



## EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)

The European Regional Development Fund (ERDF) is one of the main financial instruments of the EU's cohesion policy. It was created in 1975 with the purpose of contributing to reducing disparities between the levels of development of European regions and to improving living standards in the least-favoured regions. Particular attention is paid to regions that suffer from severe and permanent natural or demographic disadvantages, such as the northernmost regions, which have very low population densities, and island, cross-border and mountainous regions.

### LEGAL BASIS

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

### OBJECTIVES

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

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

Rules for the ERDF in the 2021-2027 period are established in:

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

The ERDF has two main goals, namely:

- Investment for growth and jobs – aiming to strengthen the labour market and regional economies;
- European territorial cooperation – aiming to strengthen cross-border, transnational and interregional cooperation within the EU.

Resources assigned to the first goal have been allocated to three different categories of regions:

- More-developed regions whose GDP per capita is above 100% of the EU average;
- Transition regions whose GDP per capita is between 75% and 100% of the EU average;



— Less-developed regions whose GDP per capita is below 75% of the EU average. Details of the allocation and future use of ERDF funds are determined in the Partnership Agreements, which are agreements between the Commission and each Member State on how to use the funds and are created with the assistance of regional and social partners.

The general framework for the delivery and implementation of the ERDF is set out in the Common Provisions Regulation, which covers several other EU funds and identifies specific objectives and the scope of possible support.

## **THEMATIC CONCENTRATION**

In the period 2021-2027, the cohesion policy has five policy objectives (POs) for the ERDF, ESF+ and the Cohesion Fund:

- A smarter Europe – innovative and smart economic transformation (PO1);
- A greener, low-carbon Europe (PO2);
- A more connected Europe – mobility and regional ICT connectivity (PO3);
- A more social Europe – implementing the European Pillar of Social Rights (PO4);
- A Europe closer to citizens – sustainable and integrated development of urban, rural and coastal areas through local initiatives (PO5).

Each region and Member State has to direct at least 30% of their ERDF allocation to PO2, that is, a greener, low-carbon transition towards a net-zero carbon economy and a resilient Europe. In addition to this, based on their prosperity, each region and Member State has to concentrate spending on PO1, that is, a more competitive and smarter Europe. The funding must be distributed as follows:

- Less developed regions or Member States have to dedicate at least 25% to PO1.
- Transition regions or Member States have to dedicate at least 40% to PO1;
- More developed regions or Member States have to dedicate at least 85% of their allocation to PO1 and PO2.

The ERDF also supports sustainable urban development. In the 2021-2027 period, at least 8% of the ERDF resources (at national level) will be earmarked for sustainable urban development and the creation of the European Urban Initiative, which allows urban areas to experiment with innovative solutions for urban challenges.

The cohesion policy has a list of activities that are not to be funded by the ERDF. It includes the decommissioning or construction of nuclear power stations, airport infrastructure (except in the outermost regions), some waste management operations (e.g. landfill) and support for the tobacco industry.

## **BUDGET AND FINANCIAL RULES**

During the 2021-2027 programming period, the EU allocated over EUR 392 billion to the cohesion policy. Around EUR 226 billion was allocated to the ERDF. This



included EUR 9 billion for European territorial cooperation and EUR 1.9 billion of special allocations for outermost and sparsely populated regions.

Less-developed regions will benefit from co-financing rates of up to 85% of the cost of the projects. Co-financing rates for transition regions and for more-developed regions will be up to 60% and 50% respectively.

## **ROLE OF THE EUROPEAN PARLIAMENT**

The European Parliament is on an equal footing with the Council of the European Union when it comes to preparing new legislation concerning the European Structural and Investment Funds. The regulation on the ERDF and the Cohesion Fund for the 2021-2027 period was subject to the ordinary legislative procedure, under which the European Parliament has full rights to propose modifications. During the negotiations on EU cohesion policy for the 2021-2027 period, the European Parliament managed to increase the level of co-financing for projects and improve the flexibility in applying the rules. In addition, it has strengthened ERDF support for cities and integrated urban policies.

For more information on this topic, please see the website of the [Committee on Regional Development](#).

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