



EUROPEAN COMMISSION

Brussels, 6.10.2011
COM(2011) 614 final

2011/0275 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**on specific provisions concerning the European Regional Development Fund and the
Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006**

{SEC(2011) 1138 final}

{SEC(2011) 1139 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

On 29 June 2011, the Commission adopted a proposal for the next multi-annual financial framework for the period 2014-2020: A Budget for Europe 2020¹. . In its proposal, the Commission decided that cohesion policy should remain an essential element of the next financial package and underlined its pivotal role in delivering the Europe 2020 strategy².

The Commission therefore proposed a number of important changes to the way cohesion policy is designed and implemented. Concentrating funding on a smaller number of priorities better linked to the Europe 2020 Strategy, focusing on results, monitoring progress towards agreed objectives, increasing the use of conditionalities and simplifying the delivery are among the major hallmarks of the proposal.

This Regulation sets out the provisions governing the European Regional Development Fund, and repealing Regulation (EC) No 1083/2006. It draws on the work undertaken since the publication of the Fourth Cohesion Report in May 2007 which outlined the main challenges facing regions in the next decades and launched the debate on the future cohesion policy. On 9 November 2010, the Commission adopted the Fifth Cohesion Report which provided an analysis of social and economic trends and outlined orientations for the future cohesion policy.

Cohesion policy is the main investment instrument for supporting the key priorities of the Union as enshrined in the Europe 2020 strategy. It does so by focusing on the countries and regions where needs are greater. One of the greatest successes of the EU has been its capacity to raise living standards for all its citizens. It does this not only by helping poorer Member States and regions to develop and grow but also through its role in the integration of the Single Market whose size delivers markets and economies of scale to all parts of the EU, rich and poor, big and small. The Commission's evaluation of past cohesion policy spending has shown many examples of added value and of growth- and job- creating investment that could not have happened without the support of the EU budget. However, the results also show the effects of dispersion and lack of prioritisation. At a time when public money is scarce and when growth enhancing investment is more needed than ever, the Commission has decided to propose important changes to cohesion policy.

The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The ERDF supports regional and local development by co-financing investments in R&D and innovation; climate change and environment; business support to SMEs; services of common economic interest; telecommunication, energy and transport infrastructures; health, education and social infrastructures; and sustainable urban development.

¹ COM(2011)500 final.

² Communication from the Commission: Europe 2020 – A strategy for smart, sustainable and inclusive growth, COM(2010)2020 final, 3.3.2010.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

2.1. Consultation and expert advice

The results of the public consultations of Fifth Progress Report on Economic and Social Cohesion, the EU Budget Review³, the proposals for the multi-annual financial framework⁴, the Fifth Cohesion Report⁵ and consultations following the adoption of the report have all been considered when making the proposals.

The public consultation on the Conclusions of the Fifth Cohesion Report was held between 12 November 2010 and 31 January 2011. A total of 444 contributions were received. Respondents included Member States, regional and local authorities, social partners, European interest organisations, non-governmental organisations, citizens and other stakeholders. The public consultation asked a series of questions about the future of cohesion policy. A summary of the results was published on 13 May 2011⁶.

The results of the ex-post evaluations carried out on the 2000-2006 programmes, and a broad range of studies and expert advice, were used as input. Expert advice was also provided through the High Level Group reflecting on future Cohesion Policy, composed of experts from national administrations, with 10 meetings held between 2009 and 2011.

The results of the public consultation on the Fifth Cohesion report show that there is general agreement with the notion of concentration of funding. There is, however a concern about decisions on concentration not being taken at the right level. In particular, many contributions emphasise the need for flexibility and the need not to overlook territorial specificities. Moreover, several expressed concern that limiting priorities too much at EU level would not allow the flexibility necessary to define appropriate regional development strategies.

2.2. Impact assessment

Options were assessed in particular in relation to the ERDF contribution to two public goods:

- contribution to employment, R&D and innovation through enterprise support;
- investing in basic infrastructure (e.g. transport, energy, environment, social and health infrastructure).

Other areas where the ERDF makes an important contribution to the provision of EU public goods were not addressed, as successive evaluations and academic research have not identified particular problems in these areas as regards the scope of intervention of the ERDF.

With respect to enterprise support it can be argued that such support, in particular in the form of grants, is most needed for small enterprises, for innovative activities, and in areas in industrial decline undergoing structural change. The case for investing in large enterprises,

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the national parliaments: The EU Budget Review, COM(2010) 700 final, 19.10.2010.

⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Budget for Europe 2020, COM(2011) 500 final, 29.6.2011.

⁵ 5th Report on Economic, Social and Territorial Cohesion, November 2010.

⁶ Commission Staff Working Paper: Results of the public consultation on the conclusions of the fifth report on economic, social and territorial cohesion, SEC(2011) 590 final, 13.5.2011.

less innovative areas, and regions which are attractive to investors without support is much weaker. The case for funding infrastructure is strongest in less developed regions where public authorities do not have sufficient funds for investment, and where the investment costs cannot be recovered as the population is low income. The case for investing in basic infrastructure in more developed regions is much weaker.

The options examined included the status quo, changes to make funding more targeted, and an option which would be significantly more restrictive in scope compared with current funding options. The option of increased targeting was chosen, which increases the efficiency, effectiveness and EU added value of funding, but at the same time leaves regions sufficient flexibility regarding investment, and minimises the risk that activities requiring funding fall outside the scope of intervention.

3. LEGAL ELEMENTS OF THE PROPOSAL

European regional policy has an important role to play in mobilising local assets and focusing on the development of endogenous potential.

Article 174 of the Treaty on the Functioning of the European Union (TFEU) calls for action by the European Union to strengthen its economic, social and territorial cohesion and promote overall harmonious development by reducing disparities between the levels of development of regions and promoting development in least favoured regions.

The goal of economic, social and territorial cohesion is promoted through three EU funds. As stipulated in Article 176 of the TFEU, the aim of the ERDF is to promote the development and structural adjustment of lagging regions and of declining industrial regions.

Article 174 of the TFEU states that particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.

Article 349 of the TFEU states that specific measures shall be adopted to take account of the structural social and economic situation of the outermost regions, which is compounded by certain specific features which severely restrain their development. The specific measures shall include conditions of access to the Structural Funds.

The timing of the review of EU funding to promote cohesion is linked to the proposal for a new Multiannual Financial Framework, as contained in the Commission Work Programme.

As the EU Budget Review has highlighted, the "EU budget should be used to finance EU public goods, actions that Member States and regions cannot finance themselves, or where it can secure better results".⁷ The legal proposal will respect the principle of subsidiarity as the tasks of the ERDF are set out in the Treaty and the policy is implemented in accordance with the principle of shared management and respecting the institutional competencies of Member States and regions.

The legislative instrument, and the type of measure (i.e. funding) are both defined in the TFEU, which has provided the legal basis for the Structural Funds, and states that the tasks, priority objectives and the organisation of the Structural Funds shall be defined in regulations.

⁷ COM(2010) 700 final, 19.10.2010.

4. BUDGETARY IMPLICATION

The Commission's proposal for a Multi-Annual Financial Framework foresees an amount of EUR 376 billion for economic, social and territorial cohesion for the period 2014-2020.

| Proposed budget 2014-2020 | EUR billion |
|---|---|
| Convergence regions | 162,6 |
| Transition regions | 39 |
| Competitiveness regions | 53,1 |
| Territorial cooperation | 11,7 |
| Cohesion Fund | 68,7 |
| Extra allocation for outermost and sparsely populated regions | 0,926 |
| Connecting Europe Facility for transport, energy and information and communication technologies (ICT) | 40 (with an additional EUR 10 billion ring fenced inside the Cohesion Fund) |

**All figures in constant 2011 prices*

The Commission's proposal has established, with the aim of enhancing the contribution of the funds in delivering on the headline targets of the Europe 2020 strategy, minimum shares for the European Social Fund (ESF) for each category of regions. The application of the shares result in a minimum overall share for the ESF of 25% of the budget allocated to cohesion policy, i.e. EUR 84 billion. This implies that a maximum of EUR 183,3 billion remains available for the ERDF for the period 2014-2020.

5. SUMMARY OF CONTENT OF THE PROPOSED REGULATION

The proposed Regulation determines the scope of intervention of the ERDF, and also defines a negative list of activities which will not be eligible for support. It defines investment priorities for each of the thematic objectives.

Transition regions and more developed regions will be required to focus the largest part of their allocation (except for the ESF) on energy efficiency and renewable energy, competitiveness of SMEs, and innovation. Less developed regions will be able to devote their allocation to a wider range of objectives reflecting the broader range of development needs. The mechanism proposed provides that:

- at least 80% of resources are focused on energy efficiency and renewables, research and innovation and SME support in more developed and transition regions of which 20% for energy efficiency and renewables. Given the ongoing restructuring needs in those regions phasing out from the Convergence objective, the minimum percentage shall be reduced to 60%.
- at least 50% of resources are focused on energy efficiency and renewables, research and innovation and SME support in less developed regions of which 6% for energy efficiency and renewables.

The proposed Regulation provides for an increased focus on sustainable urban development. The increased focus is to be achieved through the earmarking of a minimum of 5% of ERDF resources for sustainable urban development, the establishment of an urban development

platform to promote capacity building and exchange of experience, and the adoption of a list of cities where integrated actions for sustainable urban development will be implemented.

The proposed Regulation aims to contribute to an increased orientation on results of funding by defining common indicators related to physical outputs as well as results relating to the final objective of funding.

The proposed Regulation mentions the need to pay special attention in operational programmes to specific difficulties of regions with severe and permanent natural or demographic handicaps.

Finally, the proposed Regulation contains specific provisions for the use of the specific additional allocation for the outermost regions.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 178 and 349 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee⁸,

Having regard to the opinion of the Committee of the Regions⁹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Article 176 of the Treaty provides that the European Regional Development Fund (ERDF) is intended to help to redress the main regional imbalances in the Union. The ERDF therefore contributes to reducing the gap between the levels of development of the various regions and the extent to which the least favoured regions, including rural and urban areas, declining industrial regions, areas with severe and permanent natural and demographic handicaps, such as islands, mountainous areas, sparsely populated areas and border regions, are lagging behind.
- (2) The provisions common to the ERDF, the European Social Fund (ESF) (hereinafter referred to as 'the Structural Funds') and the Cohesion Fund are set out in Regulation (EU) No [...] /2012 of [...] 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 covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund

⁸ OJ C , , p. .

⁹ OJ C , , p. .

and the Cohesion Fund and repealing Regulation (EC) No 1083/2006¹⁰ [Common Provisions Regulation - CPR].

- (3) Specific provisions concerning the type of activities which may be supported by the ERDF under the thematic objectives defined in Regulation (EU) No [...]/2012 [CPR] should be laid down. At the same time, expenditure outside the scope of the ERDF should be defined and clarified, including as regards the reduction of greenhouse gas emissions in installations falling under Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC¹¹.
- (4) In order to address the specific needs of the ERDF, and in line with the Europe 2020 strategy¹² that cohesion policy should support the need to deliver smart, sustainable and inclusive growth, it is necessary to set out within each thematic objective laid down in Article 9 of Regulation (EU) No [...]/2012 [CPR] the ERDF-specific actions as 'investment priorities'.
- (5) The ERDF should contribute to the Europe 2020 strategy, thus ensuring greater concentration of ERDF support on the priorities of the Union. According to the category of regions supported, the support from the ERDF should be concentrated on research and innovation, small and medium-sized enterprises and climate change mitigation. The degree of concentration should take into account the level of development of the region as well as the specific needs of regions whose GDP per capita for the 2007-13 period was less than 75% of the average GDP of the EU-25 for the reference period.
- (6) A common set of indicators to assess progress of programme implementation should be set out before the Member States draft their operational programmes. These indicators should be complemented by programme-specific indicators.
- (7) Within the framework of sustainable urban development, it is considered necessary to support integrated actions to tackle the economic, environmental, climate and social challenges affecting urban areas and to define a procedure to establish the list of cities covered by such actions and the financial allocation set aside for such actions.
- (8) Building on the experience and strengths of the integration of measures in the field of sustainable urban development into operational programmes supported by the ERDF during the 2007-2013 period, a further step should be taken at Union level by establishing an urban development platform.
- (9) In order to identify or test new solutions to issues relating to sustainable urban development which are of relevance at Union level, the ERDF should support innovative actions in the field of sustainable urban development.

¹⁰ OJ L , , p. .

¹¹ OJ L 275, 25.10.2003, p. 32.

¹² Communication from the Commission: Europe 2020 - A strategy for smart, sustainable and inclusive growth, COM(2010) 2020 final, 3.3.2010.

- (10) The ERDF should address the problems of accessibility to, and remoteness from, large markets facing areas with an extremely low population density, as referred to in Protocol No 6 on special provisions for Objective 6 in the framework of the Structural Funds in Finland and Sweden to the 1994 Act of Accession. The ERDF should also address the specific difficulties encountered by certain islands, mountainous areas, border regions and sparsely populated areas whose geographical situation slows down their development, with a view to supporting their sustainable development.
- (11) Specific attention should be paid to the outermost regions, namely by extending, on an exceptional basis, the scope of the ERDF to the financing of operating aid linked to the offsetting of the additional costs resulting from their specific economic and social situation, which is compounded by the handicaps resulting from the factors referred to in Article 349 of the Treaty, namely 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. In order to support the development of existing and new economic activities, at least 50% of the specific additional allocation should be allocated to actions contributing to the diversification and modernisation of the economies of the outermost regions.
- (12) In order to define procedures for the selection and implementation of innovative actions, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the content and scope set out in Article 9. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.
- (13) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission in respect of the list of cities to participate in the urban development platform. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control, by Member States, of the Commission's exercise of implementing powers¹³.
- (14) This Regulation replaces Regulation (EC) No 1080/2006 of the European Parliament and the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999¹⁴. In the interests of clarity, Regulation (EC) No 1080/2006 should therefore be repealed,

¹³ OJ L 55, 28.2.2011, p. 13.

¹⁴ OJ L 210, 31.7.2006, p. 1.

HAVE ADOPTED THIS REGULATION:

Chapter I

Common provisions

Article 1

Subject-matter

This Regulation establishes the tasks of the European Regional Development Fund (ERDF), the scope of its support with regard to the Investment for growth and jobs and the European territorial cooperation goals and specific provisions concerning ERDF support for the Investment for growth and jobs goal.

Article 2

Tasks of the ERDF

The ERDF shall contribute to the financing of support which aims to reinforce economic, social and territorial cohesion by redressing the main regional imbalances through support for the development and structural adjustment of regional economies, including the conversion of declining industrial regions and regions lagging behind.

Article 3

Scope of support from the ERDF

1. The ERDF shall support:
 - (a) productive investment, which contributes to creating and safeguarding sustainable jobs, through direct aid to investment in small and medium-sized enterprises (SMEs);
 - (b) investments in infrastructure providing basic services to citizens in the areas of energy, environment, transport, and information and communication technologies (ICT);
 - (c) investments in social, health and educational infrastructure;
 - (d) development of endogenous potential by supporting regional and local development and research and innovation. These measures shall include:
 - (i) fixed investment in equipment and small-scale infrastructure;
 - (ii) support for and services to enterprises, in particular SMEs;

- (iii) support to public research and innovation bodies and investment in technology and applied research in enterprises;
 - (iv) networking, cooperation and exchange of experience between regions, towns, and relevant social, economic and environmental actors;
- (e) technical assistance.

In more developed regions, the ERDF shall not support investments in infrastructure providing basic services to citizens in the areas of environment, transport, and ICT.

2. The ERDF shall not support:

- (a) the decommissioning of nuclear power stations;
- (b) the reduction of greenhouse gas emissions in installations falling under Directive 2003/87/EC;
- (c) the manufacturing, processing and marketing of tobacco and tobacco products;
- (d) undertakings in difficulties as defined under Union State aid rules.

Article 4

Thematic concentration

The thematic objectives set out in Article 9 of Regulation (EU) No [...]/2012 [CPR] and corresponding investment priorities set out in Article 5 of this Regulation to which the ERDF may contribute shall be concentrated as follows:

- (a) in more developed regions and transition regions :
 - (i) at least 80% of the total ERDF resources at national level shall be allocated to the thematic objectives set out in points 1, 3 and 4 of Article 9 of Regulation (EU) No [...]/2012 [CPR] ; and
 - (ii) at least 20% of the total ERDF resources at national level shall be allocated to the thematic objective set out in point 4 of Article 9 of Regulation (EU) No [...]/2012 [CPR] ;
- (b) in less developed regions :
 - (i) at least 50% of the total ERDF resources at national level shall be allocated to the thematic objectives set in out in point 1, 3 and 4 of Article 9 of Regulation (EU) No [...]/2012 [CPR] .
 - (ii) at least 6% of the total ERDF resources at national level shall be allocated to the thematic objective set out in point 4 of Article 9 of Regulation (EU) No [...]/2012 [CPR].

By derogation from point (a) (i), in those regions whose GDP per capita for the 2007-13 period was less than 75% of the average GDP of the EU-25 for the reference period but which are eligible under the category of transition or more developed regions as defined in Article 82(2)(b) and (c) of Regulation (EU) No []/2012 [CPR] in the 2014-2020 period, at least 60% of the total ERDF resources at national level shall be allocated to each of the thematic objectives set in out in points 1, 3 and 4 of Article 9 of Regulation (EU) No [...]/2012 [CPR].

Article 5

Investment priorities

The ERDF shall support the following investment priorities within the thematic objectives set out in Article 9 of Regulation (EU) No [...]/2012 [CPR]:

- (1) strengthening research, technological development and innovation:
 - (a) enhancing research and innovation infrastructure (R&I) and capacities to develop R&I excellence and promoting centres of competence, in particular those of European interest;
 - (b) promoting business R&I investment, product and service development, technology transfer, social innovation and public service applications, demand

stimulation, networking, clusters and open innovation through smart specialisation;

- (c) supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production in Key Enabling Technologies and diffusion of general purpose technologies;
- (2) enhancing access to and use and quality of ICT:
 - (a) extending broadband deployment and the roll-out of high-speed networks;
 - (b) developing ICT products and services, e-commerce and enhancing demand for ICT;
 - (c) strengthening ICT applications for e-government, e-learning, e-inclusion and e-health;
 - (3) enhancing the competitiveness of SMEs:
 - (a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms;
 - (b) developing new business models for SMEs, in particular for internationalisation;
 - (4) supporting the shift towards a low-carbon economy in all sectors:
 - (a) promoting the production and distribution of renewable energy sources;
 - (b) promoting energy efficiency and renewable energy use in SMEs;
 - (c) supporting energy efficiency and renewable energy use in public infrastructures and in the housing sector;
 - (d) developing smart distribution systems at low voltage levels;
 - (e) promoting low-carbon strategies for urban areas;
 - (5) promoting climate change adaptation, risk prevention and management:
 - (a) supporting dedicated investment for adaptation to climate change;
 - (b) promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems;
 - (6) protecting the environment and promoting resource efficiency:
 - (a) addressing the significant needs for investment in the waste sector to meet the requirements of the environmental *acquis*;
 - (b) addressing the significant needs for investment in the water sector to meet the requirements of the environmental *acquis*;

- (c) protecting, promoting and developing cultural heritage;
 - (d) protecting biodiversity, soil protection and promoting ecosystem services including NATURA 2000¹⁵ and green infrastructures;
 - (e) action to improve the urban environment, including regeneration of brownfield sites and reduction of air pollution;
- (7) promoting sustainable transport and removing bottlenecks in key network infrastructures:
- (a) supporting a multimodal Single European Transport Area by investing in the Trans-European Transport Network (TEN-T) network;
 - (b) enhancing regional mobility through connecting secondary and tertiary nodes to TEN-T infrastructure;
 - (c) developing environment-friendly and low-carbon transport systems and promoting sustainable urban mobility;
 - (d) developing comprehensive, high quality and interoperable railway system;
- (8) promoting employment and supporting labour mobility:
- (a) development of business incubators and investment support for self-employment and business creation;
 - (b) local development initiatives and aid for structures providing neighbourhood services to create new jobs, where such actions are outside the scope of Regulation (EU) No [...] /2012 [ESF];
 - (c) investing in infrastructure for public employment services;
- (9) promoting social inclusion and combating poverty:
- (a) investing in health and social infrastructure which contribute to national, regional and local development, reducing inequalities in terms of health status, and transition from institutional to community-based services;
 - (b) support for physical and economic regeneration of deprived urban and rural communities;
 - (c) support for social enterprises;
- (10) investing in education, skills and lifelong learning by developing education and training infrastructure;

¹⁵ Set up as a coherent European ecological network of special areas of conservation pursuant to Article 3(1) of Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, OJ L 206, 22.7.1992, p. 7.

- (11) enhancing institutional capacity and an efficient public administration by strengthening of institutional capacity and the efficiency of public administrations and public services related to implementation of the ERDF, and in support of actions in institutional capacity and in the efficiency of public administration supported by the ESF.

Chapter II

Indicators for ERDF support for the Investment for growth and jobs goal

Article 6

Indicators for the Investment for growth and jobs goal

Common indicators, as set out in the Annex to this Regulation, shall be used where relevant and in accordance with Article 24(3) of Regulation (EU) No [...] /2012 [CPR]. For common indicators, baselines shall be set at zero and cumulative targets shall be fixed for 2022.

For programme-specific output indicators, baselines shall be set at zero and cumulative targets shall be fixed for 2022.

For programme-specific result indicators, baselines shall use the latest available data and targets shall be fixed for 2022, but may be expressed in quantitative or qualitative terms.

Chapter III

Specific provisions on the treatment of particular territorial features

Article 7

Sustainable urban development

1. The ERDF shall support, within operational programmes, sustainable urban development through strategies setting out integrated actions to tackle the economic, environmental, climate and social challenges affecting urban areas.
2. Each Member State shall establish in its Partnership Contract a list of cities where integrated actions for sustainable urban development are to be implemented and an indicative annual allocation for these actions at national level.

At least 5% of the ERDF resources allocated at national level shall be allocated to integrated actions for sustainable urban development delegated to cities for

management through Integrated Territorial Investments referred to in Article 99 of Regulation (EU) No [...] /2012 [CPR].

Article 8

Urban development platform

1. The Commission shall establish, in accordance with Article 51 of Regulation (EU) No [...] /2012 [CPR], an urban development platform to promote capacity-building and networking between cities and exchange of experience on urban policy at Union level in areas related to the investment priorities of the ERDF and to sustainable urban development.
2. The Commission shall adopt a list of cities to participate in the platform on the basis of the lists established in the Partnership Contracts, by means of implementing acts. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 14(2).

The list shall contain a maximum number of 300 cities, with a maximum number of 20 per Member State. Cities shall be selected based on the following criteria:

- (a) population, taking account of the specificities of national urban systems;
 - (b) the existence of a strategy for integrated actions to tackle the economic, environmental, climate and social challenges affecting urban areas.
3. The platform shall also support networking between all cities which undertake innovative actions at the initiative of the Commission.

Article 9

Innovative Actions in the field of Sustainable Urban Development

1. At the initiative of the Commission, the ERDF may support innovative actions in the field of sustainable urban development, subject to a ceiling of 0,2% of the total annual ERDF allocation. They shall include studies and pilot projects to identify or test new solutions to issues relating to sustainable urban development which are of relevance at Union level.
2. By derogation to Article 4 above, innovative actions may support all activities necessary to achieve the thematic objectives set out in Article 9 of Regulation (EU) No [...] /2012 [CPR] and corresponding investment priorities.
3. The Commission shall adopt delegated acts in accordance with Article 13 concerning procedures for the selection and implementation of innovative actions.

Article 10

Areas with natural or demographic handicaps

Operational programmes co-financed by the ERDF covering areas with severe and permanent natural or demographic handicaps referred to in Article 111(4) of Regulation (EU) No [...] /2012 [CPR] shall pay particular attention to addressing the specific difficulties of those areas.

Article 11

Outermost regions

1. The specific additional allocation for the outermost regions shall be used to offset the additional costs, linked to the handicaps referred in Article 349 of the Treaty, incurred in the outermost regions in supporting:
 - (a) the thematic objectives set out in Article 9 of Regulation (EU) No [...] /2012 [CPR];
 - (b) freight transport services and start-up aid for transport services;
 - (c) operations linked to storage constraints, the excessive size and maintenance of production tools, and lack of human capital in the local market.

At least 50% of the specific additional allocation shall be allocated to actions contributing to the diversification and modernisation of the economies of the outermost regions, with a particular focus on the thematic objectives set out in points 1, 2 and 3 of Article 9 of Regulation (EU) No [...] /2012 [CPR].

2. The specific additional allocation may also be used to help finance operating aid and expenditure covering public service obligations and contracts in the outermost regions.
3. The amount to which the rate of co-financing applies shall be proportionate to the additional costs referred to in paragraph 1 incurred by the beneficiary in the case of operating aid and expenditure covering public service obligations and contracts only, and may cover the total eligible costs in the case of expenditure for investment.
4. Financing under this Article shall not be used to support:
 - (a) operations involving products falling within Annex I to the Treaty;
 - (b) aids to transport of persons authorised under Article 107(2)(a) of the Treaty;
 - (c) tax exemptions and exemption of social charges.

Chapter IV

Final provisions

Article 12

Transitional provisions

1. This Regulation shall not affect either the continuation or modification, including the total or partial cancellation, of assistance approved by the Commission on the basis of Regulation (EC) No 1080/2006 or any other legislation applying to that assistance on 31 December 2013, which shall consequently apply thereafter to that assistance or the projects concerned until their closure.
2. Applications to receive assistance made under Regulation (EC) No 1080/2006 shall remain valid.

Article 13

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 9(3) shall be conferred on the Commission for an indeterminate period of time from 1 January 2014.
3. The delegation of power referred to in Article 9(3) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to Article 9(3) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or the Council.

Article 14

Committee procedure

1. The Commission shall be assisted by the Coordination Committee of the Funds. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

Article 15

Repeal

Regulation (EC) No 1080/2006 is hereby repealed.

References to the repealed Regulation shall be construed as references to this Regulation.

Article 16

Review

The European Parliament and the Council shall review this Regulation by 31 December 2022, in accordance with Article 177 of the Treaty.

Article 17

Entry into force

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

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX

**Common indicators for ERDF support under the Investment for growth and jobs goal
(Article 6)**

| | UNIT | NAME |
|------------------------------|-----------------------|---|
| Productive investment | | |
| | enterprises | Number of enterprises receiving grants |
| | enterprises | Number of enterprises receiving financial support other than grants |
| | enterprises | Number of enterprises receiving non-financial support |
| | enterprises | Number of new enterprises supported |
| | EUR | Private investment matching public support to SMEs (grants) |
| | EUR | Private investment matching public support to SMEs (non-grants) |
| | full time equivalents | Number of jobs created in assisted SMEs |
| Tourism | visits | Number of visits to supported attractions |
| ICT Infrastructure | persons | Population covered by broadband access of at least 30 Mbps |
| Transport | | |
| Railway | km | Total length of new railway line |
| | | of which: TEN-T |
| | km | Total length of reconstructed or upgraded railway line |
| | | of which: TEN-T |
| Roads | km | Total length of newly built roads |
| | | of which: TEN-T |
| | km | Total length of reconstructed or upgraded roads |
| | | of which: TEN-T |

| | | |
|--------------------------------|-----------------------|---|
| Urban transport | passenger trips | Increase of passenger trips using supported urban transport service |
| Inland waterways | tonne-km | Increase of cargo transported on improved inland waterways |
| Environment | | |
| Solid waste | tonnes | Additional waste recycling capacity |
| Water supply | persons | Additional population served by improved water supply |
| | m ³ | Estimated reduction of leakage in water distribution network |
| Wastewater treatment | population equivalent | Additional population served by improved wastewater treatment |
| Risk prevention and management | persons | Population benefiting from flood protection measures |
| | Persons | Population benefiting from forest fire protection and other protection measures |
| Land rehabilitation | Hectares | Total surface area of rehabilitated land |
| Soil sealing | hectares | Change in land sealed due to development |
| Nature and biodiversity | hectares | Surface area of habitats in better conservation status |
| Research, Innovation | | |
| | Persons | Number of R&D personnel/researchers working in newly built or equipped research infrastructures |
| | Enterprises | Number of enterprises cooperating with assisted research institutions |
| | Full time equivalents | Number of posts for R&D personnel/researchers created in assisted entities |
| | EUR | Private investment matching public support in innovation or R&D projects |
| | Enterprises | Number of enterprises that introduced new or significantly improved products, new to the market as a result of supported innovation or R&D projects |

| | | |
|----------------------------------|------------------------------|---|
| | Enterprises | Number of enterprises that introduced new or significantly improved products, new to the firm as a result of supported innovation or R&D projects |
| Energy and Climate change | | |
| Renewables | MW | Additional capacity of renewable energy production |
| Energy efficiency | Households | Number of households with improved energy consumption classification |
| | kWh/year | Decrease of primary energy consumption of public buildings |
| | Users | Number of additional energy users connected to smart grids |
| GHG reduction | tonnes of CO ₂ eq | Estimated decrease of GHG in CO ₂ equivalents |
| Social infrastructure | | |
| Childcare & education | Persons | Service capacity of supported childcare or education infrastructure |
| Health | Persons | Capacity of supported health services |
| Housing | Households | Number of households benefiting from improved housing conditions |
| Cultural heritage | Visits | Number of visits at supported sites |
| Urban Development | | |
| | Persons | Population living in areas with integrated urban development strategies |
| | square metres | New open space in urban areas |
| | square metres | New public or commercial buildings in urban areas |
| | square metres | New housing in urban areas |