

STRUCTURAL FUNDS

Structural Funds Regulations 2007-2013

More growth and jobs for all regions and cities of the European Union – this is an overall aim of the new cohesion policy and its instruments between 2007 and 2013. During that period, the greatest investment ever made by the EU through cohesion instruments will be worth € 308 billion (in 2004 prices) to support regional growth agendas and to stimulate job creation. 82% of the total amount will be concentrated on the “Convergence” objective, under which the poorest Member States and regions are eligible. In the remaining regions, about 16% of the Structural Funds will be concentrated to support innovation, sustainable development, better accessibility and training projects under the “Regional Competitiveness and Employment” objective. Another 2.5% finally are available for cross-border, transnational and interregional cooperation under the “European Territorial Cooperation” objective. Certain spending targets have been agreed upon to pursue the objectives of the Growth and Jobs Agenda. In the case of the “Convergence” objective, the target is 60%, and in the case of the “Regional Competitiveness and Employment” objective, the target is 75% of the total available funding, which needs to be “earmarked” for interventions supporting, e.g. research and innovation, the information society and sustainable development.

There are four Structural Funds that support the EU structural policy:

- **European Social Fund (ESF)**, supporting promotion of skills of employees and jobseekers and promotion of employment;
- **European Regional Development Fund (ERDF)**, supporting economic development through promotion of business environment, modernisation of infrastructure and creation of new jobs;
- **European Agricultural Guidance and Guarantee Fund (EAGGF)**, supporting reorganisation of agriculture and rural life;
- **Financial Instrument for Fisheries Guidance (FIFG)**, supporting balanced use of natural resources and development of competitive fisheries industry.

NEW EUROPEAN COHESION POLICY FOR 2007-2013 GENERAL REGULATIONS

The European Union has been working on its new Cohesion Policy for 2007-2013.

The general aims of this reform are as follows:

- *to be more targeted on the EU's strategic priorities (Lisbon and Gothenburg agendas for a sustainable and competitive 'knowledge economy', European employment strategy);*
- *to be more concentrated on the least favoured regions while anticipating change in the rest of the Union;*
- *to be more decentralised with a simpler, more transparent and more efficient implementation.*

The proposed reform is designed to redraw the European solidarity landscape in an enlarged Union and in the context of economic globalisation and the development of a knowledge-based economy. The strategy and resources of cohesion policy will be grouped into three new priorities for structural actions: **convergence, competitiveness and employment cooperation**.

The three current priority objectives of the Structural Funds — Objective 1: regions lagging behind in development; Objective 2: regions undergoing economic and social conversion; Objective 3: training systems and employment promotion — will be replaced in 2007 by the following three objectives.

- **CONVERGENCE OBJECTIVE** (ERDF, ESF, Cohesion Fund). Close to the present Objective 1, the purpose of the convergence objective is to speed up the economic convergence of the less-developed regions, by means of: improving conditions for growth and employment by investing in human and physical capital; innovation and the development of the knowledge society; encouraging adaptability to economic and social change; protection of the environment; improving administrative efficiency.
- **REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE** (ERDF, ESF). For the rest of the Union, a twofold approach is proposed. On one hand, the regional development programmes (ERDF) will strengthen regional competitiveness and attractiveness by anticipating economic and social change and supporting innovation, the knowledge society, entrepreneurship, protection of the environment and risk prevention. On the other hand, programmes at the national or appropriate territorial level financed by the ESF will help workers and companies, on the basis of the European employment strategy, to adapt to change and encourage the development of job markets that award priority to social inclusion.
- **EUROPEAN TERRITORIAL COOPERATION' OBJECTIVE** (ERDF). The purpose of this objective, inspired by the experience of the INTERREG Community initiative, is to strengthen cooperation at three levels: cross-border cooperation through joint programmes; cooperation between transnational zones; networks for cooperation and the exchange of experiences throughout the Union. In this way, the cooperation objective should encourage a balanced, harmonious and sustainable development throughout the European area.

EUROPEAN REGIONAL DEVELOPMENT FUND REGULATION (AS OF 21.12.2005)

European territorial cooperation

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

- 1) the development of cross-border economic, social environmental activities through joint strategies for sustainable territorial development, and primarily:
 - a) by encouraging entrepreneurship and, in particular, the development of SMEs,

tourism, culture, and cross-border trade;

b) by encouraging and improving the joint protection and management of natural and cultural resources as well as the prevention of natural and technological risks;

c) by supporting links between urban and rural areas;

d) by reducing isolation through improved access to transport, information and communication networks and services, and cross-border water, waste and energy systems; and

e) by developing collaboration, capacity and joint use of infrastructures in particular in sectors such as health, tourism, culture and education.

In addition, the ERDF may contribute to promoting legal and administrative cooperation, the integration of cross-border labour markets, local employment initiatives, gender equality and 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 cooperation between maritime regions not covered under paragraph 1, through the financing of networks and of actions conducive to integrated territorial development. These shall be concentrated primarily on the following priorities:

a) innovation: the creation and development of scientific and technological networks, and the enhancement of regional R&TD and innovation capacities, where these have a direct contribution to the balanced economic development of trans-national areas. Actions may include: the establishment of networks between appropriate tertiary education and research institutions and SMEs; links to improve access to scientific knowledge and technology transfer between R&TD facilities and international centres of R&TD excellence; twinning of technology transfer institutions; and development of joint financial engineering instruments directed at supporting R&TD in SMEs;

b) environment: water management, energy efficiency, risk prevention and environmental protection activities with a clear trans-national dimension. Actions may include: protection and management of river basins, coastal zones, marine resources, water services and wetlands; flood prevention; the promotion of maritime security and protection against natural and technological risks; and protection and enhancement of the natural heritage in support of socio-economic development and sustainable tourism;

c) accessibility: activities to improve access to and quality of transport and telecommunications services where these have a clear trans-national dimension. Actions may include: investments in cross-border sections of trans-European networks; improved local and regional access to national and trans-national networks; enhanced interoperability of national and regional systems; and promotion of advanced information and communication technologies;

d) sustainable urban development: strengthening polycentric development at transnational, national and regional level, with a clear transnational impact. Actions may include: the creation and improvement of urban networks and urban-rural links; strategies to tackle common urban/rural issues; preservation and promotion of the cultural heritage, and the strategic integration of development zones on a transnational basis;

Bilateral cooperation between maritime regions may be extended to the priorities referred to in paragraph 1).

3) reinforcement of the effectiveness of regional policy by promoting inter-regional co-operation through:

a) one or several operational programmes focusing on innovation and the knowledge economy and environment and risk prevention in the sense of Article 5 (1) and (2) and

b) operational programmes focusing on:

- exchanges of experience concerning identification, transfer and dissemination of best practice including on sustainable urban development as referred to in Article 8; and
- actions involving studies, data collection, and the observation and analysis of development trends in the Community.

European grouping of territorial cooperation (EGTC)

The EGTC is a new European legal instrument designed to facilitate and promote cross-border, transnational and interregional cooperation. The EGTC is a **legal entity** and as such, will enable regional and local authorities and other public bodies from different member states, to set up cooperation groupings with a legal personality. For example, an EGTC or EGTC members can be:

- * Member States
- * regional or local authorities
- * associations
- * any other public body

The EGTC enables public authorities of various Member States to team up and deliver joint services, without requiring a prior international agreement to be signed and ratified by national parliaments. Member States must however agree to the participation of potential members in their respective countries.

The law applicable for the interpretation and application of the convention is that of the Member State in which the official EGTC headquarters are located.

An EGTC convention sets out in particular:

- * the name of the EGTC and its headquarters
- * the list of members
- * the area it covers
- * its objective
- * its mission
- * its duration

The assembly of an EGTC approves an annual budget containing a component on running costs and, if necessary, an operational component.

Third Country in the EGTC

The Community regulation on the EGTC lays down three conditions:

- at least two members from two EU member states must participate in the EGTC

- the registered office of the EGTC must be located in one of the EU member states by whose law at least one of the EGTC members is governed
- the possibility of participating in the EGTC must be allowed by the legislation of the third country concerned or by agreements between the EU member(s) and the third country or countries concerned.

Principle of Subsidiarity

The EGTC works in accordance with the principle of subsidiarity: the regulation defines a common base and leaves many points to be covered by the domestic law of the EGTC members.

THREE NEW INITIATIVES

Referring to the goals of the new Cohesion Policy, the Commission emphasizes the need to enhance support for start-ups and micro-enterprises, through technical assistance, grants, as well as non-grant instruments such as loans, equity, venture capital or guarantees, and highlights the added value of undertaking these actions in cooperation with the European Investment Bank group. For the next period of Cohesion Policy programmes 2007 - 2013, three initiatives are currently prepared:

- ***JASPERS***

The aim of the *“Joint Assistance in Supporting Projects in European Regions”* (JASPERS) is to offer a service to the Member States, targeting regions covered by the new Convergence Objective for the period 2007-2013. The service will help the authorities in the preparation of major projects for submission to the Commission in terms of quantity, quality and rapidity of projects so that they can be approved more quickly for EU support by the services of the Commission. The technical assistance will be offered from the early stages of project development. JASPERS will provide comprehensive assistance for all stages of the project cycle from the initial identification of a project through to the Commission decision to grant assistance.

JASPERS involves a partnership between the Commission (Regional Policy DG), the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

JASPERS focuses its action on large projects supported by the EU funds (costing more than €25 million for environment projects and more than €50 million in transport and other fields). In the smaller countries where there will not be many projects of this size, JASPERS will concentrate on the largest projects.

The work of JASPERS will be closely coordinated with the Member States, and in order to ensure proper planning and co-ordination, this work will be organised each year according to an annual action plan specific to each country.

- ***JEREMIE***

JEREMIE, "*Joint European Resources for Micro to medium Enterprises*", is an initiative of the Commission together with the European Investment Bank (EIB) and the European Investment Fund (EIF) in order to promote increased access to finance for the development of micro, small and medium-sized enterprises in the regions of the EU.

Improving access to finance is a priority area of the renewed Lisbon agenda for growth and jobs. Past experience has shown that this is an area where the programme authorities would like to do more, but they lack both expertise and access to risk capital. JEREMIE, by creating a framework for cooperation with the specialised financial institutions, the EIF and EIB, as well as other international financial institutions, is designed to help to overcome these difficulties.

- **JESSICA**

JESSICA, "*Joint European Support for Sustainable Investment in City Areas*", is an initiative of the Commission in cooperation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB), in order to promote sustainable investment, and growth and jobs, in Europe's urban areas.

JESSICA will offer the managing authorities of Structural Funds programmes the possibility to take advantage of outside expertise and to have greater access to loan capital for the purpose of promoting urban development, including loans for social housing where appropriate. The programme contributions will be used to finance loans provided by the urban development funds to the final beneficiaries, backed by guarantee schemes established by the funds and the participating banks themselves. No State guarantee for these loans is involved, hence they would not aggravate public finance and debt.

The basic steps leading from the contribution from the programme to support for a project on the ground are as follows:

(1) Direct relationship with Urban Development Funds

Managing authorities deciding to use the JESSICA framework will launch one or more calls for expression of interest, addressed to urban development funds and the resulting submissions would then be appraised in the usual way. Relevant criteria in this context would include the investments and projects to be targeted, the terms and conditions under which they would be financed, ownership and contributions of co-financing partners of the fund, the justification and intended utilization of the ERDF contribution, the winding up provisions of the fund, etc.

As a result of the appraisal, a funding agreement would be signed between the managing or other authority and the selected urban development fund(s), specifying the terms and conditions, as well as the targeted investments for allocating resources from operational programmes to them.

Urban development funds will select and support PPPs and other urban projects, providing loans, equity or guarantees, but not grants.

(2) Organising JESSICA through Holding Funds

Managing authorities have the possibility to organise financial engineering for sustainable urban development through the intermediary of holding funds. Holding funds are those investing in more than one urban development fund, providing them with equity, loans or guarantees. In such cases, the authorities will have the option of awarding a grant to the EIB entrusting it with the holding fund tasks.

A funding agreement would be signed between the Member States or managing authorities and the holding fund, specifying the terms, conditions, targeted investments, etc. Holding funds invest in more than one urban development fund, providing them with equity, loans or guarantees. Urban development funds are funds investing directly in public-private partnerships (PPPs) and other projects in the urban context. Projects approved by the funds for support will be financed only through equity or loans, and not through grants. It is envisaged that a pre-condition would be that projects would be supported only in the context of an integrated plan for sustainable urban development.

Source: http://ec.europa.eu/comm/regional_policy/funds/2007/jjj/background_en.htm