rather than regional level. The CoR also recommended involving local and regional partners in decisions on any transfers of ERDF and CF resources to other Commission programmes such as InvestEU.

The European Economic and Social Committee (EESC) adopted its [opinion](#) on 17 October 2018. It welcomed the simplification of the use of funds, improved multilevel governance and participation of civil society organisations. However, it strongly disagreed with the cuts to cohesion policy. The

EESC called for making the criteria for co-financing more flexible, increasing the ETC budget, earmarking 10 % for PO4 (policy objective on social issues), and establishing a European Civil Society Cohesion Forum as well as a Social Sustainability and Accessibility Regional Initiative. It also stressed that equality, non-discrimination and accessibility for persons with disabilities should be included horizontally in all Commission proposals for regulation.

National parliaments

The proposal for a regulation was submitted to national parliaments, with a [subsidiarity deadline](#) of 24 September 2018. None of the national parliaments raised subsidiarity concerns, although several parliaments presented detailed comments. The Romanian Senate in its [opinion](#) suggested a clarification of financing infrastructure investments (expressing concern about decreasing allocations available for basic infrastructure) and technical assistance measures. It also advocated a decentralised territorial approach and better adaptation to regional needs. The Czech Senate issued a [resolution](#), in which it supported the Czech government's request to justify the proposed percentage distribution of the thematic concentration, provide greater flexibility in determining the percentage distribution of thematic concentration for individual Member States and ensure that policy objectives and specific objectives are selected on the basis of fundamental regional differences, expressed both in qualitative and quantitative terms. The German Bundesrat presented a [decision](#), in which it welcomed the focus of cohesion policy. However, it questioned the concentration of ERDF funding on PO1 and PO2, as it may limit the support available for SMEs and other crucial objectives. It also pointed out the rigidity of provisions on sustainable urban development and stressed that new indicators should not lead to additional administrative burdens.

Stakeholder views⁸

The [Cohesion Alliance](#), an EU-wide coalition of various regional policy stakeholders including regional and local authorities, business associations, academia, trade unions and think-tanks, such as the Association of European Border Regions (AEBR), the Assembly of European Regions (AER), the Conference of European Regional Legislative Assemblies (CALRE), the Council of European Municipalities and Regions (CEMR), the Conference of Peripheral Maritime Regions of Europe (CPMR) and EUROCITIES – reacted to the publication of the Commission proposals on the [new MFF](#) and the [cohesion policy](#) package. It welcomed the continued coverage of all EU regions and in particular the investments in education, research, youth and migration. However, it expressed concern over the impact of cohesion budget reduction and risks of centralisation of investment. It also pointed out the growing separation of structural funds, with the European Social Fund and the Agricultural Fund for Rural Development increasingly detached from the ERDF and CF.

Legislative process

The European Commission adopted the legislative proposal on 29 May 2018. The proposal was then amended on 28 May 2020 to enable recovery from the coronavirus pandemic.

In the Council, the proposal was examined by the [Working Party on Structural Measures](#) in the second half of 2018. On 15 February 2019, the Permanent Representatives Committee agreed on a partial [mandate](#) for negotiations on the ERDF/CF Regulation. The amended Commission proposal was examined by the Working Party in June 2020. Following the working party level discussion of the presidency's compromise proposals, a new partial [mandate](#) for negotiations with the EP was discussed in Coreper in July 2020. The partial mandate was then [updated](#) in light of the European Council conclusions adopted at the special meeting on 17-21 July 2020 regarding the new EU budget.

In the European Parliament, the [file](#) was allocated to the Committee on Regional Development (REGI) and Andrea Cozzolino (S&D) was appointed rapporteur. The rapporteur's draft [report](#) was published on 21 September and presented on 15 October 2018. Several parliamentary committees (CONT, LIBE, ENVI, BUDG, AGRI, CULT and TRAN) provided opinions on the proposal.

The vote in committee took place on 14 February 2019, while the plenary vote took place on 27 March 2019. The adopted legislative [resolution](#) constituted the Parliament's first-reading position for negotiations with the Council. The amendments to the regulation included adding more details to specific objectives of ERDF and CF support (e.g. covering natural heritage, digital connectivity, creation and safeguarding of jobs, housing investments, resource efficiency and sustainable tourism), a shift of focus of funding from national to regional level and making allocations dependent on gross domestic product (GDP) per capita rather than gross national income ratio. The resolution also proposed to raise investments for urban development from 6 % to 10 %, to strengthen R&D and SME investments within the scope of ERDF support, and to expand technical assistance for administrative capacity-building of local and regional authorities. It also suggested to accommodate the special needs of outermost regions (for instance by allowing continued ERDF support for productive investments in enterprises, irrespective of their size) and adding clarifying elements to the exclusions regarding investments in airport infrastructure and treatment of residual waste. Moreover, it proposed amendments to the thematic concentration requirements for policy objectives 1 and 2 (i.e. smart and green issues) and additional provisions relating to territories with particular features (creating a minimum reserve for areas facing problems of impoverishment and falling population numbers). Further amendments included adding a number of indicators to the list of output, result and performance indicators in annexes I and II.

In the new parliamentary term, on 3 September 2019 the REGI committee confirmed the re-appointment of Andrea Cozzolino as rapporteur. The committee voted to enter into negotiations under Rule 72, on 2 October 2019. The file was subject to interinstitutional negotiations, in parallel with the negotiations on the new CPR and the 2021-2027 MFF.

The co-legislators (European Parliament and Council of the EU) reached a provisional political agreement in trilogue on 8 December 2020, while a final political trilogue meeting took place on 9 February 2021, confirming the [agreement](#). The agreement, which forms the basis of the adopted [regulation](#), changes the required allocations to PO1 and PO2 (for more developed regions: 85 % of ERDF resources to PO1 and PO2, with at least 30 % to be allocated to PO2; for transition regions, 40 % of ERDF resources to PO1 and at least 30 % to PO2; for less developed regions: 25 % of ERDF resources to PO1, at least 30 % to PO2). It adds to the scope of ERDF investments by allowing support for investments aimed at safeguarding and creating jobs; support for activities for applied research and innovation, including industrial research, experimental development and feasibility studies; support for networks and exchange of experience involving innovation clusters. It will also support information, communication and studies, investments in mid-cap companies as well as investments in companies other than SMEs where they involve cooperation with SMEs in research and innovation activities or support energy efficiency and renewable energy. For the Cohesion Fund, the agreement adds a strengthened focus on renewable energy and enables support for information, communication, and studies. In terms of exclusions from support, it adjusts the provisions on undertakings in difficulty, regional airports, disposal of waste in landfill, residual waste (for which it includes some additional conditions) and on fossil fuels (to which it adds a number of exceptions, e.g. for gas-fired heating systems and gas networks). Additional exceptions from the exclusions are also added in respect of the outermost regions (i.e. continued support for regional airports). The compromise agreement also raises the earmarked allocation for sustainable urban development from 6 to 8 %. When it comes to urban actions, the agreement calls for special attention to be paid to digital innovation, tackling climate challenges in the context of transition towards a climate-neutral economy by 2050 and capacity-building at local level to achieve the Sustainable Development Goals. It also introduces a new article on Interregional Innovation Investments (previously included in the Interreg regulation proposal), providing financial and advisory support to projects. The compromise also highlights the need for dedicated funding for disadvantaged regions and areas, such as rural areas and areas with severe and permanent natural or demographic handicaps, as called for by the Parliament.

The Council adopted its [first-reading position](#) on 27 May 2021, based on the compromise text agreed in trilogue. Following the [recommendation](#) from the REGI committee adopted on 15 June 2021, the Parliament voted on the draft regulation at its June II plenary session.. The final act was signed on 24 June and published in the [Official Journal](#) on 30 July 2021.

EP SUPPORTING ANALYSIS

Sapała M., [Cohesion funds, values and economic and monetary union in the 2021-2027 MFF](#), EPRS, May 2019.

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OTHER SOURCES

[European Regional Development Fund \(ERDF\) and Cohesion Fund 2021–2027](#), European Parliament, Legislative Observatory (OEIL).

European Commission, [EU budget: Regional Development and Cohesion Policy beyond 2020](#), Press Release, 29 May 2018.

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ENDNOTES

- ¹ 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.
- ² The Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 covers the following 'Union funds': the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.
- ³ Period 2007-2013, as a comprehensive evaluation of cohesion policy results for 2014-2020 is not yet available. The latest report relating to the current framework is the strategic report of 2019 on the implementation of European Structural and Investment Funds, prepared by the European Commission.
- ⁴ Output indicators refer to parameters such as the number of enterprises or individuals supported, while result indicators focus on jobs created, patent applications made or innovations introduced in SMEs. The full set of output and result indicators for ERDF and CF is laid out in Annex I to the regulation.
- ⁵ The reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC of the European Parliament and of the Council 20 in order to avoid duplication of available financing, which already exists as part of that Directive.
- ⁶ As stated in the regulation proposal, non-eligible activities in relation to fossil fuels include: production, processing, distribution, storage or combustion.
- ⁷ EC, Proposal for a Regulation on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments, COM(2018) 374 final.
- ⁸ This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

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