

P6_TA(2005)0279

European Regional Development Fund *I**

European Parliament legislative resolution on the proposal for a regulation of the European Parliament and of the Council on the European Regional Development Fund (COM(2004)0495 – C6-0089/2004 – 2004/0167(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2004)0495)¹,
 - having regard to Article 251(2) and Articles 162 and 299(2) of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0089/2004),
 - having regard to Article 160 of the EC Treaty,
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Regional Development and the opinions of the Committee on Budgets, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Industry, Research and Energy, the Committee on Transport and Tourism, the Committee on Agriculture and Rural Development, the Committee on Fisheries and the Committee on Women's Rights and Gender Equality (A6-0184/2005),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council and the Commission.

¹ Not yet published in OJ.

Position of the European Parliament adopted at first reading on 6 July 2005 with a view to the adoption of Regulation (EC) No .../2005 of the European Parliament and of the Council on the European Regional Development Fund

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the first paragraph of Article 162 and the second subparagraph of Article 299(2) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the procedure laid down in Article 251 of the *Treaty* ³,

Whereas:

¹ OJ C (...), (...), p.(...).

² OJ C (...), (...), p.(...).

³ *Position of the European Parliament of 6 July 2005.*

- (1) Article 160 of the Treaty provides that the European Regional Development Fund (ERDF) is intended to help redress the main regional imbalances in the Community. The ERDF therefore contributes to reducing the gap between the levels of development of the various regions and the extent to which the less-favoured *regions, including rural and urban areas, areas affected by industrial transition and regions affected by serious and permanent natural or demographic disadvantages, areas with a low population density, border and mountain areas and islands*, are lagging behind.
- (2) The provisions common to the Structural Funds and the Cohesion Fund are set out in Regulation (EC) No .../2005¹ [laying down general provisions for the European Regional Development Fund, the European Social Fund, and the Cohesion Fund]. Specific provisions concerning the type of activities which may be financed by the ERDF under the objectives defined in that Regulation need to be laid down.
- (3) The ERDF should provide assistance within the framework of an overall strategy for cohesion policy which ensures greater concentration of assistance on the priorities of the Community *and seek to address the underlying causes of regional disparities*, particularly *within* the less-developed regions.
- (4) *The Member States and the Commission should ensure that there is no discrimination on grounds of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementing the ERDF and the other Structural Funds, and in particular in granting access to them.*

¹ OJ L (...), (...), p.(...).

- (5) Regulation (EC) No .../2005 provides that the **rules on** eligibility of expenditure **are** to be established at national level, with certain exceptions for which it is necessary to lay down specific provisions. The exceptions related to the ERDF should therefore be laid down.
- (6) Efficient and effective implementation of the action supported by the ERDF relies on good governance and **on the collaboration and involvement of** all the relevant **territorial, socio-economic and environmental partners**, and in particular **interregional**, regional and local authorities, **at all the programming stages: preparation, implementation, follow-up and evaluation. Where necessary, cooperation between regional and local authorities will be stepped up in order to fulfil common objectives.**
- (7) **As part of the technical assistance provided for in Articles 43 and 44 of Regulation (EC) No .../2005, the ERDF may finance action relating to preparation, monitoring, administrative and technical support, evaluation, audit and control necessary both for the public administrative services and for other relevant territorial players, such as non-governmental organisations (NGOs), associations of elected representatives and socio-professional and environmental organisations.**
- (8) Building on the experience and strengths of the Urban Community initiative **and of Objective 2 assistance in urban neighbourhoods in crisis under** Article 20(1)(b) of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds¹, the urban dimension, **including the level of investment in sustainable urban development**, should be reinforced by fully integrating measures in that field into the operational programmes co-financed by the ERDF. **Local development and employment initiatives, and their potential for innovation, play a significant role in this connection.**

¹ OJ L 161, 26.6.1999, p. 1. Regulation as last amended by Regulation (EC) No 173/2005 (OJ L 29, 2.2.2005, p. 3).

- (9) Particular attention should be paid to guaranteeing complementarity and consistency between *the* support granted by the ERDF and that granted by the European Agricultural Fund for Rural Development pursuant to Regulation (EC) No .../2005 and by the European Fund for Fisheries pursuant to Regulation (EC) No .../2005. Programmes co-financed by the ERDF should therefore support the diversification of the rural *economy, the cultural dimension of rural areas, the development of tourism, the diversification of areas dependent on fisheries away from traditional activities, and the creation of sustainable jobs, and help such regions to become economically and socially more attractive.*
- (10) It is necessary to ensure that the action supported by the ERDF in favour of small and medium sized *enterprises (SMEs)* takes into account and supports the implementation of the European Charter for Small Enterprises adopted at the European Council in Santa Maria de Feira.
- (11) *It is desirable to develop the means and areas of support available under the 'convergence' objective by introducing a new mechanism of assistance to SMEs and a new approach to regional development by making available to SMEs free of any charge the findings of research financed wholly by public funds.*
- (12) *In addition, ERDF operations need to be coordinated more closely with the seventh framework programme of the European Community for research, technological development and demonstration activities (2007 to 2013)¹ ('the Seventh Framework Programme').*

¹ *Proposal for a decision of the European Parliament and of the Council concerning the seventh framework programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (Com (2005)119).*

- (13) Specific attention should be paid to the outermost regions, namely by enlarging, on an exceptional basis, the scope of the ERDF to the financing of operating aid linked *to compensation for the additional costs arising from their special structural economic and social situation, which is compounded by their remoteness, insularity, small size, difficult topography and climate and their economic dependence on a few products, the permanence and combination of which severely restrain their development and access to the internal market, in accordance with Article 299(2) of the Treaty.*
- (14) The ERDF should address the problems of accessibility and remoteness from large markets confronting areas with an extremely low population density, as referred to in Protocol No 6 to the Act of Accession of Austria, Finland and Sweden. The ERDF should also address the specific difficulties encountered *by islands, mountain areas, border regions and* sparsely populated areas whose geographical situation slows down their development, *with the aim of supporting independent, sustainable development in these regions.*
- (15) *With regard to the Trans-European Networks (TENs), the ERDF should furthermore improve connections with the new Member States, particularly in order to strengthen economic relations with these countries.*
- (16) The ERDF should ensure synergy with assistance from the European Social Fund and the Cohesion Fund. It should also ensure complementarity and consistency with other Community policies.
- (17) It is necessary to lay down specific provisions concerning the programming, management, monitoring and control of operational programmes under the 'European territorial cooperation' objective *and to establish a complementary and coherent relationship with other Community policies, including the 'wider neighbourhood' policy.*

- (18) It is necessary to *support effective* cross-border and transnational cooperation with countries neighbouring the Community where this is necessary to ensure that the regions of the Member States which border third-countries can be effectively assisted in their development. ***It must also be ensured that the EU border regions concerned are no worse off, in terms of their current opportunities and rights, than they previously were and no worse off than regions at internal EU borders.*** Accordingly, it is appropriate to authorise on an exceptional basis the financing of assistance from the ERDF for projects located on the territory of third countries where they are for the benefit of ***cross-border cooperation with regions*** of the Community. ***It is also necessary to ensure proper weighting of the distribution of financial resources between the transnational and cross-border strands of the 'European territorial cooperation' objective. The cross-border strand requires particular attention, since the borders of the Union have expanded significantly and many of the regions lagging behind are border regions.***
- (19) Regulation (EC) No 1783/1999 of the European Parliament and the Council of 12 July 1999 on the European Regional Development Fund¹ should be repealed -

HAVE ADOPTED THIS REGULATION:

¹ OJ L 213, 13.8.1999, p. 1.

CHAPTER I

GENERAL PROVISIONS

Article 1

Subject matter

This Regulation establishes *the* tasks of the European Regional Development Fund (ERDF), the scope of its assistance with regard to the '*convergence*', '*regional competitiveness, employment and social inclusion*', and 'European territorial co-operation' *objectives* as defined in Article 3 of Regulation (EC) No .../2005 [laying down general provisions for the European Regional Development Fund, the European Social Fund and the Cohesion Fund], and the types of expenditure eligible for assistance.

It lays down specific provisions concerning the treatment of urban and rural areas, of areas dependent on fisheries, of the outermost regions, *of island regions, of border regions*, of areas with *serious and permanent* natural, *demographic* handicaps *and of mountain regions*.

It also sets out specific provisions concerning the 'European territorial cooperation' objective, particularly in terms of programming, implementation, management, monitoring and control.

Article 2

Purpose

The ERDF shall contribute to the financing of assistance *seeking to reinforce* economic, social and territorial cohesion *in the context of the EU sustainable development strategy* by *addressing and dealing with the underlying causes of inter- and intra-regional* disparities and supporting the structural development and adjustment of regional economies, including the conversion of declining industrial regions.

In so doing, the ERDF shall give effect to the priorities of the Community, *the details of these priorities to be determined by regional and local partners in accordance with operational programmes and national rules*, in particular:

- (a) the need to strengthen competitiveness *through an innovative approach to regional and local development intended* to create sustainable *jobs*, to promote *social inclusion and equality between men and women and to achieve environmental and social improvements through the implementation of Community environmental and social legislation*;
- (b) *the need to remove the barriers faced by disabled people in accessing goods and services and built-up areas by ensuring that accessibility is a condition of any project benefiting from the Funds.*

Article 3

Scope of assistance

1. The ERDF shall focus its assistance on a limited number of thematic priorities. The type and range of actions to be financed within each priority shall reflect the *varying* nature of the 'convergence', '*regional competitiveness, employment and social inclusion*' and 'European territorial cooperation' objectives in accordance with *Articles 5, 6 and 7*.
2. The ERDF shall contribute towards the financing of:
 - (a) productive investment *primarily aimed at those SMEs that contribute to the creation and the safeguarding of jobs;*
 - (b) infrastructure;
 - (c) other development *and employment* initiatives *consisting of* services to enterprises, creation and development of financing instruments such as venture capital, loan and guarantee funds and local development funds, interest subsidies, neighbourhood services, *joint local initiatives, networking and cooperation*, and *synergic exchanges* of experience between regions, towns, and relevant social, economic and environmental *players;*
 - (d) *growth and employment dynamics of SMEs (entrepreneurial activities such as business start-ups, transferring firms, company dynamics, exporting and developing skills);*
 - (e) technical assistance as referred to in Articles 43 and 44 of Regulation (EC) *No .../2005*.

Article 4

Balanced and sustainable regional development

Regional development means the preservation, development and, where necessary, reshaping of sustainable living and working conditions in the regions.

Article 5

Convergence

Under the '*convergence*' objective, the ERDF shall focus its assistance on supporting sustainable integrated regional, local, *urban and rural* economic *and social* development by mobilising and strengthening endogenous capacity through programmes aimed at the modernisation and diversification of regional *and local* economic, *administrative and social* structures, *and the creation of sustainable jobs*, primarily in the following areas:

- (1) *Territorial innovation, not least to enhance the potential of regionally and locally based institutional, social and economic players and modernise general government bodies, development agencies and financial institutions;*
- (2) Research and technological development (R&TD), innovation and entrepreneurship, including *the* strengthening of regional research and technological development capacities, *and their integration into the European research area, with a view to reducing the technology gap between regions.*

Aid to R&TD in *SMEs* and to technology transfer. Improvement of links *in particular* between *SMEs* and universities, *NGOs* and research and technology centres, development of business networks, *private-public partnerships* and clusters, support for the provision of business and technology services to groups of *SMEs and micro-undertakings*, fostering of entrepreneurship and innovation funding for *SMEs and micro-undertakings* through new financing instruments.

Support for the classic range of instruments of regional economic development, such as targeted support for the establishment of firms and corporate investment, not exclusively in SMEs, as well as the creation and development of economic infrastructure. Particular efforts should be made to improve the expertise, capacity to take action and representativeness of organisations of SMEs, micro enterprises and craft enterprises.

The products of research financed wholly by public funds via the EC budget or national research institutes, which are not yet patented, may be offered to SMEs free of any charge provided that such research is directly transformed into an innovative industrial good. In order to support the exchange of knowledge without the need to develop new expertise, the application of a regional or national 'knowledge voucher' should be accessible as a general instrument;

- (3) Information society, including development of local content, services and applications, improvement of access to and development of on-line public services, aid and services to SMEs to adopt and effectively use information and communication technologies (ICTs) or to exploit new ideas;*
- (4) Local employment and development initiatives: aid for structures providing neighbourhood services to create new jobs, but excluding measures financed by the European Social Fund;*
- (5) Promotion of equality between men and women, including support for the creation of firms, specific measures for female entrepreneurs to facilitate the economic exploitation of new ideas, support for the creation of new firms by universities and existing enterprises, promotion of infrastructures and services enabling family and working life to be reconciled;*

- (6) Environment, including investments connected with waste management, water *management and quality, including security of water supplies, implementing Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy*¹, urban waste-water treatment and air quality, integrated pollution prevention and control, *elimination of contaminated waste dumps and* rehabilitation of contaminated sites and land, promotion of biodiversity and nature protection, *promotion of the development of infrastructure to implement Natura 2000*, aid to SMEs to promote sustainable production patterns through the introduction of cost-effective environmental management systems and the adoption and use of pollution-prevention technologies;
- (7) *Conversion, including investigation of contaminated waste dumps, rehabilitation of areas previously in military use and their return to civilian use, return to nature or afforestation, removal of warfare agents, reconstruction and modernisation of barrack buildings and sites for economic, social and cultural regeneration, including the relevant catchment area, and in this connection support for SMEs in particular;*
- (8) *Risk prevention*, including development and implementation of plans to prevent and cope with natural and technological risks;
- (9) Tourism *and culture*, including promotion of natural and cultural assets as potential for the development of sustainable tourism; protection and enhancement of the *physical and* cultural heritage in support of economic development; aid to improve the supply of tourism services through new higher value-added services *and facilitate the changeover to new, more sustainable patterns of tourism;*
- (10) *Economic and social regeneration of crisis-hit towns, cities and peripheral urban areas: comprehensive plans for sustainable development of crisis-hit urban areas, medium-sized and small towns functioning as centres and peripheral urban areas, revival of the town-hinterland relationship with regard to services of general economic interest;*

¹ OJ L 327, 22.12.2000, p. 1. Directive as amended by Decision No 2455/2001/EC (OJ L 331, 15.12.2001, p. 1).

- (11) Transport investments, including *TENs*, **major European technical and logistical projects, road construction and upgrading outside the scope of the TEN-T backbone, taking into account the need to create links with island, rural, landlocked and otherwise remote regions and between those regions and the Community's central regions**, and integrated city-wide strategies for clean, *sustainable* urban transport, which contribute to improving the access to and quality of passenger and goods services, **especially for persons with reduced mobility**, to achieving a more balanced modal split, to promoting intermodal systems and reducing environmental impacts, **including ambient noise and respirable dust pollution, introducing substitute fuels and reducing the road accident rate**;
- (12) Energy, including *TENs*, which contribute to improving security **and quality** of supply, *safeguarding jobs*, completing the internal market, and integrating environmental considerations, improvement of energy efficiency and the development of renewable energies;
- (13) Education investments, *in vocational training and lifelong learning, particularly of young people and women*, which contribute to increasing the attractiveness and quality of *regional life*, **to rehabilitating production systems and to supporting the enhancement of skills and the promotion of lifelong learning, even through the application of new technologies**;
- (14) Health, including *investment* to develop and improve health provision, **disease prevention and easier access to medical services**, which contribute to regional development and quality of life;

- (15) Direct aid to investment in SMEs contributing to creating and safeguarding jobs;
- (16) ***Public security to facilitate the operation of territorial economic activities, to be achieved through investment in technologies and in information and awareness campaigns to prevent criminal infiltration of the economy and disseminate a culture of legality;***
- (17) ***Strengthening of the structuring, institutional capacity and representativeness of organisations and intermediate chambers of SMEs, micro enterprises and craft enterprises;***
- (18) ***Direct aid to investment, with particular attention to high-quality clean technologies, in order to restructure heavy industry in those regions where transition to a market economy has taken place only recently.***

Article 6

Regional competitiveness, employment and social inclusion

Under the '*regional competitiveness, employment and social inclusion*' objective, the ERDF shall ***take into account the objectives of the Seventh Framework Programme and shall*** focus its assistance, in the context of regional ***economic and*** sustainable development strategies, on the following ***areas, while maintaining some flexibility for regions that are phasing in:***

- (1) innovation and the knowledge economy, through support *for* the design and implementation of regional innovation strategies conducive to efficient regional innovation systems ***capable of reducing the technology gap, taking into account local needs,*** and specifically:

- (a) enhancing regional R&TD and innovation capacities directly linked to regional economic development objectives **and combating unemployment and poverty, in particular** by supporting industry or technology-specific competence centres, by promoting **industrial R&TD and SMEs and technology transfer**, by developing technology forecasting and international benchmarking of policies to promote innovation, and by supporting inter-firm collaboration and joint R&TD and innovation policies;
- (b) stimulating innovation **and modernisation** in SMEs, **in particular by boosting direct investment**, by promoting university-enterprise cooperation networks, by supporting business networks and clusters of SMEs, **by improving access to finance and loans**, by facilitating SMEs' access to advanced business support services, by supporting the integration of cleaner and innovative technologies in SMEs **and by specific measures and action plans intended to stimulate innovation in very small enterprises**;
- (c) **establishing a closer link between knowledge and employment so as to enable young students to benefit from training options geared to the job opportunities actually existing in industry**;
- (d) **providing infrastructure on a scale appropriate to local and employment development**;
- (e) promoting entrepreneurship by facilitating the economic exploitation of new ideas, **including innovative actions to stimulate the social economy and local development**, and by fostering the creation of new firms by **higher education institutions, technical and vocational training institutions, apprenticeship institutions**, universities and existing firms;

- (f) *promoting public-private partnerships in the production of products and services;*
 - (g) creating new financial instruments *that, by investment capital and by incubation facilities, are conducive to the research and technological development capacity of SMEs and to encouraging entrepreneurship and new business formation, especially of knowledge-intensive SMEs;*
 - (h) *drawing up plans and actions to stimulate the creation, takeover, development and modernisation of small and micro enterprises and craft enterprises;*
 - (i) *providing direct assistance for investments in SMEs which help to create and maintain jobs;*
- (2) environment and risk prevention, and specifically:
- (a) stimulating investment for:
 - the rehabilitation of contaminated *brownfield and derelict* sites and *land*;
 - the development of *urban green areas and contribution to the sustainable development* and diversification of rural areas;
 - *the promotion of infrastructures linked to biodiversity and Natura 2000;*
 - *the management of solid and liquid waste;*
 - *the development of tourism, including the protection and enhancement of natural and cultural assets and the promotion of high value-added services, contributing to sustainable economic development;*

- (b) *conversion, including investigation of contaminated waste dumps, rehabilitation of areas previously in military use and their return to civilian use, return to nature or afforestation, removal of warfare agents, reconstruction and modernisation of barrack buildings and sites for economic, social and cultural regeneration, including the relevant catchment area, and in this connection support for SMEs in particular;*
 - (c) *stimulating energy efficiency and renewable energy production, the development of efficient energy management systems and the reduction of CO₂ and other noxious emissions;*
 - (d) *promoting environmentally friendly public transport;*
 - (e) *developing plans and measures to prevent and cope with natural and technological risks and to mitigate the environmental impact of business and domestic activity;*
- (3) access, outside major urban centres, to transport and telecommunication services of general economic interest, and specifically:
- (a) *strengthening secondary networks by improving links to **priority TENs**, to regional railway hubs, airports and ports, or to multimodal platforms, by providing radial links to main **railway** lines, and by promoting regional and local inland **waterway cabotage, maritime connections with smaller islands and transversal air connections between first and second-class airports;***
 - (b) *promoting access to and efficient use of ICTs by SMEs **by setting up infrastructure in the most remote regions**, by supporting access to networks, the establishment of public Internet access points, equipment, and the development of services and applications, **including in particular the development of action plans for very small and craft enterprises.***

Article 7

European territorial cooperation

Under the “European territorial cooperation” objective, the ERDF shall concentrate its assistance on:

- (1) the development of cross-border ***economic, social and environmental*** activities through joint strategies for sustainable territorial development, and primarily *by*:
 - (a) *encouraging entrepreneurship and, in particular, the development of SMEs, tourism, culture, **sporting activities** and cross-border trade;*
 - (b) *encouraging the protection and joint management of the environment **and risk prevention relating to disaster management;***
 - (c) ***promoting the sustainable development of rural areas;***
 - (d) *reducing isolation through improved access to transport, information and communication networks and services, and cross-border water, waste and energy systems;*
 - (e) *developing collaboration, capacity and joint use of infrastructures in particular in sectors such as health, culture, **sport** and education;*
 - (f) ***combating crime and protecting borders; and***
 - (g) ***protecting and enhancing the natural and/or physical cultural heritage in support of economic development, urban or rural regeneration or tourism by promoting the decentralised Interreg management model.***

In addition, the ERDF may contribute to promoting the integration of cross-border labour markets, local employment initiatives, equal opportunities, training and social inclusion, and sharing of human resources and facilities for R&TD;

- (2) the establishment and development of transnational cooperation, including bilateral *or multilateral* cooperation between maritime regions *consistent with the ‘wider neighbourhood action plan’*, through the financing of networks and of actions conducive to integrated territorial development *in particular with* the following priorities:
- (a) water management, with a clear trans-national dimension, including protection and management of river basins, coastal zones, marine resources, water services and wetlands;
 - (b) improving accessibility, including investments in cross-border sections of trans-European networks, improved local and regional access to national and transnational networks and platforms, enhanced inter-operability of national and regional systems *and the setting-up and development of motorways of the sea*, and promotion of advanced *logistics*, communications and information technologies;
 - (c) risk prevention *and climate change*, including the promotion of maritime security and protection against flooding, *drought*, marine and inland water *pollution*, *protection* against erosion, *not least of the coastline*, *hydrologic accidents*, earthquakes, *volcanic eruptions*, avalanches, *typhoons*, *forest fires and desertification*, *as well as biodiversity, environmental management and sustainable energy production*. Programmes may include the provision of equipment and development of infrastructure, drawing up and implementing transnational assistance plans, common risk mapping systems, and the development of common instruments for studying, preventing, monitoring and controlling natural and technological risks;

- (d) the creation of scientific and technological networks connected with issues relating to the balanced development of transnational areas ***and reducing the technology gap***, including the establishment of networks between universities, ***thus making for their effective integration into the European research area***, and links for accessing scientific knowledge and technology transfer between R&TD facilities and international centres of R&TD excellence, the development of transnational consortia for sharing R&TD resources, twinning of technology transfer institutions, and development of joint financial engineering instruments directed at supporting R&TD in SMEs;
- (e) ***collaboration in entrepreneurship and SME development, including in the tourism, culture, education and health sectors and in the support for sustainable communities;***
- (f) ***the protection of natural resources and the cultural heritage, the protection and improvement of the natural environment of the regions, the preservation and development of natural assets and the protection and improvement of the built environment and cultural heritage, the development of effective, integrated, long-term strategies for sustainable development and the achievement of a fuller picture of natural resources and the cultural heritage and the way in which they can be integrated into transnational strategies successfully;***
- (g) ***cooperation on maritime-related issues, including port network development, shipping services, economic linkages between ports and linkages between ports and their hinterlands;***
- (h) ***urban and rural spatial planning issues, with a clear transnational dimension as outlined in the European Spatial Development Perspective;***

- (3) ***the development of interregional cooperation and the*** reinforcement of the effectiveness of regional policy by promoting networking and exchange of experience ***and project development*** among regional and local authorities focusing on the topics referred to under ***Article 6 points (1) and (2) and Articles 9, 10, 11 and 12***, including cooperation network programmes covering the whole Community and actions involving studies, data collection, and the observation and analysis of development trends in the Community.

Networking projects shall be coordinated under a single EU wide zone.

Mid-term evaluation of existing networks such as ESPON, URBACT and INTERACT shall be carried out.

Article 8

Rules on eligibility of expenditure

The following expenditure is not eligible for a contribution from the ERDF:

- (a) VAT;
- (b) interest on debt;
- (c) the purchase of land for an amount exceeding 10 % of the total eligible expenditure for the operation concerned;
- (d) housing, ***with the exception of expenditure which relates to renovation of social housing with a view to saving energy and protecting the environment in the context of sustainable urban development;***
- (e) decommissioning of nuclear power stations.

CHAPTER II

SPECIFIC PROVISIONS ON THE TREATMENT OF PARTICULAR TERRITORIAL FEATURES

Article 9

Urban dimension

1. In the case of action involving *sustainable urban development* as referred to in Article 25(4) a) and 36(4) b) of Regulation (EC) No .../2005, the ERDF shall support the development of participative, integrated strategies *to strengthen sustainable growth and* tackle the high concentration of economic, environmental and social problems *in urban areas and the removal of architectural barriers.*

This *shall be intended to improve the urban* environment *through* brownfield redevelopment and the *protection* and development of the historical and cultural heritage, *the development of cultural services providing for appropriate* measures to promote *innovation and the knowledge economy*, entrepreneurship, local employment, *the environment* and *the* development of *local ways of life* as well as *the setting-up of* services *for citizens* taking account of changing demographic structures *and sustainable mobility.*

2. By way of derogation from Article 33(2) of Regulation (EC) No .../2005, the ERDF funding of measures under the '*regional competitiveness, employment and social inclusion*' objective falling within the scope of Regulation (EC) No.../2005 [on the European Social Fund] shall be raised to **20** % of the priority concerned.

Article 10

Rural areas and areas dependent on fisheries

Member States and **regional and local authorities** shall ensure complementarity and consistency between the measures co-financed by the European Agricultural Fund for Rural Development (EAFRD) pursuant to Regulation (EC) No .../2005 and the actions co-financed by the European Fund for Fisheries (EFF) pursuant to Regulation (EC) No .../2005 on the one hand, and the programmes co-financed by the ERDF on the other.

The ERDF intervention in rural areas and areas dependent on fisheries shall concentrate, **without undermining the principle of sustainability, on measures to tackle the economic, environmental and social problems affecting such areas and the need to develop diversification measures**, including:

- (1) infrastructure to improve accessibility;
- (2) acceleration of the *roll-out* of telecommunication networks and services in rural areas;
- (3) development of new economic activities outside the agricultural and *fisheries* sectors, **including the creation, takeover and development of small, micro and craft enterprises**;
- (4) reinforcement of links between urban and rural areas;
- (5) development of *sustainable* tourism and rural amenities;
- (6) **protection of the cultural heritage, development of cultural life**;
- (7) **the production of biofuels and/or use of energy from renewable sources**;
- (8) **investment in energy efficiency**;
- (9) **promotion of entrepreneurship and measures to stimulate local employment**.

Member States and regions shall ensure, *within the framework of the operational programmes under Article 36 of Regulation (EC) No .../2005*, complementarity and coherence, *in compliance with the coordination measures under Article 25(4)(c) of that Regulation* between the actions co-financed by the EAFRD and those co-financed by the EFF on the one hand, and the actions co-financed by the ERDF on the other hand. To this end, for actions under points (1), (3) and (5) Member States, *regions and the relevant partners* shall set when preparing operational programmes clear demarcation criteria for actions to be supported from the ERDF by virtue of this Article on the one hand, or from the EAFRD by virtue of Article 49(1), (a), (b) and (i) of Regulation (EC) No .../2005 for rural areas, or from the EFF by virtue of Article ... of Regulation (EC) No .../2005 for areas dependent on fisheries. ***In addition, provision should be made for in itinere and ex post checks to monitor complementarity and coherence.***

Article 11

Areas with natural handicaps

Regional programmes co-financed by the ERDF covering areas facing natural handicaps as referred to in Article 52(1) b) of Regulation (EC) No .../2005 shall pay particular attention to addressing the specific difficulties of those areas.

Without prejudice to *Article 3 and 5*, the ERDF shall in particular contribute towards the financing of investments aimed at improving accessibility *at all levels*, promoting and developing *all kinds of sustainable* economic activities, *not just those* related to the cultural heritage, *but also those related to innovation and the new technologies that are especially suited to the features of the region*, promoting the sustainable use of natural *resources*, *stimulating* the tourism sector *and preventing depopulation*.

Article 12

Outermost regions

In accordance with the additional allocation referred to in Article 16(1) d) of Regulation (EC) No .../2005 and by way of derogation from Article 3(2) of this Regulation **and pursuant to Article 299(2) of the Treaty**, the ERDF shall help finance operating aid in the outermost regions to **prevent** the additional costs incurred in the areas covered by Article 5 and in the following additional areas, with the exception of products falling within Annex I to the Treaty, **from impeding completion of the single market**:

- (a) support for goods transport services and start-up aid for transport services;
- (b) support linked to storage constraints, the excessive size and the maintenance of production **tools, the** lack of human capital on the local labour market **and vocational training**;
- (c) **support to remedy shortcomings and to overcome deficits in technological innovation, and research and development.**

CHAPTER III

SPECIFIC PROVISIONS CONCERNING THE “EUROPEAN TERRITORIAL COOPERATION” OBJECTIVE

Section 1

Operational programmes

Article 13

Content

All regions (NUTS III) along the internal land and along the external land borders as well as along certain neighbouring maritime borders will be eligible for cross-border co-operation, as well as certain NUTS level III regions of the Community along maritime borders separated, as a general rule flexibly interpreted, by 150 kilometres, according to the criteria for cross-border cooperation.

Each operational programme under the “European territorial cooperation” objective shall contain the following information:

- (1) an analysis of the situation of the cooperation area in terms of its strengths and weaknesses ***and sustainable development objectives***, and the strategy adopted to deal with it, ***taking account of sustainability criteria, i.e. the impact on nature, heritage (including sites of historical interest) and economic and demographic imbalances;***
- (2) a justification of the priorities chosen in the light of the strategic guidelines of the Community and the resulting priorities for the operational programme, as well as the expected impact as emerging from the ex ante evaluation referred to in Article 46 of Regulation (EC) No .../2005;

- (3) *information* on the priorities with their specific goals. Those goals shall be quantified using a limited number of indicators for implementation, results and impact. The indicators shall make it possible to measure the progress and effectiveness of the goals implementing the priorities ***and shall relate to the socio-economic, structural and environmental situation***;
- (4) ***the results of the strategic environmental impact assessment pursuant to Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment¹***;
- (5) ***an assessment of the impact on employment in the areas concerned and their territorial neighbours, including labour patterns, seasonal effects and skills***;
- (6) a breakdown of the spheres of assistance by category, in conformity with the detailed rules for the implementation of Regulation (EC) No .../2005;
- (7) ***details of common eligibility and criteria***;
- (8) a single financing plan, with no breakdown by Member State, comprising two tables:
 - (a) a table breaking down for each year, in accordance with Articles 50 to 53 of Regulation (EC) No .../2005, the amount of the total financial allocation from the ERDF. The total ERDF contribution provided for annually shall be compatible with the relevant financial perspective;
 - (b) a table specifying, for the whole programming period and for each priority, the amount of the total financial allocation from the Community and of the matching national public funding, and the *level* of the ERDF contribution;

¹ OJ L 197, 21.7.2001, p. 30.

- (9) the implementing provisions for the operational programme:
- (a) designation by the Member State of all the entities stipulated in *Article 15*;
 - (b) a description of the ***common selection criteria and the*** monitoring and evaluation systems as well as the composition of the monitoring committee;
 - (c) a definition of the procedures for the mobilisation and circulation of financial *movements* in order to ensure their transparency;
 - (d) the provisions laid down to ensure the publicity of the operational programme;
 - (e) a description of the procedures agreed between the Commission and the Member State for the exchange of computerised data to meet the payment, monitoring and evaluation requirements laid down by Regulation (EC) *No .../2005*;
 - (f) ***a description of the arrangements to be laid down by each Member State jointly submitting an operational programme, in accordance with Article 10 of Regulation (EC) No .../2005, for the involvement of regional and local authorities during the preparatory phase of the programme and at subsequent stages;***
- (10) an indicative list of major projects within the meaning of Article 38 of Regulation (EC) *No .../2005* scheduled to be submitted during the programming period;
- (11) ***the partners' recommendations regarding the operational programme.***

Member States shall ensure that the regional authorities participate in the planning and follow-up of transfrontier and transnational cooperation operations.

Section 2

Eligibility

Article 14

Rules on eligibility of expenditure

Without prejudice to Article 55 of Regulation (EC) *No .../2005*, the Commission may propose rules on eligibility for certain categories of expenditure replacing national rules, following a request by Member States, ***in each case specifying a deadline for drawing up such rules before starting to implement the projects covered.*** These Community rules on eligibility of expenditure are adopted in a Commission regulation in conformity with the provisions of Article 104(3) of Regulation (EC) *No .../2005*.

Section 3

Management, monitoring and control

Article 15

Designation of authorities

1. Member States participating in an operational programme shall appoint a single managing authority, a single certification authority and a single audit authority situated in the Member State of the managing authority. The certification authority shall receive the payments made by the Commission and, as a general rule, shall make the payments to the lead beneficiary.

The Member States shall set up a joint technical secretariat, which shall be *functionally* located within the managing authority. It shall assist the managing authority and the monitoring committee in carrying out their respective duties.

2. The audit authority for the operational programme shall be assisted by a group of auditors in carrying out the duties provided for in Article 61 Regulation (EC) *No .../2005*. This group shall be set up by the Member States participating in an operational programme. It shall comprise a representative of an audit body designated by each Member State participating in the operational programme. Each group of auditors shall be set up within three months of the decision approving the operational *programme*. It shall draw up its own rules of procedure. It shall be chaired by the audit authority for the operational programme.

The final report of the audit authority for the operational programme referred to in Article 70 of Regulation (EC) *No .../2005* shall have been approved by the group of auditors.

3. Each Member State participating in the operational programme shall appoint representatives to sit on the monitoring committee referred to in Article 64 of Regulation (EC) *No .../2005 and shall seek to provide for appropriate representation of the regional or local authorities concerned.*

4. Member States shall undertake these tasks within a timeframe agreed with the Commission in order to prevent any unnecessary delay in the establishment and implementation of the operational programme.

5. The managing authorities, under the supervision of the Member States, shall publish in a regular and appropriate manner an account of the operations benefiting from Community funding and the appropriations available broken down by eligibility criteria.

Article 16

Function of the managing authority

The managing authority shall perform the duties provided for in Article 59 of Regulation (EC) *No .../2005*, with the exception of those concerning the regularity of operations and expenditure in relation to national and Community rules. In this connection, its responsibilities shall be limited to checking that the expenditure of each beneficiary participating in an operation has been validated by *a qualified* auditor.

Article 17

Control system

In order to validate the expenditure *as* provided for in *Article 22*, each Member State shall set up an audit system making it possible to check on the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure and of related operations, or parts of those operations, with Community and national rules. Where the check on the delivery of the products and services co-financed can be carried out only in respect of the entire operation, such a check shall be performed by the auditor of the lead beneficiary or by the managing authority.

Each Member State shall ensure that the expenditure *can be* validated by *qualified* auditors within a period of two months.

Article 18

Financial management

1. The ERDF contribution shall be paid into a single account with no national sub-accounts.

2. Without prejudice to the Member States' responsibility for detecting and correcting irregularities and for recovering amounts unduly paid, the certification authority shall recover from the lead beneficiary any amount paid as a result of an irregularity. The beneficiaries shall repay the lead beneficiary the amounts paid in error in accordance with the agreement existing between them.

If the lead beneficiary does not succeed in securing repayment from the beneficiaries, the Member States on whose territory the relevant beneficiary is located shall reimburse the certification authority the amount paid in error to that beneficiary.

Article 19

European grouping of cross-border cooperation

Member States participating in an operational programme under the “European territorial cooperation” objective may make use of the legal instrument on cooperation established by Regulation (EC) *No .../2005* with a view to making it responsible for managing the operational programme by conferring on it the responsibilities of the managing authority and of the joint technical secretariat. In this context, each Member State shall continue to assume financial responsibility.

Section 4

Operations

Article 20

Selection of operations

1. Operations selected for operational programmes aimed at developing cross-border *economic, social and environmental* activities as referred to in *Article 7(1)*, and for operational programmes aimed at establishing and developing transnational cooperation as referred to in *Article 7(2)*, shall include beneficiaries from at least two countries, which shall cooperate in at least two of the following ways for each operation: joint development, joint implementation, joint staffing, and joint financing.

However, the operations selected for operational programmes aimed at establishing and developing transnational cooperation may be implemented in a single Member State provided that they have been presented by entities belonging to at least two Member States.

2. Operations selected for operational programmes involving *interregional cooperation and* cooperation networks and exchange of experience, as referred to in *Article 7(3)*, shall include at least three beneficiaries from at least three regions of at least two Member States, which shall cooperate in the following ways for each operation: joint development, joint implementation, joint staffing and joint financing.

3. In addition to the tasks referred to in Article 64 of Regulation (EC) *No .../2005*, the monitoring committee shall be responsible for selecting operations.

Article 21

Responsibility of the lead partner

1. For each operation, a lead beneficiary shall be appointed. The lead beneficiary shall assume the following responsibilities:
 - (a) it shall lay down the arrangements for its relations with the beneficiaries participating in the operation in an agreement comprising, inter alia, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
 - (b) it shall be responsible for implementing the entire operation;
 - (c) it shall ensure that the expenditure presented by the beneficiaries participating in the operation has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the beneficiaries participating in the operation;
 - (d) it shall check that the expenditure presented by the beneficiaries participating in the operation has been validated by the auditors referred to in *Article 15(2)*;
 - (e) it shall be responsible for transferring the ERDF contribution to the beneficiaries participating in the operation.
2. The managing authority shall lay down the implementing arrangements for each operation, in agreement with the lead beneficiary.

Article 22

Certification of expenditure

The legality and regularity of the expenditure declared by each beneficiary participating in the operation shall be validated *as referred to in Article 15(2) by **independent and qualified auditors***. Each beneficiary participating in the operation shall assume responsibility in the event of any irregularity in the expenditure which it has declared.

Article 23

Special conditions governing the location of operations

1. In the context of cross-border cooperation, in duly justified cases, financing of up to 20% of the budget for the operational programme concerned may be granted for operations in NUTS level III areas adjacent to the areas referred to in Article 7(1) of Regulation (EC) No .../2005.
2. In the context of transnational cooperation, in duly justified cases, financing of up to 20% of the budget for the relevant operational programme may be granted for operations which include partners outside the area.
3. In the context of cross-border and transnational cooperation, the ERDF may finance expenditure incurred in implementing operations or parts of operations on the territory of countries outside the European Community up to a limit of 10% of the amount of its contribution to the operational programme, where they are for the benefit of the regions of the Community.

Member states ensure the legality and regularity of *this expenditure*.

CHAPTER IV

FINAL PROVISIONS

Article 24

Transitional provisions

This Regulation shall not affect neither the continued implementation nor the modification, including the total *or* partial cancellation, of measures approved by the Council or by the Commission on the basis of *Regulation (EC) No 1783/1999, which* applied prior to the entry into force of this Regulation.

Applications made under Regulation (EC) No 1783/1999 shall remain valid.

Article 25

Repeal

Regulation (EC) No. 1783/1999 shall be repealed with effect from (...).

References to Regulation (EC) No 1783/1999 shall be construed as references to this Regulation.

Article 26

Review clause

On a proposal from the Commission, the European Parliament and the Council shall review this Regulation by 31 December 2013.

Article 27

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from 1 January 2007.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

For the European Parliament

The President

For the Council

The President