EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020:
OFFICIAL TEXTS AND COMMENTARIES
Regularly updated information on the European Structural and Investment Funds Regulations are available on the Inforegio website:

http://ec.europa.eu/regional_policy/fr/information/legislation/regulations
The adoption of the Partnership Agreements and programmes of the European Structural and Investment (ESI) Funds constitutes a major step forward in the Union’s support to the strategy for smart, sustainable and inclusive growth (the Europe 2020 strategy). By making available more than EUR 450 billion, the new programmes will enable Member States and regions to fully exploit their potential to achieve this threefold objective, while ensuring sound contribution to the Fund-specific purposes of the ESI Funds; in particular the objectives of economic, social and territorial cohesion, sustainable development of rural and maritime areas and sustainable management of natural resources.

The 2014-2020 programming period brings a number of challenges for the European Union, namely fostering job-rich recovery from the economic crisis, but also addressing environmental challenges and climate change, tackling persistent educational gaps and fighting poverty and social exclusion. These challenges affect or threaten millions of our fellow European citizens and require the establishment of new instruments according to their aspirations.

This is why the new framework strongly focuses on results. It includes new mechanisms, which should lay down the conditions for making a difference: a sound strategic approach through Partnership Agreements and programmes, thematic concentration, the performance framework, ex ante conditionalities, a closer link to European economic governance, increased opportunities for the use of financial instruments, support to institutional capacity, minimum shares for European Social Fund contribution and a Youth Employment Initiative specifically set out to combat youth unemployment.

The new framework also offers a number of tools allowing for a combination of support from different ESI Funds, in order to better tailor the needs of each territory, at national, regional, local or cross-border level. Managing authorities are therefore encouraged to make use of these instruments as widely as possible, for example integrated territorial investments, joint action plans, integrated operations or community-led local development, but also projects part-financed by the European Fund for Strategic Investments, in the context of the Investment Plan for Europe. Specific implementing provisions have been set out in order to ensure that the various authorities responsible for the implementation of ESI Funds work together towards maximising the impact of the Union support, while reinforcing sound financial management and regularity of spending.

Finally, the ESI Funds legal framework establishes a simplified delivery system for the Funds, which covers streamlined implementing rules, the possibility for beneficiaries to carry out all administrative steps electronically, broadened scope for the use of simplified cost options, but above all, the obligation for managing authorities to take specific measures with a view to reducing the administrative burden for beneficiaries.

These are the means made available to Member States and regions of the European Union during this seven year period. It is now up to each managing authority to make the best use of them, by mobilising wide territorial partnerships, by joining all forces to build up development strategies that deliver on the objectives of the Europe 2020 strategy.

1 EUR 351.8 billion for the cohesion policy (ERDF, ESF and Cohesion Fund), EUR 99.6 billion for the rural development under the Common Agricultural Policy and EUR 5.7 billion for the Maritime and Fisheries Fund under the Common Fisheries Policy.
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**INTRODUCTION**

*Common rules in 2014-2020 for five ESI Funds*

There is now a single set of rules covering the EU’s five *Structural and Investment Funds* (the ESI Funds). The purpose of these rules is to establish a clear link with the Europe 2020 strategy for generating smart, sustainable and inclusive growth in the EU, improve coordination, ensure consistent implementation and make access to the ESI Funds as straightforward as possible for those who may benefit from them.

The 2014-2020 programming period brought forward a new legislative framework for these five Funds, which fall under the EU’s cohesion policy, the common agricultural policy and the common fisheries policy.

These five ESI Funds are as follows:

- the European Regional Development Fund (ERDF);
- the European Social Fund (ESF);
- the Cohesion Fund;
- the European Agricultural Fund for Rural Development (EAFRD);
- the European Maritime and Fisheries Fund (EMFF).

The new policy framework aims to foster better cooperation and coordination between the ESI Funds. This will be achieved through the Common Provisions Regulation for the European Structural and Investment Funds (Regulation (EU) 1303/2013, hereafter CPR), which has introduced rules that apply to all five. It is important to note that not all the rules set out in the CPR apply to all five ESI Funds. In addition, separate rules exist in Fund-specific Regulations outside the CPR. For clarity, the CPR has introduced specific terminology (which is applied here as well) and a hierarchy of legal acts for the ESI Funds as follows:

- the **ESI Funds**: as described above;
- the **Structural Funds**: the ERDF and the ESF;
- the **Funds**: the three cohesion policy funds: the **ERDF**, the **ESF** and the **Cohesion Fund**;
- the Fund-specific Regulations: these establish specific provisions for the **ESI Fund** and regulate additional issues not covered by the CPR such as the scope and investment priorities of each Fund or rules on thematic concentration.

**REFERENCES**

Regulation (EU) 1303/2013, hereafter CPR, Article 1
The Fund-specific regulations are:
- the ERDF Regulation (No 1301/2013);
- the ESF Regulation (No 1304/2013);
- the Cohesion Fund Regulation (No 1300/2013);
- the EAFRD Regulation (No 1305/2013);
- the EMFF Regulation (No 508/2014).

In addition to these, the European Territorial Cooperation (ETC) Regulation (No 1299/2013) applies to cooperation programmes co-financed by the ERDF.

**MAIN REGULATIONS RELEVANT FOR EACH ESI FUND**

<table>
<thead>
<tr>
<th>Fund-specific Regulations</th>
<th>ERDF</th>
<th>ESF</th>
<th>COHESION FUND</th>
<th>EAFRD</th>
<th>EMFF</th>
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<td>CPR Part I</td>
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**Other relevant Regulations**
- EGTC Regulation
- CAP Horizontal Regulation
- CAP Transitional Regulation
- CFP Regulation

**Notes:**
- ✓ indicates the regulation applies.
- The table highlights the regulations relevant for each ESI fund.
## Main Topics to be Found in CPR and EARDF and EMFF Regulations

<table>
<thead>
<tr>
<th>Rules for all ESI Funds</th>
<th>CPR Parts I, II and V</th>
<th>ESI Regulations</th>
<th>Definitions</th>
<th>General principles</th>
<th>Strategic approach, thelatic concentration and scope of intervention</th>
<th>Programming</th>
<th>Financial instruments</th>
<th>Ex ante conditionalities</th>
<th>Performance review</th>
<th>Linked to sound economic governance</th>
<th>Community-led local development and territorial development (incl. urban)</th>
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<tr>
<td>Rules only for the CPR</td>
<td>CPR Parts I, II and V</td>
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| Monitoring, evaluation and indicators | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Rules of support (incl. co-financing, revenue generation, eligibility and simplified costs) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Technical assistance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Management and control | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Financial management | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Missions, geographical coverage and resources | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Information and communication | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Implementing, transitional and final provisions | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

The Commission is empowered to adopt delegated and implementing acts to respectively supplement and amend certain non-essential elements of the CPR and of the Fund-specific Regulations, and to take some decisions relating to partnership agreements and programmes.
GENERAL INFORMATION
1. POLICY GOALS AND INTERVENTION PRINCIPLES

The EU is committed to creating more and better jobs and a socially inclusive society. These goals are at the core of the Europe 2020 strategy. The ESI Funds aim to provide support to deliver this strategy, as well as Fund-specific missions including economic, social and territorial cohesion.

While the overall missions of the ESI Funds are defined clearly in the Treaties, policy reforms for the period 2014-2020 are derived from Europe 2020 strategy. For cohesion policy the reform has resulted in the establishment of two key goals:

• Investment for growth and jobs, a goal common to all three categories of regions: less-developed, transition and more-developed (supported by the ERDF, ESF and Cohesion Fund);

• European territorial cooperation, to be supported by the ERDF.

<table>
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<th>2007-2013</th>
<th>2014-2020</th>
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<tr>
<td>Convergence</td>
<td>Investment for growth and jobs</td>
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<td>Regional competitiveness and employment</td>
<td>European territorial cooperation</td>
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<td>European territorial cooperation</td>
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For the EAFRD, the common agricultural policy reform sets three objectives:

• fostering the competitiveness of agriculture;
• sustainable management of natural resources and climate change including delivery of public goods in rural areas and preservation of European landscapes;
• balanced territorial development of rural economies and employment.

The EMFF aims to deliver the objectives of the reformed common fisheries policy and supports the implementation of the integrated maritime policy. The Fund also focuses on the sustainable development of fisheries and aquaculture as well as supporting growth and jobs in coastal communities across the EU.

For the period 2014-2020, the principles of intervention – as under the previous funding period – remain valid. These include:

• complementarity and consistency;
• shared-management and coordination;
• partnership, proportionality and subsidiarity;
• compliance with Union and the national law relating to its application;
• equality between men and women;
• non-discrimination;
• sustainable development.

Effectiveness, sound financial management and reduction of the administrative burden on beneficiaries have been added to the general principles, while the principle of additionality, which only applies to cohesion policy, has been moved under Part III (Article 95) of the CPR.

With a view to highlighting the importance of the partnership and multi-level governance principle, the CPR also empowers the Commission to provide for a European code of conduct on partnership through the adoption of a delegated act.

REFERENCES
CPR Articles 4 - 8
Articles 40, 162, 176 and 177 of the Treaty on the Functioning of the European Union (TFEU).
Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds.
2. STRATEGIC APPROACH

While for the period 2014-2020 Member States are still required to draw up and implement strategic plans with regards to accessing the ESI Funds, this process has been made simpler and more efficient. The new legal framework substantially strengthens links with the Europe 2020 strategy and enhances the principle of coordination between the ESI Funds and with other EU instruments. In particular, the CPR:

- sets out a Common Strategic Framework as a strategic guide for the ESI Funds at European level;
- requires Member States to draft one common document for the ESI Funds at national level: the Partnership Agreement;
- defines common standards for all their programmes.

In order to target the ESI Funds’ investment towards the Europe 2020 strategy, 11 thematic objectives (TO) are defined under Article 9 of the CPR. Other EU instruments also contribute to these TOs and Member States are encouraged to foster synergies and effective coordination between all available instruments at European, national, regional and local level. Because Member States are required to draw up and implement strategic plans covering the five ESI Funds (Partnership Agreements), it is possible to combine the resources of the ESI Funds and other EU instruments in a complementary way.

2.1. Stronger alignment with the Europe 2020 strategy

The reform of the ESI Funds for the 2014-2020 programming period aims to maximise their contribution to the Europe 2020 strategy. This strategy defines three broad socio-economic goals for the European Union to be pursued in the years 2010-2020:

- SMART GROWTH: developing an economy based on knowledge and innovation
- INCLUSIVE GROWTH: fostering a high-employment economy which delivers on social and territorial cohesion
- SUSTAINABLE GROWTH: promoting a more resource efficient, greener and more competitive economy

The CPR translates these goals into a set of 11 TOs, defining sectors and areas of intervention where EU support through the ESI Funds can bring the greatest added value. At the EU and Member State level, these TOs serve as a benchmark for the ESI Funds and represent a starting point for coordination in Partnership Agreements and programmes.
It should be noted that since cohesion policy as a whole is geared towards the Europe 2020 strategy, the scope of intervention of the Funds is no longer differentiated between categories of regions, making the same types of investments available in all regions1.

However, the Fund-specific Regulations do set out the minimum contribution of each ESI Fund to a particular area of investment (e.g. innovation, energy, ICT and SME support in the ERDF; promoting social inclusion and combating poverty and discrimination in the case of the ESF). The level of contribution sometimes depends on the category under which a region is classified (for further details, see sections on individual ESI Funds and Fund-specific Regulations).

The Fund-specific Regulations also define in greater detail how each ESI Fund can contribute to those thematic objectives through investment priorities (in the case of the Funds) or Union priorities (in the case of the EAFRD and the EMFF), in line with their specific objectives.

The 11 TOs are as follows:

<table>
<thead>
<tr>
<th>EUROPE 2020 GOALS</th>
<th>THEMATIC OBJECTIVES</th>
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</table>
| **Smart growth**   | 1. Strengthening research, technological development and innovation;  
|                    | 2. Enhancing access to, and use and quality of, ICT;  
|                    | 3. Enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF); |
| **Sustainable growth** | 1. Supporting the shift towards a low-carbon economy in all sectors;  
|                     | 2. Promoting climate change adaptation, risk prevention and management;  
|                     | 3. Preserving and protecting the environment and promoting resource efficiency;  
|                     | 4. Promoting sustainable transport and removing bottlenecks in key network infrastructures; |
| **Inclusive growth** | 1. Promoting sustainable and quality employment and supporting labour mobility;  
|                      | 2. Promoting social inclusion, combating poverty and any discrimination;  
|                      | 3. Investing in education, training and vocational training for skills and lifelong learning;  
|                      | 4. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration. |

The CPR integrates the ESI Funds into the European Semester, which is an annual cycle of EU level reporting, analysis and decision-making with regard to the progress made in delivering the Europe 2020 strategy. The European Semester determines the goals to be pursued in the upcoming year for the whole of the EU, and also delivers a set of country specific recommendations that address key socio-economic challenges in each Member State.

At the programming stage (Partnership Agreement and programmes), Member States have to make a clear link between ESI Fund intervention and the Europe 2020 strategy, with particular focus on the relevant country-specific recommendations.

A significant change in comparison with the previous programming periods is that this link must be maintained throughout the implementation stage. If new relevant country-specific recommendations are issued which require support from the ESI Funds, the Commission may request that Member States make appropriate adjustments to the Partnership Agreements and the programmes (see chapter on conditionality linked to sound economic governance).

The annual implementation reports presented by Member States from 2016 onwards for each programme will be much more focused on progress in achieving the programme’s objectives relating to Europe 2020 strategy.

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1  Except for investments in institutional capacity and public administration by the ESF which are limited to Member States eligible for the Cohesion Fund and for less developed regions (Article 3(1)(d)(i) of Regulation (EU) No 1304/2013).

REFERENCES

The country-specific recommendations adopted in accordance with Article 121(2) TFEU and the Council recommendations adopted in accordance with Article 148(4) TFEU.
In addition, Member States will report twice – in 2017 and 2019 – on progress in implementing the ESI Funds at the Partnership Agreement level. These progress reports must assess the ESI Funds’ contribution to implementing the relevant country-specific recommendations, along with progress in achieving the Europe 2020 strategy’s priorities. By the end of 2017 and 2019 the Commission will present its own strategic report and conclusions drawn from these progress reports to the Council, the European Parliament, the Committee of the Regions (CoR) and the European Economic and Social Committee (EESC) within the framework of the European Semester.

Finally, the cohesion report will continue to be published every three years, as required by article 175 of the TFEU.

### KEY REPORTS SUBMITTED BY THE MEMBER STATES AND THE COMMISSION

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<td><strong>By the Member States</strong></td>
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<td>Annual Implementation reports for each OP</td>
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<td>Progress reports for the Partnership Agreements</td>
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<td>Report on the outcome of negotiations of Partnership Agreements and programmes</td>
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<td>Summary reports based on Member States’ annual implementation reports</td>
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<td>Autumn</td>
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<td>Cohesion report</td>
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<td>Strategic reports based on Member States’ progress reports</td>
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<td><strong>Debate on strategic reports</strong></td>
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<td>The European Parliament, the Council, the CoR, the EESC</td>
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<td>Report on implementation of common CAP monitoring and evaluation framework</td>
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<td>Report on implementation of a monitoring and evaluation report</td>
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(*) As regards the cohesion policy and the EMFF, the AIRs for 2016, 2018, 2020 have to be submitted by the end of May, while for the EAFRD - by the end of June.

**REFERENCES**

CPR Articles 16, 50, 52, 53, 113, Article 110(5) of Regulation 1306/2013 (CAP horizontal); EMFF Article 107(4)

<table>
<thead>
<tr>
<th>2007-2013</th>
<th>2014-2020</th>
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<tbody>
<tr>
<td>The Lisbon strategy.</td>
<td>The Europe 2020 strategy.</td>
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<tr>
<td>Cohesion policy was linked to the Lisbon strategy through earmarking requiring a share of cohesion policy funds (60-75%) to be spent on Lisbon-related areas of investment.</td>
<td>All ESI Funds’ interventions have to contribute to Europe 2020 strategy, but new rules on thematic concentration set out minimum level of resources which should be spent on some specific areas of intervention and a minimum allocation for the ESF.</td>
</tr>
<tr>
<td>Indirect link between cohesion policy and the Lisbon strategy through the national reform programmes concerning only programming stage.</td>
<td>Direct and explicit links between the relevant country-specific recommendations and the Partnership Agreements and the programmes during programming and implementation.</td>
</tr>
<tr>
<td>Separate strategic reporting for cohesion policy, EAFRD and the European Fisheries Fund (EFF) loosely linked with the Lisbon strategy reporting.</td>
<td>2017 and 2019 progress reports will cover all ESI Funds and are integrated into the European Semester.</td>
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<tr>
<td>Each Fund had its own thematic scope defined in a set of priorities.</td>
<td>A set of TOs common for the five ESI Funds is introduced, according to which a scope of intervention of every Fund is translated into concrete investment priorities (for cohesion policy) or Union priorities (the EAFRD and the EMFF).</td>
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</table>

2.2. Strategic documents for the ESI Funds

2.2.1. The Common Strategic Framework

The Common Strategic Framework, set out in Annex I of the CPR, is a successor of the Community Strategic Guidelines on cohesion policy and for rural development 2007-2013, but it nonetheless covers all five ESI Funds. It provides strategic guidance to the Member States and regions in taking full advantage of the possibilities offered by the ESI Funds and the other EU policies and instruments in their Partnership Agreements and programmes while maintaining a clear focus on the Europe 2020 priorities.

The Framework aims to facilitate coordination and complementarity between interventions supported by the ESI Funds. Member States are encouraged to ensure cooperation between the managing authorities responsible for each ESI Fund at all stages of the programming, implementation, monitoring and evaluation of their support both at the strategic and at the operational level.

The following new tools are offered by the CPR:

- combining the Funds under one programme;
- the Integrated Territorial Investment (ITI);
- Community-led local development (CLLD);
- the Joint Action Plans (JAP).

These tools are being promoted as a practical means of coordination between the ESI Funds. The Common Strategic Framework provides further guidance on practical implementation of horizontal policy principles and cross-cutting policy objectives such as multi-level governance, non-discrimination and addressing climate change mitigation and adaptation.
The Common Strategic Framework also sets out practical ways to build synergies between the ESI Funds and other EU policies and instruments:

In comparison to the previous programming period the territorial dimension of ESI Fund support is much more pronounced. This is in line with the Treaty-based objective of achieving economic, social and territorial cohesion. For example, the Common Strategic Framework contains a section dedicated to addressing key territorial challenges: Member States are requested to conduct a place-based analysis of development potential, capacity and major challenges faced at national, regional or local level when preparing their Partnership Agreements and programmes. They are also expected to take into account the relevant macro-regional and sea-basin strategies and ensure complementarity between the ETC programmes and the country-specific programmes within the investment for growth and jobs goal. At implementation level, Member States are encouraged to make full use of the newly introduced territorial tools – the ITI and CLLD2 - which aim to provide tailor-made solutions to the territorial challenges of specific territories by engaging local partners in their design and implementation.

2.2.2 Partnership Agreement and programmes

The 2007-2013 National Strategic Reference Framework (NSRF) for the Funds and the National Strategy Plan (NSP) for EAFRD and EFF have been replaced with the Partnership Agreement. The Partnership Agreement acts as overall strategic document, providing an overview of how ESI Funds will be used in each Member State in the 2014-2020 programming period.

The Partnership Agreement has been introduced to reflect the new, enhanced governance system of Europe 2020 strategy, along with the reform of cohesion policy, EAFRD and EMFF, which aims to increase the effectiveness and efficiency of the ESI Funds. The main change is the scope of the Partnership Agreement. While the previous separate NSRF and NSP documents contained only basic information about the complementarity of the EU Funds concerned, the Partnership Agreement now presents a comprehensive, coherent strategy regarding all five ESI Funds.

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2 CLLD is based on the LEADER experience from the previous programming periods.
Member States now have to be much more specific about the ESI Funds' planned contribution to the achievement of EU priorities as defined by the Europe 2020 strategy, the national reform programmes and the relevant country-specific recommendations. Apart from an indicative distribution of EU support between the programmes and TOs – the Partnership Agreement must present an overall summary of how the following new elements have been implemented:

- the application of horizontal principles and policy objectives of the ESI Funds including the partnership principle and the climate change objectives;
- the distribution of the performance reserve broken down by each ESI Fund and category of region and how consistency in the functioning of performance framework is ensured;
- a summary of the state of play of applicable ex ante conditionalities;
- an assessment of administrative capacities of the authorities involved in implementation of the ESI Funds together with – where necessary – a summary of actions in order to improve them;
- a summary of actions aiming at reducing the administrative burden for beneficiaries;
- for the Funds only, the information required for ex ante verification of compliance with the rules on additionality;
- the main priority areas for cooperation under the ESI Funds, taking account, where appropriate, of macro-regional strategies and sea basin strategies.

Any amendment to these elements during implementation will need to be formally approved by the Commission. This catalogue is much broader than in 2007-2013, when only the parts of NSRF and NSP referring to a list of programmes and the indicative annual allocation from each Fund by programme was covered by the Commission’s decision. This demonstrates how the strategic link between the Partnership Agreement and the programmes has been significantly enhanced in comparison with 2007-2013.

All of the above-presented elements of the Partnership Agreement have to be properly translated and implemented through specific programmes. Since all programmes have to be consistent with the Partnership Agreement, the CPR has introduced a basic content common to all five ESI Funds. This represents a major change in comparison with the previous programming period because it strengthens strategic links between all ESI Funds’ programmes in a given Member State.

In addition, the Fund-specific rules describe in detail the structure of programmes for cohesion policy, EAFRD and EMFF, taking into account their specific missions and instruments. It should be noted that in the case of the Funds, some programme elements remain under the sole responsibility of Member States and can thus be amended without formal approval by the Commission (for a complete list see Article 96(10) of the CPR). This is an important simplification in comparison to the 2007-2013 programming period, when any programme changes had to be formally adopted by the Commission. Finally, it is now possible to combine ESF and ERDF (or ESF and Cohesion Fund) support within one programme.

**MAIN DIFFERENCES IN STRATEGIC DOCUMENTS BETWEEN 2007–2013 AND 2014–2020:**

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<tbody>
<tr>
<td>The Community Strategic Guidelines for cohesion policy</td>
<td>The Common Strategic Framework covering the five ESI Funds</td>
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<tr>
<td>The Community Strategic Guidelines for Rural Development</td>
<td></td>
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<tr>
<td>The National Strategic Reference Framework covering mainly the three cohesion policy Funds and only some parts were formally approved by the Commission</td>
<td>The Partnership Agreement covering all the five ESI Funds and a majority of its elements require a formal Commission’s approval, including in case of amendment.</td>
</tr>
<tr>
<td>The National Strategy Plans covering the rural development programmes and the fisheries programmes prepared by the Member States in close collaboration the Commission and partners</td>
<td></td>
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<tr>
<td>Different content of the cohesion policy, EAFRD and EFF programmes</td>
<td>Common, basic set of elements for all ESI Funds’ programmes</td>
</tr>
<tr>
<td>Separate programmes for the ERDF (+CF) and the ESF</td>
<td>Multi-fund ESF-ERDF (or ESF-CF) programmes allowed as well.</td>
</tr>
</tbody>
</table>
3. IMPROVING EFFECTIVENESS

The new regulatory framework has created new incentives for Member States to deliver on EU priorities and thus maximise the impact of Union support, mainly through the following mechanisms:

- Performance framework and reserve;
- Ex ante conditionalities;
- Conditionality linked to sound economic governance;
- Financial Instruments.

3.1. Performance framework and reserve

In order to appropriately monitor progress towards the objectives and targets set for each priority, a programme should set up a performance framework built on a set of indicators and establish clear, realistic and measurable milestones and targets. Every year, updated information on progress towards these milestones and targets will be provided in implementation reports and, by 2017 and 2019, in progress reports.

By the second half of 2019, the Commission will review the performance of these programmes, based on the annual implementation reports submitted by Member States by 30 June 2019 relating to performance up to the end of 2018. Following this review, a performance reserve – amounting to between 5 % and 7 % of the resources allocated to the priority – will be allocated to programmes and priorities that have achieved their milestones. For programmes and priorities that have not achieved their milestones, Member States will propose a reallocation of resources across priorities having achieved their milestones, consistent with the thematic concentration requirements and minimum allocations.

In addition, where there is evidence based on financial and output indicators of a serious failure in achieving a priority’s milestones due to implementation weaknesses, the Commission may suspend all or part of interim payments for this priority. Financial corrections may be applied at the end of programming period if there is a serious failure to achieve targets.

3.2. Ex ante conditionalities

In order to ensure that Member States meet the conditions necessary for effective support through the ESI Funds, the Regulations have laid down a set of legal, policy and institutional requirements (ex ante conditionalities), which should ideally be fulfilled by the time the Partnership Agreements and programmes are submitted.

Ex ante conditionalities may be either thematic (linked to specific investment or Union priorities, as set out in the Fund-specific rules and Regulations, for example the existence of a comprehensive transport plan for investment in transport) or general ex ante conditionalities (not linked to specific investment or Union priorities, for example the existence of administrative capacity for the implementation and application of Union gender equality law and policy in the field of ESI Funds).

Member States must assess whether ex ante conditionalities applicable to their programmes have been fulfilled. In case of non-fulfilment at the time of programme submission, the Member State must draw up a plan setting out actions to be taken in order to ensure fulfilment not later than 31 December 2016. The Commission has the authority to decide, when adopting a programme, to suspend all or part of an interim payment to a programme’s priority pending the completion of actions. The burden of proof is on the Commission to determine if ex ante conditionalities have not been fulfilled.

3.3. Conditionality linked to sound economic governance

In order to ensure that ESI Funds are used in a manner that is consistent with the priorities established in the context of the European Semester, Member States must take into account:

- the National Reform Programmes where appropriate;
- the most recent relevant country-specific recommendations;
- any relevant Council recommendations, including those based on the Stability and Growth Pact and the economic adjustment programmes.
Following adoption of the Partnership Agreements and programmes, consistency with the European Semester will be ensured through two mechanisms laid down in Article 23 of the CPR:

**RE-PROGRAMMING:**
the Commission may request a Member State to review and propose amendments to its Partnership Agreement and relevant programmes, where it is necessary to support the implementation of relevant Council Recommendations or maximise the growth and competitiveness impact of the ESI Funds in Member States receiving financial assistance. When a Member State fails to take action in response to this request, the Council may, upon the Commission’s proposal, suspend part or all of payments for the programmes or priorities concerned. The decision on lifting any suspensions will be taken once the Member State has proposed amendments as requested by the Commission.

**RESPECT OF ECONOMIC GOVERNANCE PROCEDURES:**
the Commission will submit a proposal to the Council to suspend part or all of the commitments or payments for the programmes of a Member State if it does not comply with the rules regarding the Excessive Deficit Procedure, the Excessive Imbalance Procedure or, for Member States under financial assistance, the related adjustment programme. The Council will then decide on suspension and, where the Member State has taken appropriate corrective action, on lifting suspension. In any case, suspensions should be proportionate and subject to the ceilings set out in Article 23(II) of the CPR.

### 3.4. Financial Instruments
ESI Fund programmes will contribute to delivering the objectives of the Investment Plan\(^3\) by more effectively using funding and by doubling use of financial instruments (FIs) during 2014-2020 compared to the previous programming period. This will be facilitated by the new, more comprehensive and coherent rules adopted for 2014-2020 FIs whose aim is to support and encourage their use as a more efficient and sustainable form of EU support. These rules are non-prescriptive in regards to sectors, final recipients, types of projects and activities that are to be supported. Member States may use FIs in relation to all TOs covered by programmes and for all Funds where it is efficient and effective to do so.

The new framework also contains rules on combining FIs with other forms of support, in particular grants, as this further facilitates the design of well-tailored assistance schemes that meet the specific needs of Member States or regions.

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\(^3\) The Investment Plan for Europe focuses on removing obstacles to investment, providing visibility and technical assistance to investment projects and making smarter use of new and existing financial resources.
4. SIMPLIFICATION

The Commission sees the value of simplification in several ways:

• It is needed to ensure the smooth delivery of the policy and continued interest of beneficiaries;
• It can have a positive impact on the results of the policy by ensuring an efficient distribution of administrative efforts required at national, regional and EU levels, cutting the time and costs of reaching the objectives and allowing to focus on results;
• By putting in place simpler rules more easily understood by the actors involved - and thus reinforcing legal certainty - simplification can also help to reduce errors and increase the assurance given by the national delivery systems.

For these reasons, the Regulatory Framework for the ESI Funds for 2014-2020 has introduced a number of changes:

The following cover all ESI Funds:

• Harmonisation of rules between ESI Funds: for example with regard to rules on eligibility and durability;
• Increased proportionality: regarding arrangements for the implementation and use of the ESI Funds in relation to reporting, evaluation, management and control;
• Legal certainty through clearer rules: for example regarding revenue-generating projects;
• More efficient delivery and lighter reporting: by focusing in particular on core common indicators that facilitate data gathering and reporting on achievements at EU level;
• Reducing the administrative burden for managing authorities and beneficiaries: for example through expanding the possibilities for simplified costs options (see table below).

And more specifically for the Funds:

• Greater flexibility in terms of setting up programmes and systems: including multi-fund programmes or projects, integrated territorial investments, financial transfer between categories of regions, joint fora and technical assistance investments;
• Simplifications related to major projects: the thresholds of EUR 50 million (EUR 75 million for transport infrastructure) are calculated on the eligible costs and not on total costs as in the past. What is more, where a major project has been appraised positively by an independent expert, the managing authority can simply notify the project to the Commission. A similar notification with no need for an independent quality review is also possible in the case of phased projects;
• A move towards results-based management (the Joint Action Plan): where EU contribution payments are based on progress and results and not on providing traditional accounting documents. This reduces the administrative burden for both the Member State and the beneficiary (see table below showing differences between simplified cost options and joint action plans);
• E-cohesion: all beneficiaries should be able, by end of 2015, to carry out all exchanges of information with the different authorities and bodies of each operational programme by means of electronic data exchange systems;
• Timely payment to beneficiaries: Art 132 of the CPR states that subject to the availability of Funding managing authorities must ensure that a beneficiary receives the total amount of eligible public expenditure in full no later than 90 days from the date of submission of the payment claim.

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<th>2007-2013</th>
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<td>Funds using simplified costs</td>
<td>ESF, ERDF and EAFRD</td>
<td>The 5 ESI Funds</td>
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<td>Grant and repayable assistance</td>
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<td>forgone EAFRD Regulations Art 41(d) for area-related measures</td>
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<td>Flat rate financing</td>
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<td>calculate indirect costs only.</td>
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<td>For ESF: flat rate of up to 40 %</td>
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<td>indirect costs</td>
<td>indirect costs = 20 % of direct</td>
<td>indirect costs with calculation</td>
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<td>costs</td>
<td>requirement = 25 % of direct costs</td>
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<td>Or 15 % of direct staff costs.</td>
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<td>Maximum EUR 100 000 of public</td>
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<td>cost calculation method is set out</td>
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<td>employment costs / 1720 hours</td>
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<td>Standard scales of unit costs</td>
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<td>Additional option set out in Article</td>
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<td>and lump sums for reimbursement</td>
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<td>14 (1) ESF Regulation that allows</td>
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<td>unit costs or lump sums defined by</td>
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<td>the Commission in a delegated act.</td>
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</tbody>
</table>

**REFERENCES**

CPR Articles 67 – 68; ESF Regulation 14, ETC Regulation 19.
### SCO type

<table>
<thead>
<tr>
<th>Sco type</th>
<th>JAPs</th>
<th>Article 14(1) of the ESF Regulation</th>
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</table>

### Commission approval

<table>
<thead>
<tr>
<th>Commission approval</th>
<th>JAPs</th>
<th>Article 14(1) of the ESF Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal approval.</td>
<td>Approved in the framework of the JAP decision.</td>
<td>The SCOs are adopted by the Commission by means of a delegated act.</td>
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</tbody>
</table>

### Calculation method

<table>
<thead>
<tr>
<th>Calculation method</th>
<th>JAPs</th>
<th>Article 14(1) of the ESF Regulation</th>
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<tbody>
<tr>
<td>Calculation based on a fair, equitable and verifiable method. Use of existing EU or national schemes for similar types of operation and beneficiary. Use of rates and methodologies set out in the regulations (Article 67(5), Article 68 of the CPR and Article 14(2) and (3) of the ESF Regulation).</td>
<td>Calculation based on a fair, equitable and verifiable method. Use of existing EU or national schemes for similar types of operation and beneficiary. Use of rates and methodologies set out in the regulations (Article 67(5), Article 68(2) of the CPR and Article 14(1)-(3) of the ESF Regulation).</td>
<td>The regulations do not set a specific methodology for the definition of SCO under Article 14(1) of the ESF Regulation. The Commission, however, intends to use following methodologies: Calculation based on a fair, equitable and verifiable method. Use of existing EU or national schemes for similar types of operation and beneficiary. Use of rates and methodologies set out in the regulations.</td>
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### Reimbursement

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<tr>
<th>Reimbursement</th>
<th>JAPs</th>
<th>Article 14(1) of the ESF Regulation</th>
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<tbody>
<tr>
<td>Reimbursement between the Commission and the MA and between the MA and the beneficiary is based on the same SCO system.</td>
<td>Reimbursement between the Commission and the Member State and between the Member State and the beneficiary is based on the same SCO system. The beneficiary may apply a different form of financial arrangements (for example in the case of public procurement), but will be reimbursed based on agreed unit costs/lump sums.</td>
<td>Reimbursements between the Commission and the Member State and between the Member State and the beneficiary may have a different basis.</td>
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### Public procurement

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<tr>
<th>Public procurement</th>
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<tr>
<td>Not applicable to exclusively procured projects.</td>
<td>Also applicable to exclusively procured projects.</td>
<td>Also applicable to exclusively procured projects.</td>
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</table>
5. MANAGEMENT AND CONTROL

The EU is committed to ensuring full legality and regularity of expenditure, as well as to fighting fraud, corruption and other illegal activities that could impact its budget. The management and control systems set up by the Member States’ authorities aim to prevent, detect and correct any irregularities.

The CPR sets out general principles for management and control systems for the Funds and the EMFF. Principles that apply jointly to these four Funds are similar to those in force in 2007-2013.

A number of changes however have been introduced regarding the way these principles are to be implemented:

- **Responsibilities and tasks of the different authorities clarified:** Accountability has been reinforced with managing authorities required to draw up an annual management declaration, together with an annual summary of the final audit reports and of controls carried out. Managing authorities are also requested to put in place effective and proportionate anti-fraud measures, taking into account the risk identified.

- **Compliance assessment of the management and control systems replaced:** A new national designation process of the managing authority (and the certifying authority, where relevant) has been established. This designation process will only be reviewed by the Commission in three cases: where the total amount of support from those four Funds under the related programme exceeds a certain amount[^4], following a risk analysis or at the Member State’s initiative.

- **Accounts prepared, examined and accepted every year:** The accounting year starts on 1 July and ends on 30 June (except for the first accounting period). The certifying authority will prepare the annual accounts for the operational programme, which are then submitted to the Commission together with the management declaration of assurance, the annual summary of controls prepared by the managing authority, and the accompanying control report and audit opinion prepared by the audit authority. The Commission examines these documents, in view of issuing a yearly declaration of assurance.

The Commission will implement net financial corrections when the two following conditions are met. In these cases, the EU support cannot be reallocated to other operations:

- An EU audit has detected a serious deficiency in the effective functioning of the management and control system, which affects an accounting period for which the Member State already submitted both a management declaration and an audit opinion that did not identify the problem (cut-off date 15 February).

- The Member State did not identify the problem in other audit reports submitted to the Commission or did not take appropriate remedial measures, prior to detection by EU audits.

With regards to data exchange between the authorities and beneficiaries; by 31 December 2015, Member States must ensure that appropriate systems are in place, so that beneficiaries can carry out all necessary data exchange with the relevant authorities. In concrete terms, this means that once a grant has been awarded, the beneficiary should be able to fulfil – via electronic exchange – all information requirements.

6. FINANCIAL MANAGEMENT

Different forms of support provided for ESI Funds – listed in Article 66 of the CPR – include grants, repayable assistance and FIs. Repayable assistance and FIs are subject to different rules.

6.1 Commitments and payments

**Commitments**

The first instalment of the budget commitment is released automatically by the Commission, following the adoption of the programme. Subsequent commitments are made annually and are adapted in case of amendments to the programme.

Commitments not covered by pre-financing or by a request for payment within three years are decommitted.

[^4]: EUR 250 million for the Funds and EUR 100 million for the EMFF.
Payments

Commission payment of ESI Fund contributions to each programme take a number of forms and are subject to availability of funding:
• pre-financing;
• interim payments;
• payment of final balance.

Following the Commission’s adoption of the programme, an initial pre-financing amount is paid in several yearly instalments between 2014 and 2016, as set out in the table below. For the Funds and the EMFF only, annual pre-financing amounts will be paid from 2017 to 2023.

For the Funds and the EMFF, reimbursement of interim payments will be limited to 90 % of the amount resulting from applying the relevant co-financing rate to the expenditure declared in the payment request. The remaining 10 % will be released after the yearly examination and acceptance of the accounts.

6.2 Co-financing

The Commission Decision to adopt a programme fixes the co-financing rate for each priority and, where relevant, by category of region and Fund.

Maximum co-financing rates:
• ERDF and ESF: between 50 % and 85 % depending on the category of regions (some increases possible according to ESF-specific rules);
• European territorial cooperation goal: 85 %;
• Cohesion Fund: 85 %;
• EMFF: 75 % (some increases possible under certain conditions);
• EAFRD: between 53 % and 85 % (some increases possible under certain conditions).

Specific provisions are laid down for programmes using FIs or community-led local development and also for the Youth Employment Initiative.

6.3 Eligibility of expenditure

For expenditure to be eligible, it must be incurred by a beneficiary and paid between the date the programme is submitted to the Commission – or from 1 January 2014, whichever is earlier - and 31 December 2023. For the Youth Employment Initiative (YEI), expenditure is eligible as of 1 September 2013. The eligibility of expenditure is determined on the basis of national rules, except where specific rules are laid down in the CPR or the Fund-specific rules, in particular as regards ETC, where a new hierarchy of rule has been introduced.

As the Commission examines and accepts accounts on an annual basis, closing procedures for programmes will not be as intensive as they were in the 2007–2013 period. The payment of the final balance will be subject to the same process of annual examination and acceptance of accounts for the final accounting year.

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Regulation No (EU) 2015/779 amending the ESF Regulation provides for the payment an additional pre-financing for Operational Programmes supported by the Youth Employment Initiative (YEI). This additional pre-financing payment is not included in the table as it only covers the specific allocation for the YEI.
7. FINANCIAL RESOURCES

As in the previous programming period, every European region is able to benefit from ESI Funds’ support in 2014-2020. A number of changes however have been made to the ESI Fund policy framework, which have important financial consequences.

The link between policy goals, scope of intervention and method of allocating the EU financial resources has been redefined. In the case of cohesion policy, it was decided that all types of regions would have a common policy goal - investment for growth and jobs, as set out in the Europe 2020 strategy. In pursuing this goal, all regions can take advantage of the same scope of intervention (catalogues of investment priorities for the Funds) but to different levels of intensity, as defined by the rules on thematic concentration. The European Territorial Cooperation goal has become a separate goal, alongside the investment for growth and jobs goal.

In the case of rural development, the objectives of the Europe 2020 strategy are reflected in six Union priorities, of which – as general rule – at least four must be included in each rural development programme.

The level of support still depends on each region’s position in relation to the average GDP per capita of the EU-27. For cohesion policy and EAFRD, the CPR now distinguishes between three categories of regions instead of the previous two (Convergence and Regional Competitiveness & Employment in 2007-2013). These three are:

- **Less developed regions**: those whose GDP per capita is less than 75% of the average GDP of the EU-27;
- **Transition regions**: those whose GDP per capita is between 75% and 90% of the average GDP of the EU-27, this category replaced the phasing-in and phasing-out mechanisms applied in the previous funding period;
- **More developed regions**: those whose GDP per capita is above 90% of the average GDP of the EU-27.

In order to ensure that the ESF share in the Funds’ resources at the European level amounts to at least 23.1%, a minimum share of this Fund was set for each Member State individually.

With regards to the EMFF the situation is different. As the EMFF supports the common fisheries policy, financial allocations are determined on the basis of sector-specific criteria such as the size and the socio-economic relevance of the fisheries and aquaculture sector in each region. The level of support does not depend on the GDP per capita. For 2014-2020 therefore there is no differentiation between convergence and non-convergence categories of regions.
## DISTRIBUTION OF ESI FUNDS ACROSS THE POLICY GOALS IN 2007-2013 AND CATEGORIES OF REGIONS IN 2014-2020

<table>
<thead>
<tr>
<th>Policy goal</th>
<th>Fund</th>
<th>Policy goal</th>
<th>Category of regions</th>
<th>Fund</th>
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<tr>
<td>Convergence in cohesion policy</td>
<td>Cohesion Fund</td>
<td>Investment for growth and jobs for cohesion policy and Mission, objectives, and priorities of rural development</td>
<td>Member State level</td>
<td>Cohesion Fund</td>
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<td>Convergence in fisheries</td>
<td>ERDF ESF EAFRD</td>
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<td>Less developed regions</td>
<td>ERDF ESF EAFRD</td>
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<tr>
<td>Convergence in rural development policy</td>
<td></td>
<td></td>
<td>Transition regions</td>
<td>ERDF EAFRD</td>
</tr>
<tr>
<td>Regional competitiveness and employment in cohesion policy</td>
<td>ERDF ESF EAFRD</td>
<td>Promoting sustainable fisheries and aquaculture Fostering the implementation of the CFP and IMP Promoting territorial development of fisheries areas</td>
<td>More developed in cohesion policy and other regions in rural development</td>
<td>ERDF EAFRD</td>
</tr>
<tr>
<td>Non-convergence in fisheries</td>
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<tr>
<td>Non-convergence in rural development policy</td>
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</tr>
</tbody>
</table>
MAP 1: CATEGORIES OF REGIONS FOR THE ERDF, ESF AND EAFRD 2014-2020

Category
- Less developed regions (GDP/head < 75% of EU-27 average)
- Transition regions (GDP/head between >= 75% and < 90% of EU-27 average)
- More developed regions (GDP/head >= 90% of EU-27 average)

Source: DG REGIO

© EuroGeographics Association for the administrative boundaries
7.1Less developed regions

Around half of all resources for the investment for growth and jobs goal have been allocated to less developed regions. These are regions whose GDP per capita is less than 75% of the average GDP of the EU-27.

<table>
<thead>
<tr>
<th>2007-2013</th>
<th>2014-2020</th>
</tr>
</thead>
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<tr>
<td>Convergence</td>
<td>Regions whose GDP per capita is less than 75% of the average GDP per capita of the EU-27</td>
</tr>
<tr>
<td></td>
<td>Regions that would have been eligible for the convergence objective if the threshold had remained 75% of the average GDP per capita of the EU-15 and not the EU-25 (phasing-out support)</td>
</tr>
<tr>
<td></td>
<td>Less developed regions</td>
</tr>
<tr>
<td></td>
<td>Regions whose GDP per capita is less than 75% of the average GDP of the EU-27</td>
</tr>
</tbody>
</table>

**LIST OF LESS DEVELOPED REGIONS**

**Bulgaria**: Severozapaden, Severen tsentralen, Severoiztochen, Yugoiztochen, Yugozapaden, Yuzhen tsentralen  
**Czech Republic**: Střední Čechy, Jihozápad, Severozápad, Severovýchod, Jihovýchod, Střední Morava, Moravskoslezsko  
**Estonia**: the whole country  
**Greece**: Anatoliki Makedonia, Thraki, Kenteriki Makedonia, Thessalia, Ipeiros, Dytyki Ellada  
**Spain**: Extremadura  
**France**: Guadeloupe, Martinique, Guyane, Réunion, Mayotte  
**Croatia**: Jadranska Hrvatska, Kontinentala Hrvatska  
**Italy**: Campania, Puglia, Basilicata, Calabria, Sicilia  
**Latvia**: the whole country  
**Lithuania**: the whole country  
**Hungary**: Közép-Dunántúl, Nyugat-Dunántúl, Dél-Dunántúl, Észak-Magyarország, Észak-Alföld, Dél-Alföld  
**Poland**: Łódzkie, Małopolskie, Śląskie, Lubelskie, Podkarpackie, Świętokrzyskie, Podlaskie, Wielkopolskie, Zachodniopomorskie, Lubuskie, Dolnośląskie, Opolskie, Kujawsko-Pomorskie, Warmińsko-Mazurskie, Pomorskie  
**Portugal**: Norte, Centro, Alentejo, Região Autónoma dos Açores  
**Romania**: Nord-Vest, Centru, Nord-Est, Sud-Est, Sud-Muntenia, Sud-Vest Oltenia, Vest  
**Slovenia**: Vzhodna Slovenija  
**Slovakia**: Západa Slovensko, Stredné Slovensko, Východné Slovensko  
**United Kingdom**: Cornwall and Isles of Scilly, West Wales and The Valleys

---

6  52.45% of the resources for the Investment for growth and jobs goal or EUR 164 billion.
MAP 2: LESS DEVELOPED REGIONS – EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ERDF, ESF AND EAFRD) ELIGIBILITY 2014-2020

Category

- Less developed regions (GDP/head < 75% of EU-27 average)

Source: DG REGIO
7.2 Transition regions

Around 10% of the resources for investment in growth and jobs are allocated to transition regions, i.e. regions with GDP per capita of between 75% and 90% of the average GDP of the EU-27. This is a newly created regional category.

LIST OF TRANSITION REGIONS

**Belgium:** Prov. Hainaut, Prov. Liège, Prov. Luxembourg, Prov. Namur  
**Denmark:** Sjælland  
**Germany:** Brandenburg–Nordost, Brandenburg–Südwest, Mecklenburg-Vorpommern, Lüneburg, Chemnitz, Dresden, Sachsen-Anhalt, Thüringen  
**Greece:** Dytiki Makedonia, Ionia Nisia, Sterea Ellada, Peloponnisos, Voreio Aigaio, Kriti  
**Spain:** Castilla-La Mancha, Andalucía, Región de Murcia, Ciudad Autónoma de Melilla, Canarias  
**France:** Picardie, Basse-Normandie, Nord-Pas de Calais, Lorraine, Franche-Comté, Poitou-Charentes, Limousin, Auvergne, Languedoc-Roussillon, Corse  
**Italy:** Abruzzo, Molise, Sardegna  
**Malta:** the whole country  
**Austria:** Burgenland  
**Portugal:** Algarve  
**United Kingdom:** Tees Valley and Durham, Cumbria, Lancashire, Merseyside, East Yorkshire and Northern Lincolnshire, South Yorkshire, Lincolnshire, Shropshire and Staffordshire, Devon, Highlands and Islands, Northern Ireland

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7 10.24% of the resources for the investment for growth and jobs goal or EUR 32 billion
7.3 More developed regions and other regions (for the EAFRD)

Just over 15% of the resources for Investment in growth and jobs is allocated to more developed regions, i.e. those regions with GDP per capita is above 90% of the average GDP of the EU-27.

<table>
<thead>
<tr>
<th>2007-2013</th>
<th>2014-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Competitiveness and Employment</td>
<td>More developed regions / other regions</td>
</tr>
<tr>
<td>All the regions not covered by the convergence objective, including phasing-out transitional support</td>
<td>Regions whose GDP per capita is above 90% of the average GDP per capita of the EU-27</td>
</tr>
<tr>
<td>Regions which were covered by Objective 1 in 2000-2006 but whose GDP exceeds 75% of the EU-15 GDP per capita average (phasing-in support)</td>
<td></td>
</tr>
</tbody>
</table>

LIST OF MORE DEVELOPED REGIONS


**Czech Republic**: Praha

**Denmark**: Hovedstaden, Syddanmark, Midtjylland, Nordjylland

**Germany**: Stuttgart, Karlsruhe, Freiburg, Tübingen, Oberbayern, Niederbayern, Oberpfalz, Oberfranken, Mittelfranken, Unterfranken, Schwaben, Berlin, Bremen, Hamburg, Darmstadt, Gießen, Kassel, Braunschweig, Hannover, Weser-Ems, Düsseldorf, Köln, Münster, Detmold, Arnsberg, Koblenz, Trier, Rheinhessen-Pfalz, Saarland, Leipzig, Schleswig-Holstein

**Ireland**: Border, Midland and Western, Southern and Eastern

**Greece**: Attiki

**Spain**: Galicia, Principado de Asturias, Cantabria, País Vasco, Comunidad Foral de Navarra, La Rioja, Aragón, Comunidad de Madrid, Castilla y León, Cataluña, Comunidad Valenciana, Illes Balears, Ciudad Autónoma de Ceuta

**France**: Île-de-France, Champagne-Ardenne, Haute-Normandie, Centre, Bourgogne, Alsace, Pays de la Loire, Bretagne, Aquitaine, Midi-Pyrénées, Rhône-Alpes, Provence-Alpes-Côte d’Azur

**Italy**: Piemonte, Valle d’Aosta/Vallée d’Aoste, Liguria, Lombardia, Provincia Autonoma Bolzano/Bozen, Provincia Autonoma Trento, Veneto, Friuli-Venezia Giulia, Emilia-Romagna, Toscana, Umbria, Marche, Lazio

**Cyprus**: the whole country

**Luxembourg**: the whole country

**Hungary**: Közép-Magyarország

**The Nederlands**: Groningen, Friesland, Drenthe, Overijssel, Gelderland, Flevoland, Utrecht, Noord-Holland, Zuid-Holland, Zeeland, Noord-Brabant, Limburg

**Austria**: Niederösterreich, Wien, Kärnten, Steiermark, Oberösterreich, Salzburg, Tirol, Vorarlberg

**Poland**: Mazowieckie

**Portugal**: Lisboa, Região Autónoma da Madeira

**Romania**: București–Ilfov

**Slovenia**: Zahodna Slovenija

**Slovakia**: Bratislavský kraj

**Finland**: Itä-Suomi, Pohjois-Suomi, Etelä-Suomi, Länsi-Suomi, Åland

**Sweden**: Stockholm, Östra Mellansverige, Småland med öarna, Sydsverige, Västsverige, Norra Mellansverige, Mellersta Norrland, Övre Norrland

**United Kingdom**: Northumberland and Tyne and Wear, Cheshire, Greater Manchester, North Yorkshire, West Yorkshire, Derbyshire and Nottinghamshire, Leicestershire, Rutland and Northamptonshire, Herefordshire, Worcestershire and Warwickshire, West Midlands, East Anglia, Bedfordshire and Hertfordshire, Essex, Inner London, Outer London, Berkshire, Buckinghamshire and Oxfordshire, Surrey, East and West Sussex, Hampshire and Isle of Wight, Kent, Gloucestershire, Wiltshire and Bristol/Bath area, Dorset and Somerset, East Wales, Eastern Scotland, South Western Scotland, North Eastern Scotland

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8 15.67% of the resources for the Investment for growth and jobs goal or € 49 billion.
MAP 4: MORE DEVELOPED REGIONS – EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ERDF, ESF AND EAFRD) ELIGIBILITY 2014-2020

More developed regions (GDP/head >= 90% of EU-27 average)

Source: DG REGIO
7.4 Cohesion Fund

The Cohesion Fund supports Member States with a Gross National Income (GNI) per capita that is less than 90% of the average GNI per capita of the EU-27. The Fund also supports Member States that were eligible for the Cohesion Fund in 2013, but whose nominal GNI per capita now exceeds 90% of the average GNI per capita of the EU-27. Exceptionally, Cyprus, which does not fulfil the GNI/head requirement anymore, benefits from transitional support. Around 21% of resources for the investment in growth and jobs goal are sourced from the Cohesion Fund and allocated to the eligible Member States.9

**MEMBER STATES ELIGIBLE FOR FUNDING FROM THE COHESION FUND**

Bulgaria  
Cyprus (phasing out support)  
Czech Republic  
Estonia  
Greece  
Croatia  
Latvia  
Lithuania  
Hungary  
Malta  
Poland  
Portugal  
Romania  
Slovenia  
Slovak Republic

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9 21.19% of the resources for the investment for growth and jobs goal or € 66 billion.
7.5 European territorial cooperation goal

ETC, also referred to as Interreg, is one of the two goals of cohesion policy. Interreg is financed by the ERDF. Its total envelope of EUR 10.1 billion represents 2.75% of cohesion policy spread across 107 programmes. This budget which supports cross-border cooperation, transnational cooperation and interregional cooperation, also includes ERDF allocation for Member States to participate in EU external border cooperation programmes supported by other instruments (Instrument for Pre-Accession Assistance and European Neighbourhood Instrument).
This map shows the areas of the cross-border programmes co-financed by the ERDF. Each programme area is shown with a specific colour. Hatched areas are part of two or more programme areas simultaneously.

Source: DG REGIO
MAP 7: TRANSNATIONAL COOPERATION PROGRAMMES 2014–2020

ERDF Transnational Cooperation Programmes 2014–2020

Non-EU areas are indicative only

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## 7.6 Overview of financial resources

Europe 2020 sets out the strategic priorities for European Cohesion Policy for the period 2014-2020: 

- _Cross-Border Cooperation_ - €219.0 billion 
- _Transnational Cooperation_ - €44.2 billion 
- _Youth Employment Initiative (additional allocation)_ - €42.4 billion 

### Overview of financial resources

<table>
<thead>
<tr>
<th>Country</th>
<th>Cohesion Fund</th>
<th>Less Developed Regions</th>
<th>Transition Regions</th>
<th>More Developed Regions</th>
<th>Outermost and northern sparsely populated regions</th>
<th>European Territorial Cooperation</th>
<th>Youth Employment Initiative</th>
<th>Total</th>
<th>Interregional cooperation</th>
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* Breakdown by category of allocations subject to transfers between categories at the request of the Member States. Note: if the global budget of 351.8 billion doesn’t correspond with line 1b of the Multiannual Financial Framework it is due to transfers to Connecting Europe Facilities and the Fund for European aid to the most deprived.
<table>
<thead>
<tr>
<th>Country</th>
<th>TOTAL EAFRD 2014-2020 (unit EUR, current prices)</th>
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### OFFICIAL TEXTS AND COMMENTARIES

#### EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020:

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*EU27* includes the EU28, excluding the UK. *LU* is excluded because it is not a recipient of ESMF.
REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 17 December 2013
laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006

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 177 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 opinions of the European Economic and Social Committee (1),

Having regard to the opinions of the Committee of the Regions (2),

Having regard to the opinions of the Court of Auditors (3),

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Article 174 of the Treaty on the Functioning of the European Union (TFEU) provides that, in order to strengthen its economic, social and territorial cohesion, the Union is to aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, and that particular attention is to be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps. Article 175 TFEU requires that the Union is to support the achievement of these objectives by the action it takes through the European Agricultural Guidance and Guarantee Fund, Guidance Section, the European Social Fund, the European Regional Development Fund, the European Investment Bank and other instruments.

(2) In order to improve coordination and harmonise implementation of the Funds providing support under cohesion policy, namely the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund, with the Fund for rural development, namely the European Agricultural Fund for Rural Development (EAFRD), and for the maritime and fisheries sector, namely measures financed under shared management in the European Maritime and Fisheries Fund (EMFF), common provisions should be established for all these Funds (the "European Structural and Investment Funds" - 'ESI Funds'). In addition this Regulation contains general provisions which apply to the ERDF, the ESF and the Cohesion Fund, but do not apply to the EAFRD and the EMFF as well as general provisions applicable to the ERDF, the ESF, the Cohesion Fund and the EMFF, but do not apply to the EAFRD. Due to the particularities that exist for each ESI Fund, specific rules applicable to each ESI Fund and to the European territorial cooperation goal under the ERDF should be specified in separate Regulations.

(3) In line with the conclusions of the European Council of 17 June 2010, whereby the Union strategy for smart, sustainable and inclusive growth was adopted, the Union and Member States should implement the delivery of smart, sustainable and inclusive growth, while promoting harmonious development of the Union and reducing regional disparities. The ESI Funds should play a significant role in the achievement of the objectives of the Union strategy for smart, sustainable and inclusive growth.

(4) As regards the Common Agricultural Policy (CAP), significant synergies have already been obtained by harmonising and aligning management and control rules for the first pillar (European Agricultural Guarantee Fund - EAGF) and the second pillar (EAFRD) of the CAP. The strong link between the EAGF and the EAFRD should therefore be maintained and the structures already in place in the Member States preserved.

(5) The outermost regions should benefit from specific measures and from additional funding to offset their structural social and economic situation together with the handicaps resulting from the factors referred to in Article 2 of Protocol No 6 to the 1994 Act of Accession.

(6) The northern sparsely populated regions should benefit from specific measures and additional funding to offset the severe and natural or demographic handicaps referred to in Article 2 of Protocol No 6 to the 1994 Act of Accession.

(7) To ensure the correct and consistent interpretation of provisions and to contribute to legal certainty for Member States and beneficiaries, it is necessary to define certain terms that are used in this Regulation.

(8) Where a time limit is set for the Commission to adopt or amend a decision, in accordance with this Regulation, the time limit for the adoption or amendment of such a decision should not include the period starting on the date on which the Commission has sent its observations to the Member State and lasting until the Member State has responded to those observations.

(9) This Regulation consists of five parts, of which the first sets out the subject-matter and definitions, the second contains rules applicable to all ESI Funds, the third includes provisions applicable only to the ERDF, the ESF and the Cohesion Fund (the 'Funds'), the fourth includes provisions applicable only to the Funds and to the EMFF and the fifth includes the final provisions. In order to ensure consistency in the interpretation of the different parts of this Regulation and between this Regulation and the Fund-specific Regulations, it is important to set out clearly the relationships between them. In addition, specific rules established in the Fund-specific rules can be complementary but should derogate from the corresponding provisions in this Regulation only where such derogation is specifically provided for in this Regulation.

(10) Under Article 317 TFEU, and in the context of shared management, the conditions allowing the Commission to exercise its responsibilities for implementation of the budget of the Union should be specified and the responsibilities of cooperation with the Member States clarified. Those conditions should enable the Commission to obtain assurance that Member States are using the ESI Funds in a legal and regular manner and in accordance with the principle of sound financial management within the meaning of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (¹) (the 'Financial Regulation'). Member States at the appropriate territorial level, in accordance with their institutional, legal and financial framework and the bodies designated by them for that purpose should be responsible for preparing and implementing programmes. Those conditions should also ensure that attention is drawn to the need to ensure complementarity and consistency of relevant Union intervention, to respect the principle of proportionality and take into account the overall aim of reducing administrative burden.

(11) For the Partnership Agreement and each programme respectively, each Member State should organise a partnership with the representatives of competent regional, local, urban and other public authorities, economic and social partners and other relevant bodies representing civil society, including environmental partners, non-governmental organisations and bodies responsible for promoting social inclusion, gender equality and non-discrimination, including, where appropriate, the umbrella organisations of such authorities and bodies. The purpose of such a partnership is to ensure respect for the principles of multi-level governance, and also of subsidiarity and proportionality and the specificities of the Member States’ different institutional and legal frameworks as well as to ensure the ownership of planned interventions by stakeholders and build on the experience and the know-how of relevant actors. The Member States should identify the most representative relevant partners. Those partners should include institutions, organisations and groups which are capable of influencing the preparation or could be affected by the preparation and implementation of the programmes. In this context it should also be possible for Member States to identify, where appropriate, as relevant partners, umbrella organisations which are the associations, federations or confederations of relevant regional, local and urban authorities or other bodies in accordance with applicable national law and practices.

The Commission should be empowered to adopt a delegated act providing for a European code of conduct on partnership in order to support and facilitate Member States in the organisation of partnership with regard to ensuring the involvement of relevant partners in the preparation, implementation, monitoring and evaluation of Partnership Agreements and programmes in a consistent manner. That adopted delegated act should have under no circumstances and in no way of its interpretation retroactive effect or be the basis for establishing irregularities leading to financial corrections. The adopted delegated act should not specify a date of application that is earlier than the date of its adoption. The adopted delegated act should allow Member States to decide on the most appropriate detailed arrangements for implementing the partnership in accordance with their institutional and legal framework as well as their national and regional competences, provided that its objectives, as laid down in this Regulation, are achieved.

(12) The activities of the ESI Funds and the operations which they support should comply with applicable Union and the related national law which directly or indirectly implements this Regulation and the Fund-specific rules.

(13) In the context of its effort to increase economic, territorial and social cohesion, the Union should, at all stages of implementation of the ESI Funds, aim at eliminating

inequalities and at promoting equality between men and women and integrating the gender perspective, as well as at combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation as set out in Article 2 of the Treaty on the European Union (TEU), Article 10 TFEU and Article 21 of the Charter of Fundamental Rights of the European Union, taking into account in particular accessibility for persons with disabilities, as well as Article 5(2) of the Charter of Fundamental Rights stating that no one is to be required to perform forced or compulsory labour.

(14) The objectives of the ESI Funds should be pursued in the framework of sustainable development and the Union’s promotion of the aim of preserving, protecting and improving the quality of the environment as set out in Articles 11 and 191(1) TFEU, taking into account the polluter pays principle. To this end, the Member States should provide information on the support for climate change objectives, in line with the ambition to devote at least 20 % of the budget of the Union to those objectives, using a methodology based on the categories of intervention, focus areas or measures adopted by the Commission by means of an implementing act reflecting the principle of proportionality.

(15) In order to contribute to the Union strategy for smart, sustainable and inclusive growth and to the fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion, the ESI Funds should focus their support on a limited number of common thematic objectives. The precise scope of each of the ESI Funds should be set out in Fund-specific rules. It should be possible to limit that scope to only some of the thematic objectives defined in this Regulation.

(16) In order to maximise the contribution of the ESI Funds and to establish strategic guiding principles to facilitate the programming process at the level of Member States and the regions, a Common Strategic Framework (‘CSF’) should be established. The CSF should facilitate the sectoral and territorial coordination of Union intervention under the ESI Funds and with other relevant Union policies and instruments, in line with the targets and objectives of the Union strategy for smart, sustainable and inclusive growth, taking into account the key territorial challenges of the various types of territories.

(17) The CSF should set out how the ESI Funds are to contribute to the Union strategy for smart, sustainable and inclusive growth, the arrangements to promote an integrated use of the ESI Funds, the arrangements for coordination between the ESI Funds and other relevant Union policies and instruments, horizontal principles and cross-cutting policy objectives for the implementation of the ESI Funds, the arrangements to address key territorial challenges and priority areas for cooperation activities under the ESI Funds.

(18) Member States and regions increasingly face challenges that relate to the impact of globalisation, environmental and energy concerns, population ageing and demographic shifts, technological transformation and innovation demands, and social inequality. Due to the complex and interrelated nature of such challenges, the solutions supported by the ESI Funds should be of an integrated nature, multi-sectoral and multi-dimensional. In this context, and in order to increase the effectiveness and efficiency of the policies, it should be possible for the ESI Funds to be combined into integrated packages which are tailor-made to fit the specific territorial needs.

(19) The combination of a shrinking working population and an increasing proportion of retired people in the general population as well as the problems associated with population dispersion, are expected to continue to place strains, inter alia, on Member States’ education and social support structures and thus on the Union’s economic competitiveness. Adapting to such demographic changes constitutes one of the core challenges that Member States and regions are to face in the years to come, and as such should be given a particularly high level of consideration for the regions most affected by demographic change.

(20) On the basis of the CSF, each Member State should prepare, in cooperation with its partners, and in dialogue with the Commission, a Partnership Agreement. The Partnership Agreement should translate the elements set out in the CSF into the national context and set out firm commitments to the achievement of Union objectives through the programming of the ESI Funds. The Partnership Agreement should set out arrangements to ensure alignment with the Union strategy for smart, sustainable and inclusive growth as well as with the Fund-specific missions pursuant to their Treaty-based objectives, arrangements to ensure effective and efficient implementation of the ESI Funds and arrangements for the partnership principle and an integrated approach to territorial development. A distinction should be made between the essential elements of the Partnership Agreement which are subject to a Commission decision and other elements which are not subject to the Commission decision and can be amended by the Member State. It is necessary to envisage specific arrangements for the submission and adoption of the Partnership Agreement and the programmes should the entry into force of one or more Fund-specific Regulations be delayed or be expected to be delayed. This entails establishing provisions which allow for the submission and adoption of the Partnership Agreement even in the absence of certain elements in relation to the ESI Fund or Funds affected by the delay and the later submission of the revised Partnership Agreement after the entry into force of the delayed Fund-specific Regulation or Regulations.
Since the programmes co-financed by the ESI Fund affected by the delay should in this case be submitted and adopted only after the entry into force of the Fund-specific Regulation concerned, appropriate deadlines for the submission of the affected programmes should also be laid down.

(21) Member States should concentrate support to ensure a significant contribution to the achievement of Union objectives in line with their specific national and regional development needs. Ex ante conditionality, as well as a concise and exhaustive set of objective criteria for their assessment, should be defined to ensure that the necessary prerequisites for the effective and efficient use of Union support are in place. To this end, an ex ante conditionality should apply to a priority of a given programme only when it has a direct and genuine link to, and a direct impact on, the effective and efficient achievement of a specific objective for an investment priority or a Union priority, given that not every specific objective is necessarily linked to an ex ante conditionality laid down in the Fund-specific rules. The assessment of applicability of an ex ante conditionality should take account of the principle of proportionality having regard to the level of support allocated, where appropriate. The fulfilment of the applicable ex ante conditionality should be assessed by the Member State in the framework of its preparation of the programmes and, where appropriate, the Partnership Agreement. The Commission should assess the consistency and adequacy of the information provided by the Member State. In cases where there is a failure to fulfil an applicable ex ante conditionality within the deadline laid down, the Commission should have the power to suspend interim payments to the relevant priorities of the programme under precisely defined conditions.

(22) The Commission should undertake a performance review based on a performance framework and in cooperation with the Member States, in 2019. The performance framework should be defined for each programme with a view to monitoring progress towards the objectives and targets set for each priority over the course of the 2014 - 2020 programming period (the 'programming period'). In order to ensure that the budget of the Union is not used in a wasteful or inefficient way, there is evidence that a priority has seriously failed to achieve the milestones that relate only to financial indicators, output indicators and key implementation steps, set out in the performance framework, due to clearly identified implementation weaknesses previously communicated by the Commission, and the Member State has failed to take the necessary corrective action, the Commission should be able to suspend payments to the programme or, at the end of the programming period, to apply financial corrections. The application of financial corrections should take into account, with due respect for the principle of proportionality, the absorption level and implementation weaknesses previously communicated by the Commission, and the Member State has failed to take the necessary corrective action, the Commission should be able to suspend payments to the programme or, at the end of the programming period, to apply financial corrections. The application of financial corrections should take into account, with due respect for the principle of proportionality, the absorption level and external factors contributing to the failure. Financial corrections should not be applied where targets are not achieved because of the impact of socio-economic or environmental factors, significant changes in the economic or environmental conditions in a Member State or because of reasons of force majeure seriously affecting the implementation of the priorities concerned. Result indicators should not be taken into account for the purposes of suspensions or financial corrections.

(23) In order to facilitate the focus on performance and attainment of the objectives of the Union strategy for smart, sustainable and inclusive growth, a performance reserve consisting of 6 % of the total allocation for the Investment for growth and jobs goal, as well as for the EARDF and for measures financed under shared management in accordance with a future Union legal act establishing the conditions for the financial support for maritime and fisheries policy for the 2014-2020 programming period (the 'EMFF Regulation'), should be established for each Member State. Due to their diversity and multi-country character, there should be no performance reserve for programmes under the European territorial cooperation goal. The resources allocated to the Youth Employment Initiative (YEI) as defined in the operational programme in accordance with Regulation (EU) No 1304/2013 of the European Parliament and of the Council (1) (the 'ESF Regulation'), to technical assistance at the initiative of the Commission; transfers from the first pillar of the CAP to the EAFRD under Regulation (EU) No 1307/2013 of the European Parliament and of the Council; transfers to the EAFRD pursuant to the provisions on voluntary adjustment of direct payments in 2013 and on transfers to the EAFRD, laid down in Council Regulation (EC) No 73/2009 (2) in respect of calendar years 2013 and 2014; transfers to the Connecting Europe Facility from the Cohesion Fund; transfers to the Fund for European Aid for the Most Deprived, as defined in a future Union legal act; and innovative actions for sustainable urban development should be excluded for the purpose of calculating the performance reserve.

(24) A closer link between cohesion policy and the economic governance of the Union is needed in order to ensure that the effectiveness of expenditure under the ESI Funds is underpinned by sound economic policies and that the ESI Funds can, if necessary, be redirected to addressing

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the economic problems a Member State is facing. Under the first strand of measures linking effectiveness of ESI Funds to sound economic governance, the Commission should be able to request amendments to the Partnership Agreement and to the programmes in order to support the implementation of relevant Council recommendations or to maximise the growth and competitiveness impact of the available ESI Funds where Member States are receiving relevant financial assistance. Re-programming should be used only in cases where it could indeed have a direct impact on the correction of the challenges identified in the relevant Council recommendations under the economic governance mechanisms in order to avoid frequent reprogramming which would disrupt fund management predictability. Under the second strand of measures linking effectiveness of ESI Funds to sound economic governance, where a Member State fails to take effective action in the context of the economic governance process, the Commission should make a proposal to the Council to suspend part or all of the commitments or payments for the programmes of that Member State. It is necessary to establish different procedures for the suspension of commitments and payments. Nevertheless, in both cases, when making a proposal for a suspension, the Commission should take into account all relevant information and give due consideration to any elements arising from, and opinions expressed through, the structured dialogue with the European Parliament.

The scope and level of a suspension should be proportionate and effective, and respect equality of treatment between Member States. Furthermore, a suspension should take into account the economic and social circumstances of the Member State concerned as well as the possible overall economic impact on a Member State resulting from the different steps of the excessive deficit procedure (EDP) and excessive imbalances procedure (EIP).

(25) By virtue of Protocol No 15 on certain provisions relating to the United Kingdom of Great Britain and Northern Ireland, annexed to the TFEU and to the TUE, certain provisions on the excessive deficit and related procedures are not to apply to the United Kingdom. Provisions on suspension of all or part of payments and commitments should therefore not apply to the United Kingdom.

(26) Due to the paramount importance of the principle of co-financing for the implementation of the ESI Funds, in order to ensure the ownership of the policies on the ground, and in line with the proportional application of suspensions, any decisions on suspensions triggered under the second strand of measures linking effectiveness of ESI Funds to sound economic governance should be made taking into account the specific requirements applicable to the Member State concerned to provide co-financing for the programmes financed from the ESI Funds. The suspensions should be lifted and the funds made available again to the Member State concerned as soon as the Member State takes the necessary action.

(27) The ESI Funds should be implemented through programmes covering the programming period in accordance with the Partnership Agreement. Programmes should be drawn up by Member States based on procedures that are transparent, in accordance with their institutional and legal framework. Member States and the Commission should cooperate to ensure coordination and consistency of programming arrangements for the ESI Funds. As the content of programmes is closely interlinked with that of the Partnership Agreement, the programmes should be submitted within three months of the submission of the Partnership Agreement. A deadline of nine months from the date of entry into force of this Regulation should be provided for in relation to the submission of programmes under the European territorial cooperation goal in order to take into account the multi-country character of those programmes. In particular, a distinction should be made between the core elements of the Partnership Agreement and programmes which should be subject to a Commission decision and other elements which are not covered by the Commission decision and can be amended under the responsibility of the Member State. Programming should ensure consistency with the CSF and Partnership Agreement, coordination between the ESI Funds and with the other existing funding instruments and the input of the European Investment Bank if relevant.

(28) With a view to ensuring consistency between programmes supported under different ESI Funds, particularly in the context of ensuring a contribution to the Union strategy for smart, sustainable and inclusive growth, it is necessary to set out common minimum requirements as regards the content of the programmes, which may be complemented by Fund-specific rules to take into account the specific nature of each ESI Fund.

(29) It is necessary to lay down clear procedures for the assessment, adoption and amendment of programmes by the Commission. In order to ensure consistency between the Partnership Agreement and programmes, it should be specified that programmes, with the exception of programmes under the European territorial cooperation goal, cannot be approved before the adoption by the Commission of a decision approving the Partnership Agreement. To reduce the administrative burden on Member States, any approval of an amendment of certain parts of a programme by the Commission should result automatically in an amendment of the relevant parts of the Partnership Agreement. Furthermore, the immediate mobilisation of the resources allocated to the YEI should also be ensured by establishing special rules for the submission and the approval procedure of the dedicated operational programmes for the YEI referred to in the ESF Regulation.
(30) In order to optimise the added value from investments funded wholly or in part through the budget of the Union in the field of research and innovation, synergies should be sought in particular between the operation of the ESI Funds and Horizon 2020, as set up in Regulation (EU) No 1291/2013 of the European Parliament and of the Council (1), whilst respecting their distinct objectives. Key mechanisms for achieving those synergies should be the recognition of flat rates for eligible costs from Horizon 2020 for a similar operation and beneficiary and the possibility of combining funding from different Union instruments, including ESI Funds and Horizon 2020, in the same operation while avoiding double financing. In order to strengthen the research and innovation capacities of national and regional actors and to achieve the goal of building a "Stairway to excellence" in less developed regions and low-performing Research, Development and Innovation (RDI) Member States and regions, close synergies should be developed between the ESI Funds and Horizon 2020 in all relevant programme priorities.

(31) Territorial cohesion has been added to the goals of economic and social cohesion by the TFEU, and it is necessary to address the role of cities, functional geographies and sub-regional areas facing specific geographical or demographic problems. To this end, and to better mobilise potential at a local level, it is necessary to strengthen and facilitate community-led local development by laying down common rules and ensuring close coordination for all relevant ESI Funds. Community-led local development should take into account local needs and potential, as well as relevant socio-cultural characteristics. Responsibility for the design and implementation of community-led local development strategies should be given to local action groups representing the interests of the community, as an essential principle. The detailed arrangements concerning the definition of the area and population covered by the community-led local development strategies should be set out in the relevant programmes in accordance with the Fund-specific rules.

(32) In order to facilitate a manageable approach to its integration into the programming process, the community-led local development can be carried out under a single thematic objective, either to promote social inclusion and combat poverty, or to promote employment and labour mobility, notwithstanding that actions financed as part of community-led local development could contribute to all other thematic objectives.

(33) Where an urban or territorial development strategy requires an integrated approach because it involves investments under more than one priority axis of one or more operational programmes, it should be possible for action supported by the Funds, that can be complemented with financial support from the EAFRD or the EMFF, to be carried out as an integrated territorial investment within an operational programme or programmes.

(34) Financial instruments are increasingly important due to their leverage effect on the ESI Funds, their capacity to combine different forms of public and private resources to support public policy objectives, and because revolving forms of finance make such support more sustainable over the longer term.

(35) Financial instruments supported by the ESI Funds should be used to address specific market needs in an effective way, in accordance with the objectives of the programmes, and should not crowd out private financing. The decision to finance support measures through financial instruments should be determined therefore on the basis of an ex ante assessment which has established evidence of market failures or suboptimal investment situations and the estimated level and scope of public investment needs. The essential elements of the ex ante assessments should be clearly defined in this Regulation. Given the detailed nature of the ex ante assessment, provisions should be made allowing for the performance of the ex ante assessment in stages and also for reviewing and updating the ex ante assessment during implementation.

(36) Financial instruments should be designed and implemented so as to promote substantial participation by private sector investors and financial institutions on an appropriate risk-sharing basis. To be sufficiently attractive to the private sector, it is essential that financial instruments are designed and implemented in a flexible manner. Managing authorities should therefore decide on the most appropriate forms for implementing financial instruments in order to address the specific needs of the target regions, in accordance with the objectives of the relevant programme, the results of the ex ante assessment and applicable State aid rules. Where applicable, such flexibility should also include the possibility to reuse part of the resources paid back during the eligibility period in order to provide for the preferential remuneration of private investors or public investors operating under the market economy principle. Such preferential remuneration should take into account market standards and ensure that any State aid complies with applicable Union and national law and is limited to the minimum amount necessary to compensate for the lack of private capital available, taking into account market failures or suboptimal investment situations.

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In order to take account of the repayable character of support provided through financial instruments and to align with market practices, support from the ESI Funds provided to final recipients in the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments should be able to cover the entirety of the investments made by final recipients, without distinction of VAT related costs. Accordingly it should only be in cases where financial instruments are combined with grants that the way in which VAT is taken into account at the level of the final recipient should be relevant for the purposes of determining eligibility of expenditure related to the grant.

It could be justified where certain parts of an investment do not generate sufficient direct financial returns, to combine financial instruments with grant support, to the extent allowed under the applicable State aid rules, in order for the projects to be economically sustainable. Specific conditions preventing double financing in such a case should be set out.

In order to ensure that resources allocated to financial instruments in favour of SMEs achieve an effective and efficient critical mass of new SME debt finance, it should be possible to use those resources in the entire territory of the Member State concerned regardless of the categories of region therein. However, it should also be possible for negotiation of the funding agreement between the Member State and the EIB to allow for a pro-rata return to a region or group of regions within the same Member State, as part of a single dedicated national programme per financial contribution by the ERDF and EAFRD.

The contributions by Member States to joint uncapped guarantee and securitisation financial instruments in favour of SMEs should be phased over the years 2014, 2015 and 2016 and the amounts to be paid by the Member States to the EIB should be scheduled accordingly in the funding agreement, in line with standard banking practice and with a view to spreading the effects on payment appropriations in any individual year.

In the case of securitisation transactions it should be ensured at programme closure that at least the amount corresponding to the Union contribution has been used for the objective of supporting SMEs, in line with the principles relating to financial instruments set out in the Financial Regulation.

Managing authorities should have the flexibility to contribute resources from programmes to financial instruments set up at Union level and managed directly or indirectly by the Commission, or to instruments set up at national, regional, transnational or cross-border level and managed by or under the responsibility of the managing authority. Managing authorities should also have the possibility of implementing financial instruments directly, through existing or newly created funds or through funds of funds.

In the interests of ensuring proportionate control arrangements and of safeguarding the added value of financial instruments, intended final recipients should not be deterred by there being an excessive administrative burden. The bodies responsible for the audits of programmes should in the first instance carry out audits at the level of managing authorities and the bodies implementing financial instruments including funds of funds. However, there may be specific circumstances where the necessary documents to complete such audits are not available at the level of the managing authorities or at the level of the bodies implementing financial instruments or where such documents do not represent a true and accurate record of support provided. In such specific cases, it is necessary to lay down certain provisions to also allow for audits at the level of final recipients.

The amount of the resources paid at any time from the ESI Funds to financial instruments should correspond to the amount necessary to implement planned investments and payments to final recipients, including management costs and fees. Accordingly, applications for interim payments should be phased. The amount to be paid as an interim payment should be subject to a maximum ceiling of 25% of the total amount of programme contributions committed to the financial instrument under the relevant funding agreement, with subsequent interim payments conditional on a minimum percentage of the actual amounts included in previous applications having been spent as eligible expenditure.

It is necessary to lay down specific rules regarding the amounts to be accepted as eligible expenditure at closure of a programme, to ensure that the amounts, including the management costs and fees, paid from the ESI Funds to financial instruments are effectively used for investments in final recipients. The rules should be sufficiently flexible to make it possible to support equity-based instruments for the benefit of targeted enterprises and should, therefore, take into account certain characteristics specific to equity-based instruments for enterprises, such as market practices in relation to the provision of follow-on finance in the field of venture capital funds. Subject to the conditions laid down in this Regulation, targeted enterprises should be able to benefit from continued support from the ESI Funds to such instruments after the end of the eligibility period.
(46) It is also necessary to lay down specific rules regarding the reuse of resources attributable to support from the ESI Funds until the end of the eligibility period and to lay down further rules regarding the use of resources after the end of the eligibility period.

(47) As a general rule, support from the ESI Funds should not be used to finance investments which have already been physically completed or fully implemented at the date of the investment decision. However, in respect of infrastructure investments with the objective of supporting urban development or urban regeneration or similar infrastructure investments with the objective of diversifying non-agricultural activities in rural areas, a certain amount of support could be necessary for the re-organisation of a debt portfolio regarding infrastructure forming part of a new investment. In such cases it should be possible to use the support from the ESI Funds to reorganise a debt portfolio up to a maximum of 20 % of the total amount of programme support from the financial instrument to the investment.

(48) Member States should monitor programmes in order to review implementation and progress towards achieving the programme’s objectives. To this end, monitoring committees should be set up by the Member State, in accordance with its institutional, legal and financial framework and their composition and functions defined for the ESI Funds. Given the special nature of programmes under the European territorial cooperation goal, specific rules should be laid down for monitoring committees for those programmes. Joint monitoring committees could be set up to facilitate coordination between the ESI Funds. In order to ensure effectiveness, a monitoring committee should be able to make observations to managing authorities regarding implementation and evaluation of the programme, including actions related to the reduction of the administrative burden on beneficiaries and should monitor actions taken as a result of its observations.

(49) Alignment of the monitoring and reporting arrangements of the ESI Funds is necessary to simplify management arrangements at all levels. It is important to ensure proportionate reporting requirements but also the availability of comprehensive information on progress made at key review points. Therefore it is necessary that reporting requirements reflect information needs in given years and are aligned with the timing of the performance review.

(50) With a view to monitoring progress of programmes, an annual review meeting should take place between each Member State and the Commission. The Member State and the Commission should however be able to agree not to organise the meeting in years other than 2017 and 2019 in order to avoid an unnecessary administrative burden.

(51) In order for the Commission to monitor progress made towards achieving Union objectives as well as Fund-specific missions pursuant to their Treaty-based objectives, Member States should submit progress reports on the implementation of their Partnership Agreements. On the basis of such reports, the Commission should prepare a strategic report on progress in 2017 and 2019. In order to provide for a regular strategic policy debate on the contribution of the ESI Funds to the achievement of the Union strategy on smart sustainable and inclusive growth, and to improve the quality of spending and the effectiveness of the policy in line with the European Semester, the strategic reports should be debated in the Council. On the basis of that debate the Council should be able to provide input to the assessment made at the spring meeting of the European Council on the role of all Union policies and instruments in delivering sustainable job-creating growth across the Union.

(52) It is necessary to evaluate the effectiveness, efficiency and impact of assistance from the ESI Funds in order to improve the quality of design and implementation of programmes, and to determine the impact of programmes in relation to the targets under the Union strategy for smart, sustainable and inclusive growth and, having regard to the size of the programme, in relation to gross domestic product (GDP) and unemployment in the programme area concerned, where appropriate. The responsibilities of Member States and the Commission in this regard should be specified.

(53) In order to improve the quality of the design of each programme, and verify whether its objectives and targets can be reached, an ex ante evaluation of each programme should be carried out.

(54) An evaluation plan should be drawn up by the managing authority or Member State. It should be possible for that evaluation plan to cover more than one programme. During the programming period managing authorities should ensure that evaluations are carried out to assess the effectiveness, efficiency and impact of a programme. The monitoring committee and the Commission should be informed about the results of evaluations to facilitate management decisions.

(55) Ex post evaluations should be carried out in order to assess the effectiveness and efficiency of the ESI Funds and their impact on the overall goals of the ESI Funds and the Union strategy for smart, sustainable and inclusive growth, taking account of the targets established for that Union strategy. For each of the ESI Funds, the Commission should prepare a synthesis report outlining the main conclusions of the ex-post evaluations.
(56) The types of action that can be undertaken at the initiative of the Commission and of the Member States as technical assistance with support from the ESI Funds should be specified.

(57) In order to ensure an effective use of Union resources, and avoid the over-financing of operations generating net revenue after completion, different methods should be used to determine the net revenue generated by such operations, including a simplified approach based on flat rates for sectors or subsectors. The flat rates should be based on historical data available to the Commission, the potential for cost recovery and the polluter-pays principle, where applicable. There should also be provision to extend flat rates to new sectors, introduce subsectors or review the rates for future operations when new data becomes available, by means of a delegated act. The use of flat rates could be particularly suitable for operations in the fields of information and communication technologies (ICT), RDI and energy efficiency. In addition, to ensure the application of the principle of proportionality and to take account of other regulatory and contractual provisions that could apply, it is necessary to set out the exemptions from those rules.

(58) It is important to ensure a proportionate approach and avoid a duplication of the verification of financing needs in the case of operations which generate net revenue after completion which are also subject to State aid rules, given that such rules also establish limits on support which can be granted. Consequently, where there is de minimis aid, compatible State aid to SMEs with an aid intensity or an aid amount limit applied, or compatible State aid to large enterprises where an individual verification of financing needs in accordance with applicable State aid rules has been carried out, the provisions requiring the calculation of net revenue should not apply. Nevertheless, it should be open to a Member State to apply the methods for calculating net revenue where this is provided for in national rules.

(59) Public Private Partnerships ("PPPs") can be an effective means of delivering operations which ensure the achievement of public policy objectives by bringing together different forms of public and private resources. In order to facilitate the use of ESI Funds to support operations structured as PPPs this Regulation should take account of certain characteristics specific to PPPs by adapting some of the common provisions on the ESI Funds.

(60) The starting and closing dates for the eligibility of expenditure should be defined so as to provide for a uniform and equitable rule applying to the implementation of the ESI Funds across the Union. In order to facilitate the execution of programmes, it is appropriate to specify that the starting date for the eligibility of expenditure can be prior to 1 January 2014 if the Member State concerned submits a programme before that date. Taking into account the urgent need to mobilise the resources allocated to the YEI to support its immediate implementation, exceptionally the starting date for the eligibility of expenditure should be 1 September 2013. With a view to ensuring an effective use of ESI Funds and reducing the risk to the budget of the Union, it is necessary to put in place restrictions on support for completed operations.


(62) With a view to simplifying the use of the ESI Funds and reducing the risk of error, while providing for differentiation where needed to reflect the specificities of policy, it is appropriate to define the forms of support, harmonised conditions for the reimbursement of grants and repayable assistance, flat rate financing, specific eligibility rules for grants and repayable assistance and specific conditions on the eligibility of operations depending on location.

(63) It should be possible to provide support from the ESI Funds in the form of grants, prizes, repayable assistance or financial instruments, or a combination thereof, in order to provide the bodies responsible with a choice of the most appropriate form of support to address identified needs.


(3) Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal (See page 259 of this official Journal).

To ensure the effectiveness, fairness and sustainable impact of the intervention of the ESI Funds, provisions guaranteeing that investments in businesses and infrastructures are long-lasting and prevent the ESI Funds from being used to undue advantage should be in place. Experience has shown that a period of five years is an appropriate minimum period to be applied, except where State aid rules provide for a different period. Nevertheless, and in line with the principle of proportionality, it is possible that a more limited period of three years would be justified where the investment concerns the maintenance of investments or jobs created by SMEs. In the case of an operation comprising investment in infrastructure or productive investment, and where the beneficiary is not an SME, such an operation should repay the contribution from the ESI Funds if, within 10 years of the final payment to the beneficiary, the productive activity is subject to relocation outside the Union. It is appropriate to exclude actions supported by the ESF and those not entailing productive investment or investment in infrastructure from the general requirement of durability, unless such requirements are derived from applicable State aid rules, and to exclude contributions to or from financial instruments. Sums unduly paid should be recovered and be subject to procedures applicable to irregularities.

Member States should adopt adequate measures to guarantee the proper set up and functioning of their management and control systems to give assurance on the legal and regular use of the ESI Funds. The obligations of Member States as regards the management and control systems of programmes, and in relation to the prevention, detection and correction of irregularities and infringements of Union law should therefore be specified.

In accordance with the principles of shared management, Member States and the Commission should be responsible for the management and control of programmes. Member States should have the primary responsibility, through their management and control systems, for the implementation and control of the operations in programmes. In order to strengthen the effectiveness of the control over the selection and implementation of operations and the functioning of the management and control system, the functions of the managing authority should be specified.

Member States should fulfil the management, control and audit obligations and assume the responsibilities as laid down in the rules on shared management set out in this Regulation, the Financial Regulation and in the Fund-specific rules. Member States should ensure that, in accordance with the conditions set out in this Regulation, effective arrangements for the examination of complaints in relation to the ESI Funds are in place. In accordance with the principle of subsidiarity, Member States should, upon request of the Commission, examine complaints submitted to the Commission falling within the scope of their arrangements and should inform the Commission of the results of examinations upon request.

The powers and responsibilities of the Commission with regard to verifying the effective functioning of the management and control systems, and to require Member State action, should be laid down. The Commission should also have the power to carry out on-the-spot audits and checks focused on issues relating to sound financial management in order to be able to draw conclusions concerning the performance of the ESI Funds.

Budget commitments of the Union should be effected annually. In order to ensure effective programme management, it is necessary to lay down common rules for pre-financing, interim requests for payment and the final balance, without prejudice to specific rules that are required for each of the ESI Funds.

The pre-financing payment at the start of programmes ensures that a Member State has the means to provide support to beneficiaries from the start of the implementation of the programme, so that those beneficiaries receive advances where necessary to make the planned investments and are reimbursed quickly following the submission of payment claims. Therefore, provisions should be made for initial pre-financing amounts from the ESI Funds. Initial pre-financing should be totally cleared at closure of the programme.

In order to safeguard the Union's financial interests, measures should be provided for that are limited in time and that allow the authorising officer by delegation to interrupt payments where there is clear evidence to suggest a significant deficiency in the functioning of the management and control system, evidence of irregularities linked to a request for payment, or a failure to submit documents for the purpose of examination and acceptance of accounts. The duration of the interruption period should be for a period of up to six months, with a possible extension of that period up to nine months with the agreement of the Member State, to allow sufficient time to resolve the causes of the interruption thereby avoiding the application of suspensions.
Member States should fulfil the management, control and submitted to the Commission falling within the scope in relation to the ESI Funds are in place. In accordance effective arrangements for the examination of complaints Regulation, the Financial Regulation and in the Fund-audit obligations and assume the responsibilities as laid managing authority should be specified. In order to strengthen the effec-

sions in programmes. In order to increase the added value, and to enhance the maintenance of investments or jobs created by SMEs. The requirement of durability, unless such requirements are pertaining to the ESI Funds. Initial pre-financing should be totally repay the contribution from the ESI Funds if, within the beneficiary is not an SME, such an operation should 5 years would be justified where the investment concerns the structures are long-lasting and prevent the ESI Funds guaranteeing that investments in businesses and infra-

general provisions are necessary in relation to the specific functioning of the Funds. In particular, in order to increase their added value, and to enhance their contribution to the priorities of the Union strategy for smart, sustainable and inclusive growth and the Fund-specific missions pursuant to their Treaty-based objectives, the functioning of the Funds should be simplified and concentrated on the Investment for growth and jobs goal and European territorial cooperation goal.

Additional provisions for the specific functioning of the EAFRD and the EMFF are set out in the relevant sector-specific legislation.

In order to promote the TFEU objectives of economic, social and territorial cohesion, the Investment for growth and jobs goal should support all regions. To provide balanced and gradual support and reflect the level of economic and social development, resources under that goal should be allocated from the ERDF and the ESF among the less developed regions, the transition regions and the more developed regions according to their GDP per capita in relation to the EU-27 average. In order to ensure the long-term sustainability of investment from the Structural Funds, to consolidate the development achieved and to encourage the economic growth and social cohesion of the Union's regions, regions whose GDP per capita for the 2007-2013 programming period was less than 75 % of the average of the EU-25 for the reference period but whose GDP per capita has grown to more than 75 % of the EU-27 average should receive at least 60 % of their indicative average annual 2007-2013 allocation. The total allocation from the ERDF, the ESF and the Cohesion Fund for a Member State should be at least 55 % of its individual 2007-2013 total allocation. Member States whose per capita gross national income (GNI) is less than 90 % of that of the Union average should benefit under the Investment for growth and jobs goal from the Cohesion Fund.

Objective criteria should be fixed for designating eligible regions and areas for support from the Funds. To this end, the identification of the regions and areas at Union level should be based on the common system of classification of the regions established by Regulation (EC) No 1059/2003 of the European Parliament and the Council (1), amended by Commission Regulation (EC) No 105/2007 (2).

In order to set out an appropriate financial framework for the Funds, the Commission should establish, by means of implementing acts, the annual breakdown of available commitment appropriations using an objective and transparent method with a view to targeting the regions whose development is lagging behind, including those receiving transitional support. In order to take account of the particularly difficult situation of Member States suffering from the crisis, and in accordance with Council Regulation (EU, Euratom) No 1311/2013 (3), the Commission should review the total allocations of all Member States in 2016 on the basis of the then available most recent statistics and, where there is a cumulative divergence of more than +/- 5 %, adjust those allocations. The required adjustment should be spread in equal proportions over the years 2017-2020.

(80) In order to encourage the necessary acceleration of development of infrastructure in transport and energy as well as ICT across the Union, a Connecting Europe Facility (CEF) is created, in accordance with Regulation (EU) 1316/2013 of the European Parliament and of the Council (1). Support should be provided from the Cohesion Fund to projects implementing core networks or for projects and horizontal activities identified in Part I of the Annex to that Regulation.

(81) The allocation of the annual appropriations from the Funds to a Member State should be limited to a ceiling that would be fixed taking into account the GDP of that particular Member State.

(82) It is necessary to fix the limits of resources for the Investment for growth and jobs goal and to adopt objective criteria for their allocation to regions and Member States. Member States should concentrate support to ensure sufficient investment is targeted at youth employment, labour mobility, knowledge, social inclusion and combating poverty, thus ensuring that the share of the ESF as a percentage of total combined resources for the Structural Funds and the Cohesion Fund at Union level, excluding the support from the Cohesion Fund for transport infrastructure under the CEF and support from the Structural Funds for aid for the most deprived, in Member States is not less than 23.1 %.

(83) Given the urgent priority of addressing youth unemployment in the Union's most affected regions, as well as in the Union as a whole, a YEI is created and funded from a specific allocation and from targeted investment from the ESF to add to and reinforce the considerable support already provided through the ESI Funds. The YEI should aim to support young people, in particular those not in employment, education or training residing in the eligible regions. The YEI should be implemented as a part of the Investment for growth and jobs goal.

(84) In addition, in line with the headline target on poverty reduction, it is necessary to reorient the Fund for European Aid for the Most Deprived to promote social inclusion. A mechanism should be envisaged which transfers resources to this instrument from the Structural Funds’ allocations of each Member State.

(85) Taking into account the present economic circumstances, the maximum level of transfer (capping) from the Funds to each individual Member State should not result in allocations per Member State higher than 110 % of their level in real terms for the 2007–2013 programming period.

(86) With a view to ensuring an appropriate allocation to each category of regions, resources from the Funds should not be transferred between less developed, transition and more developed regions except in duly justified circumstances linked to the delivery of one or more thematic objectives. Such transfers should involve no more than 3 % of the total appropriation for that category of region.

(87) In order to ensure a genuine economic impact, support from the Funds should not replace public or equivalent structural expenditure by Member States under the terms of this Regulation. In addition, so that the support from the Funds takes into account a broader economic context, the level of public expenditure should be determined with reference to the general macroeconomic conditions in which the financing takes place based on the indicators provided in the stability and convergence programmes submitted annually by Member States in accordance with Council Regulation (EC) No 1466/1997 (2). Verification by the Commission of the principle of additionality should concentrate on the Member States in which less developed regions cover at least 15 % of the population because of the scale of the financial resources allocated to them.

(88) It is necessary to lay down additional provisions concerning the programming, management, monitoring and control of operational programmes supported by the Funds in order to strengthen the focus on results. In particular, it is necessary to set out detailed requirements for the content of the operational programmes. This should facilitate the presentation of a consistent intervention logic to tackle the development needs identified, to set out the framework for performance assessment and to underpin the effective and efficient implementation of the Funds. As a general principle a priority axis should cover one thematic objective, one Fund and one category of region. Where appropriate and in order to increase the effectiveness in a thematically coherent integrated approach, it should be possible for a priority axis to relate to more than one category of region and combine one or more complementary investment priorities from the ERDF, ESF and the Cohesion Fund under one or more thematic objectives.

(89) In circumstances where a Member State prepares a maximum of one operational programme for each Fund, so that both the programmes and the Partnership Agreement are prepared at national level, specific arrangements should be set out to ensure the complementarity of such documents.


In order to reconcile the need for concise operational programmes setting out clear commitments by the Member States and the need to allow for flexibility for adjustment to changing circumstances, a distinction should be made between the essential elements of the operational programme which are subject to a Commission decision and other elements which are not subject to a Commission decision and can be amended by a Member State. Consequently provision should be made for procedures that allow for the amendment of those non-essential elements at national level without a decision by the Commission.

With a view to improving complementarities and simplifying implementation, it should be possible to combine support from the Cohesion Fund and the ERDF with support from the ESF in joint operational programmes under the Investment for growth and jobs goal.

Major projects represent a substantial share of Union spending and are frequently of strategic importance with respect to the achievement of the Union strategy for smart, sustainable and inclusive growth. Therefore it is justified that operations above certain thresholds continue to be subject to specific approval procedures under this Regulation. The threshold should be established in relation to total eligible cost after taking account of expected net revenues with a higher threshold for transport projects due to the typically larger size of investments in that sector. To ensure clarity, it is appropriate to define the content of a major project application for this purpose. The application should contain the necessary information to provide assurance that the financial contribution from the Funds does not result in a substantial loss of jobs in existing locations within the Union.

In order to promote the preparation and implementation of major projects on a sound, economic and technical basis and to encourage the use of expert advice at an early stage, where independent experts supported by technical assistance of the Commission or, in agreement with the Commission, other independent experts, are able to provide clear statements on a major project’s feasibility and economic viability, the Commission approval procedure should be streamlined. The Commission should be able to refuse approval of the financial contribution only where it establishes a significant weakness in the independent quality review.

In cases where an independent quality review of a major project has not been undertaken, the Member State should submit all required information and the Commission should appraise the major project to determine whether the requested financial contribution is justified.

For the sake of continuity of implementation, in order to avoid an unnecessary administrative burden as well as for the purposes of alignment with the Commission Decision on guidelines on closure of the 2007-2013 programming period, phasing provisions are established for major projects approved under Council Regulation (EC) No 1083/2006 (1) whose implementation period is expected to extend over the programming period covered by this Regulation. Subject to certain conditions, there should be a fast track procedure for the notification and approval of a second or subsequent phase of a major project for which the preceding phase or phases were approved by the Commission under the 2007-2013 programming period. Each individual phase of the phased operation, which serves the same overall objective, should be implemented in accordance with the rules of the relevant programming period.

In order to give Member States the option of implementing part of an operational programme using a result-based approach, it is useful to provide for a joint action plan comprising a project or group of projects to be carried out by a beneficiary to contribute to the objectives of the operational programme. In order to simplify and reinforce the result orientation of the Funds, the management of the joint action plan should be exclusively based on jointly agreed milestones, outputs and results as defined in the Commission decision adopting the joint action plan. Control and audit of a joint action plan should also be limited to whether it achieves its milestones, outputs and results. Consequently, it is necessary to lay down rules on its preparation, content, adoption, financial management and control of joint action plans.

It is necessary to adopt specific rules in relation to the functions of the monitoring committee and the annual reports on implementation of operational programmes supported by the Funds. Additional provisions for the specific functioning of the EAFRD are set out in the relevant sector specific legislation.

To ensure the availability of essential and up to date information on programme implementation, it is necessary that Member States provide the Commission with the key data on a regular basis. In order to avoid an additional burden on Member States, this should be limited to data collected continuously, and the transmission should be performed by way of electronic data exchange.

(99) In order to reinforce the monitoring of the progress with regard to the implementation of the Funds and to facilitate financial management, it is necessary to ensure the availability of basic financial data on the progress of implementation in a timely manner.

(100) In accordance with Article 175 TFEU, the Commission is to submit Cohesion Reports to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions every three years on the progress made towards achieving the Union's economic, social and territorial cohesion. It is necessary to lay down provisions concerning the content of this report.

(101) It is important to bring the achievements of the Funds to the attention of the general public and to raise awareness of the objectives of cohesion policy. Citizens should have the right to know how the Union's financial resources are invested. The responsibility to ensure that the appropriate information is communicated to the public should lie with both the managing authorities and the beneficiaries as well as with Union institutions and advisory bodies. To ensure more efficiency in communication to the public at large and stronger synergies between the communication activities undertaken at the initiative of the Commission, the resources allocated to communication actions under this Regulation should also contribute to covering the corporate communication of the political priorities of the Union in so far as they are related to the general objectives of this Regulation.

(102) With a view to strengthening accessibility and transparency of information about funding opportunities and project beneficiaries, in each Member State a single website or website portal providing information on all the operational programmes, including the lists of operations supported under each operational programme, should be made available.

(103) For the purpose of ensuring wide dissemination of information about the achievements of the Funds and the role of the Union therein and to inform potential beneficiaries about funding opportunities, detailed rules taking account of the size of the operational programmes in accordance with the principle of proportionality about information and communication measures, as well as certain technical characteristics of such measures, should be defined in this Regulation.

(104) In order to ensure that the allocation for each Fund is concentrated on the Union strategy for smart, sustainable and inclusive growth and the Fund-specific missions pursuant to their Treaty-based objectives, it is necessary to establish ceilings for the allocation to technical assistance of the Member State. It is also necessary to ensure that the legal framework for the programming of technical assistance facilitates the creation of streamlined delivery arrangements in a context where Member States implement multiple Funds in parallel and it should be possible for that framework to comprise several categories of regions.

(105) It is necessary to determine the elements for modulating the co-financing rate from the Funds to priority axes, in particular, to increase the multiplier effect of Union resources. It is also necessary to establish the maximum rates of co-financing by category of region in order to ensure that the principle of co-financing is respected through an appropriate level of public or private national support.

(106) It is necessary for Member States to designate a managing authority, a certifying authority and a functionally independent auditing authority for each operational programme. To provide flexibility for Member States in setting up control systems, it is appropriate to provide for the option for the functions of the certifying authority to be carried out by the managing authority. Member States should also be allowed to designate intermediate bodies to carry out certain tasks of the managing authority or the certifying authority. Member States should in that case lay down clearly their respective responsibilities and functions.

(107) In order to take account of the specific organisation of the management and control systems for the Funds and the EMFF and the need to ensure a proportionate approach, specific provisions should be laid down in relation to the designation of the managing authority and the certifying authority. In order to avoid an unnecessary administrative burden, the ex ante verification of compliance with the designation criteria indicated in this Regulation should be limited to the managing and certifying authority, and, in accordance with the conditions laid down in this Regulation, no additional audit work should be required when the system is essentially the same as in the 2007-2013 programming period. There should be no requirement to approve the designation by the Commission. However, in order to increase legal certainty, Member States should have the option to submit the documents concerning the designation to the Commission subject to certain conditions laid down in this Regulation. The monitoring of compliance with the designation criteria carried out on the basis of audit and control arrangements should, where results show non-compliance with the criteria, give rise to remedial actions, and possibly to the ending of the designation.

(108) The managing authority bears the main responsibility for the effective and efficient implementation of the Funds and the EMFF and thus fulfils a substantial number of functions related to programme management and monitoring, financial management and controls as well as project selection. Accordingly, the managing authority's responsibilities and functions should be set out.
(109) The certifying authority should draw up and submit to the Commission payment applications. It should draw up the accounts, certifying their completeness, accuracy and veracity and that the expenditure entered in them complies with applicable Union and national rules. The certifying authority’s responsibilities and functions should be set out.

(110) The audit authority should ensure that audits are carried out on the management and control systems, on an appropriate sample of operations and on the accounts. The audit authority’s responsibilities and functions should be set out. Audits of declared expenditure should be carried out on a representative sample of operations in order to enable the results to be extrapolated. As a general rule, a statistical sampling method should be used in order to provide a reliable representative sample. Nevertheless, audit authorities should be able to use in duly justified circumstances a non-statistical sampling method provided that the conditions laid down in this Regulation are complied with.

(111) Without prejudice to the Commission’s powers as regards financial control, cooperation between the Member States and the Commission in this field should be increased and criteria should be established which allow the Commission to determine, in the context of its strategy of control of national systems, the level of assurance it should obtain from national audit bodies.

(112) In addition to common rules on financial management for the ESI Funds, additional provisions for the Funds and the EMFF should be laid down. In particular, with a view to ensuring reasonable assurance for the Commission prior to the acceptance of accounts, applications for interim payments should be reimbursed, at a rate of 90% of the amount resulting from applying the co-financing rate for each priority, laid down in the decision adopting the operational programme, to the eligible expenditure for the priority. The outstanding amounts due should be paid to the Member States upon acceptance of accounts, provided that the Commission is able to conclude that the accounts are complete, accurate and true.

(113) Beneficiaries should receive the support in full no later than 90 days from the date of submission of the payment claim by the beneficiary, subject to the availability of funding from initial and annual pre-financing and interim payments. The managing authority should be able to interrupt the deadline where supporting documents are incomplete or there is evidence of irregularity requiring further investigation. Initial and annual pre-financing should be provided for to ensure that Member States have sufficient means to implement programmes under such arrangements. Annual pre-financing should be cleared each year with the acceptance of accounts.

(114) To reduce the risk of irregular expenditure being declared, it should be possible for a certifying authority, without any need for additional justification, to include the amounts which require further verification in an interim payment application after the accounting year in which they were entered into its accounting system.

(115) To ensure the appropriate application of the general rules on decommitment, the rules established for the Funds and the EMFF should detail how the deadlines for decommitment are established.

(116) In order to apply the requirements of the Financial Regulation to the financial management of the Funds and the EMFF, it is necessary to set out procedures for the preparation, examination and acceptance of accounts which should ensure a clear basis and legal certainty for these arrangements. In addition, in order to allow a Member State properly to fulfil its responsibilities, it should be possible for the Member State to exclude amounts which are the subject of an ongoing assessment of legality and regularity.

(117) In order to reduce the administrative burden on beneficiaries, specific time limits should be set out during which the managing authorities are obliged to ensure the availability of documents for operations following submission of expenditure or completion of an operation. In accordance with the principle of proportionality, the period for keeping the documents should be differentiated depending on the total eligible expenditure of an operation.

(118) As accounts are verified and accepted every year, a significant simplification of the closure procedure should be introduced. The final closure of the programme should therefore be based only on the documents relating to the final accounting year and the final implementation report or the last annual implementation report, without any need to provide any additional documents.

(119) In order to safeguard the Union’s financial interests and provide the means to ensure effective programme implementation, provisions should be laid down allowing for the suspension by the Commission of payments at the level of priorities or operational programmes.

(120) In order to provide legal certainty for Member States, it is appropriate to lay down the specific arrangements and procedures for financial corrections by Member States and by the Commission in respect of the Funds and the EMFF respecting the principle of proportionality.
(121) It is necessary to establish a legal framework which provides robust management and control systems at national and regional level and an appropriate division of roles and responsibilities in the context of shared management. The role of the Commission should therefore be specified and clarified and proportionate rules set out for the application of financial corrections by the Commission.

(122) The frequency of audits on operations should be proportionate to the extent of the Union's support from the Funds and the EMFF. In particular, the number of audits carried out should be reduced where the total eligible expenditure for an operation does not exceed EUR 200 000 for the ERDF and the Cohesion Fund, and EUR 150 000 for the ESF, and EUR 100 000 for the EMFF. Nevertheless, it should be possible to carry out audits at any time where there is evidence of an irregularity or fraud, or, following closure of a completed operation, as part of an audit sample. The Commission should be able to review the audit trail of the audit authority or take part in on-the-spot audits of the audit authority. Where the Commission does not obtain the necessary assurance as to the effective functioning of the audit authority by those means, the Commission should be able to carry out a re-performance of the audit activity where this is in accordance with internationally accepted audit standards. In order that the level of auditing by the Commission is proportionate to the risk, the Commission should be able to reduce its audit work in relation to operational programmes where there are no significant deficiencies or where the audit authority can be relied on. In order to reduce the administrative burden on beneficiaries, specific rules should be introduced to reduce the risk of overlap between audits of the same operations by various institutions, namely the European Court of Auditors, the Commission and the audit authority.

(123) In order to supplement and amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of a European code of conduct on partnership, supplements and amendments of Sections 4 and 7 of the CSF, criteria for determining the level of financial correction to be applied, specific rules on the purchase of land and combination of technical support with financial instruments, the role, liabilities and responsibility of bodies implementing financial instruments, the management and control of financial instruments, the withdrawal of payments to financial instruments and the consequent adjustments in respect of applications for payments, the establishment of a system of capitalisation of annual instalments for financial instruments, the specific rules setting out the criteria for determining management costs and fees on the basis of performance and the applicable thresholds as well as rules for the reimbursement of capitalised management costs and fees for equity-based instruments, and micro-credit, the adjustment of the flat rate for net revenue generating operations in specific sectors, as well as the establishment of a flat rate for certain sectors or subsectors within the fields of ICT, research, development and innovation and energy efficiency and adding sectors or subsectors, the methodology for the calculation of the discounted net revenue for net revenue-generating operations, additional rules on the replacement of a beneficiary under PPP operations, minimum requirements to be included in PPP agreements which are necessary for the application of a derogation concerning eligibility of expenditure, the definition of the flat rate applied to indirect costs for grants based on existing methods and corresponding rates applicable in Union policies, the methodology to be used in carrying out the quality review of a major project, the criteria for determining the cases of irregularity to be reported, the data to be provided and the conditions and procedures to be applied to determine whether amounts which are irrecoverable shall be reimbursed by the responsibilities of Member States, the data to be recorded and stored in computerised form within monitoring systems established by managing authorities, the minimum requirements for audit trails, the scope and content of audits and the methodology for sampling, the use of data collected during audits, and the criteria for determining serious deficiencies in the effective functioning of management and control systems, for establishing the level of financial correction to be applied and for applying flat rates or extrapolated financial corrections. It is of particular importance that the Commission carry 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.

(124) The Commission should be empowered to adopt, by means of implementing acts, as regards all the ESI Funds, decisions approving the elements of Partnership Agreements and their amendments, decisions approving elements of the revised Partnership Agreement, decisions on the programmes and priorities which have achieved their milestones and can benefit from the allocation of the performance reserve, decisions on the amendment of programmes as consequence of corrective actions concerning the transfer of financial allocations to other programmes, decisions on annual plans of actions to be financed from technical assistance at the initiative of the Commission, and, in the case of decommitment, decisions to amend decisions adopting programmes; and as regards the ERDF, the ESF and the Cohesion Fund, decisions identifying the regions and Member States fulfilling the Investment for growth and jobs criteria, decisions setting out the annual breakdown of commitment appropriations to the Member States, decisions setting out the amount to be transferred from
each Member State's Cohesion Fund allocation to the CEF, decisions setting out the amount to be transferred from each Member State's Structural Funds allocation to aid for the most deprived, decisions accepting transfers of parts of appropriations for the European territorial cooperation goal to the Investment for growth and jobs goal, decisions whether or not to carry out a financial correction in the case of non-compliance with additionality, decisions adopting and amending operational programmes, decisions refusing the financial contribution to a major project, decisions on the approval of a financial contribution to a selected major project and the extension of the period for the realisation of the condition related to the approval of major projects and decisions on joint action plans; and as regards the ERDF, the ESF, the Cohesion Fund and the EMFF, decisions on non-acceptance of the accounts and the amount chargeable if the accounts were not accepted, decisions suspending interim payments and decisions on financial corrections.

(125) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission in respect of the model to be used when submitting the progress report, the model of operational programme for the Funds, methodology to be used in carrying out the cost-benefit analysis on major projects, the format for information on major projects, the model for the joint action plan, the model of the annual and final implementation reports, the frequency of the reporting of irregularities and the reporting format to be used, the model for the management declaration, and the models for the audit strategy, opinion and annual control report. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council (1).

(126) In order to ensure the necessary input and better involvement of Member States when the Commission exercises its implementing powers with regard to this Regulation in certain particularly sensitive policy areas relating to the ESI Funds and in order to strengthen the Member States' role in adopting uniform conditions in such areas or other executive measures with substantial implications or with a potentially significant impact on either the national economy, the national budget or on the proper functioning of the public administration of the Member States, the implementing acts relating to the methodology for providing information on the support for climate change objectives, the detailed arrangements to ensure a consistent approach for determining in the performance framework the milestones and targets for each priority and for assessing the achievement of the milestones and targets, standard terms and conditions for monitoring of financial instruments, the detailed arrangements for the transfer and management of programme contributions managed by the bodies implementing financial instruments, a model of the funding agreement concerning the joint uncapped guarantee and securitisation financial instruments in favour of SMEs, the models to be used when submitting additional information concerning financial instruments with the applications for payments to the Commission and when reporting on financial instruments to the Commission, the terms and conditions for the electronic data exchange system for management and control, the nomenclature, based on which the categories of intervention are to be defined concerning the priority axis in operational programmes, the format for notification of the selected major project, the technical characteristics of information and communication measures for the operation and instructions for creating the emblem and the definition of its standard colours, the model to be used when submitting financial data to the Commission for monitoring purposes, detailed rules on the exchange of information between beneficiaries and managing authorities, certifying authorities, audit authorities and intermediate bodies, the model for the report and the opinion of the independent audit body and the description of the functions and procedures in place for the managing authorities and, where appropriate, of the certifying authorities, the technical specifications of the management and control system, the model for payment applications and the model for the accounts should be adopted in accordance with the examination procedure as established in Article 5 of Regulation (EU) No 182/2011.

(127) For certain implementing acts to be adopted in accordance with the examination procedure laid down in Article 5 of Regulation (EU) No 182/2011 the potential impact and implications are of such high significance to Member States that an exception from the general rule is justified. Accordingly, where no opinion is delivered by the committee, the Commission should not adopt the draft implementing act. Those implementing acts relate to setting out the methodology for providing information on the support for climate change objectives; determining the methodology for milestones and targets with regard to the performance framework; establishing the standard terms and conditions in relation to financial instruments; laying down the detailed arrangements for the transfer and management of programme contributions with regard

to certain financial instruments; adopting a model of the funding agreement concerning the joint uncapped guarantee and securitisation financial instruments in favour of SMEs; establishing the model to be used when reporting on financial instruments to the Commission; determining the nomenclature, based on which the categories of intervention can be defined concerning the priority axis in operational programmes; concerning the technical characteristics of information and communication measures for the operation and instructions for creating the emblem and a definition of the standard colours; laying down the technical specifications of recording and data-storing in relation to the management and control system. The third subparagraph of Article 5(4) of Regulation (EU) No 182/2011 should therefore apply to those implementing acts.

(128) Since this Regulation replaces Regulation (EC) No 1083/2006, that Regulation should therefore be repealed. Nevertheless, this Regulation should not affect either the continuation or modification of assistance approved by the Commission on the basis of Regulation (EC) No 1083/2006 or any other legislation applying to that assistance on 31 December 2013. Applications made or approved under Regulation (EC) No 1083/2006 should therefore remain valid. Special transitional rules should be also laid down by way of derogation from point (b) of Article 59(1) of Regulation (EC) No 1083/2006 as to when a managing authority can carry out the functions of the certifying authority for operational programmes, implemented under the previous legislative framework, for the purposes of the Commission assessment in accordance with Article 73(3) of the Regulation (EC) No 1083/2006 when applying Article 123(5) of this Regulation and concerning the approval procedure of major projects under point (a) of Article 102(1) of this Regulation.

(129) Since the objective of this Regulation, namely to strengthen economic, social and territorial cohesion cannot be sufficiently achieved by the Member States by reason of the extent of the disparities between the levels of development of the various regions and the backwardness of the least favoured regions and the limit on the financial resources of the Member States and regions, but can rather be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 TEU. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

(130) In order to allow for the prompt application of the measures provided for in this Regulation, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union.

HAVE ADOPTED THIS REGULATION:

PART ONE

SUBJECT-MATTER AND DEFINITIONS

Article 1

Subject-matter

This Regulation lays down the common rules applicable to the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), which operate under a common framework (the 'European Structural and Investment' - 'ESI Funds'). It also lays down the provisions necessary to ensure the effectiveness of the ESI Funds and their coordination with one another and with other Union instruments. The common rules applying to the ESI Funds are set out in Part Two.

Part Three lays down the general rules governing the ERDF, the ESF (together referred to as the 'Structural Funds') and the Cohesion Fund concerning the tasks, priority objectives and organisation of the Structural Funds and the Cohesion Fund (the 'Funds'), the criteria that Member States and regions are required to fulfil in order to be eligible for support from the Funds, the financial resources available and the criteria for their allocation.

Part Four lays down general rules applicable to the Funds and the EMFF on management and control, financial management, accounts and financial corrections.

The rules set out in this Regulation shall apply without prejudice to the provisions laid down in Regulation (EU) No 1306/2013 of the European Parliament and of the Council (¹) and to the specific provisions laid down in the following Regulations (the 'Fund-specific Regulations') in accordance with the fifth paragraph of this Article:

(1) Regulation (EU) No 1301/2013 (the 'ERDF Regulation');

(2) Regulation (EU) No 1304/2013 (the 'ESF Regulation');

(3) Regulation (EU) No 1300/2013 (the 'CF Regulation');

(4) Regulation (EU) No 1299/2013 (the 'ETC Regulation');

(5) Regulation (EU) No 1305/2013 (the 'EAFRD Regulation');

(6) a future Union legal act establishing the conditions for the financial support for maritime and fisheries policy for the programming period 2014 - 2020 (the 'EMFF Regulation').

Part Two of this Regulation shall apply to all the ESI Funds except when it explicitly allows for derogations. Parts Three and Four of this Regulation shall establish complementary rules to Part Two that apply respectively to the Funds and to the EMFF and may explicitly allow for derogations in the Fund-specific Regulations concerned. The Fund-specific Regulations may establish complementary rules to Part Two of this Regulation for the ESI Funds, to Part Three of this Regulation for the Funds and to Part Four of this Regulation for the Funds and the EMFF. The complementary rules in the Fund-specific Regulations shall not be in contradiction with Parts Two, Three or Four of this Regulation. In case of doubt about the application between provisions, Part Two of this Regulation shall prevail over the Fund-specific rules, and Parts Two, Three and Four of this Regulation shall prevail over the Fund-specific Regulations.

**Article 2**

**Definitions**

For the purposes of this Regulation, the following definitions apply:

(1) 'Union strategy for smart, sustainable and inclusive growth' means the targets and shared objectives guiding the action of Member States and the Union set out in the Conclusions adopted by the European Council of 17 June 2010 as Annex I (New European Strategy for Jobs and Growth, EU Headline Targets), Council Recommendation of 13 July 2010 (1) and in Council Decision 2010/707/EU (2), and any revision of such targets and shared objectives;

(2) 'a strategic policy framework' means a document or a set of documents established at national or regional level, which sets out a limited number of coherent priorities established on the basis of evidence and a timeframe for the implementation of those priorities and which may include a monitoring mechanism;

(3) 'smart specialisation strategy' means the national or regional innovation strategies which set priorities in order to build competitive advantage by developing and matching research and innovation own strengths to business needs in order to address emerging opportunities and market developments in a coherent manner, while avoiding duplication and fragmentation of efforts; a smart specialisation strategy may take the form of, or be included in, a national or regional research and innovation (R&I) strategic policy framework;

(4) 'Fund-specific rules' means the provisions laid down in, or established on the basis of, Part Three or Part Four of this Regulation or a Regulation governing one or more of the ESI Funds listed in the fourth paragraph of Article 1;

(5) 'programming' means the process of organisation, decision-making and allocation of financial resources in several stages, with the involvement of partners in accordance with Article 5, intended to implement, on a multi-annual basis, joint action by the Union and the Member States to achieve the objectives of the Union strategy for smart, sustainable and inclusive growth;

(6) 'programme' means an 'operational programme' as referred to in Part Three or Part Four of this Regulation and in the EMFF Regulation, and 'rural development programme' as referred to in the EAFRD Regulation;

(7) 'programme area' means a geographical area covered by a specific programme or, in the case of a programme covering more than one category of region, the geographical area corresponding to each separate category of region;

(8) 'priority' in Parts Two and Four of this Regulation means the 'priority axis' referred to in Part Three of this Regulation for ERDF, ESF and the Cohesion Fund and the 'Union priority' referred to in the EMFF Regulation and in the EAFRD Regulation;

(9) 'operation' means a project, contract, action or group of projects selected by the managing authorities of the programmes concerned, or under their responsibility, that contributes to the objectives of a priority or priorities; in the context of financial instruments, an operation is constituted by the financial contributions from a programme to financial instruments and the subsequent financial support provided by those financial instruments;

(10) 'beneficiary' means a public or private body and, for the purposes of the EAFRD Regulation and of the EMFF Regulation only, a natural person, responsible for initiating or both initiating and implementing operations; and in the context of State aid schemes, as defined in point 13 of this Article, the body which receives the aid; and in the context of financial instruments under Title IV of Part Two of this Regulation, it means the body that implements the financial instrument or the fund of funds as appropriate;

(11) 'financial instruments' means financial instruments as defined in the Financial Regulation, save where otherwise provided in this Regulation;

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(1) Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union (OJ L 191, 23.7.2010, p. 28).

(12) 'final recipient' means a legal or natural person receiving financial support from a financial instrument;

(13) 'State aid' means aid falling under Article 107(1) TFEU which shall be deemed for the purposes of this Regulation also to include de minimis aid within the meaning of Commission Regulation (EC) No 1998/2006 (1), Commission Regulation (EC) No 1535/2007 (2) and Commission Regulation (EC) No 875/2007 (3);

(14) 'completed operation' means an operation that has been physically completed or fully implemented and in respect of which all related payments have been made by beneficiaries and the corresponding public contribution has been paid to the beneficiaries;

(15) 'public expenditure' means any public contribution to the financing of operations the source of which is the budget of national, regional or local public authorities, the budget of the Union related to the ESI Funds, the budget of public law bodies or the budget of associations of public authorities or of public law bodies and, for the purpose of determining the co-financing rate for ESF programmes or priorities, may include any financial resources collectively contributed by employers and workers;

(16) 'public law body' means any body governed by public law within the meaning of point 9 of Article 1 of Directive 2004/18/EC of the European Parliament and of the Council (4) and any European grouping of territorial cooperation (EGTC) established in accordance with Regulation (EC) No 1082/2006 of the European Parliament and of the Council (5), regardless of whether the EGTC is considered to be a public law body or a private law body under the relevant national implementing provisions;

(17) 'document' means a paper or an electronic medium bearing information of relevance in the context of this Regulation;

(18) 'intermediate body' means any public or private body which acts under the responsibility of a managing or certifying authority, or which carries out duties on behalf of such an authority, in relation to beneficiaries implementing operations;

(19) 'community-led local development strategy' means a coherent set of operations the purpose of which is to meet local objectives and needs, and which contributes to achieving the Union strategy for smart, sustainable and inclusive growth, and which is designed and implemented by a local action group;

(20) 'Partnership Agreement' means a document prepared by a Member State with the involvement of partners in line with the multi-level governance approach, which sets out that Member State's strategy, priorities and arrangements for using the ESI Funds in an effective and efficient way so as to pursue the Union strategy for smart, sustainable and inclusive growth, and which is approved by the Commission following assessment and dialogue with the Member State concerned;

(21) 'category of regions' means the categorisation of regions as 'less developed regions', 'transition regions' or 'more developed regions' in accordance with Article 90(2);

(22) 'request for payment' means a payment application or declaration of expenditure submitted by the Member State to the Commission;

(23) 'EIB' means the European Investment Bank, the European Investment Fund or any subsidiary of the European Investment Bank;

(24) 'Public private partnerships' (PPPs) means forms of cooperation between public bodies and the private sector, which aim to improve the delivery of investments in infrastructure projects or other types of operations, delivering public services through risk sharing, pooling of private sector expertise or additional sources of capital;

(25) 'PPP operation' means an operation which is implemented or intended to be implemented under a public-private-partnership structure;

(26) 'escrow account' means a bank account covered by a written agreement between a managing authority or an intermediate body and the body implementing a financial instrument, or, in the case of a PPP operation, a written agreement between a public body beneficiary and the private partner approved by the managing authority or an intermediate body, set up specifically to hold funds to be paid out after the eligibility period, exclusively for the purposes provided for in point (c) of Article 42(1), Article 42(2), Article 42(3) and Article 64, or a bank account set up on terms providing equivalent guarantees on the payments out of the funds;


(27) 'fund of funds' means a fund set up with the objective of contributing support from a programme or programmes to several financial instruments. Where financial instruments are implemented through a fund of funds, the body implementing the fund of funds shall be considered to be the only beneficiary within the meaning of point 10 of this Article;

(28) 'SME' means a micro, small or medium sized enterprise as defined in Commission Recommendation 2003/361/EC (1);

(29) 'accounting year', means, for the purposes of Part Three and Part Four, the period from 1 July to 30 June, except for the first accounting year of the programming period, in respect of which it means the period from the start date for eligibility of expenditure until 30 June 2015. The final accounting year shall be from 1 July 2023 to 30 June 2024;

(30) 'financial year', means, for the purposes of Part Three and Part Four, the period from 1 January to 31 December;

(31) 'macregional strategy' means an integrated framework endorsed by the European Council, which may be supported by the ESI Funds among others, to address common challenges faced by a defined geographical area relating to Member States and third countries located in the same geographical area which thereby benefit from strengthened cooperation contributing to achievement of economic, social and territorial cohesion;

(32) 'sea basin strategy' means a structured framework of cooperation in relation to a given geographical area, developed by Union institutions, Member States, their regions and where appropriate third countries sharing a sea basin; a sea basin strategy takes into account the geographic, climatic, economic and political specificities of the sea basin;

(33) 'applicable ex ante conditionality' means a concrete and precisely pre-defined critical factor, which is a prerequisite for and has a direct and genuine link to, and direct impact on, the effective and efficient achievement of a specific objective for an investment priority or a Union priority;

(34) 'specific objective' means the result to which an investment priority or Union priority contributes in a specific national or regional context through actions or measures undertaken within such a priority;

(35) 'relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU' and 'relevant Council recommendations adopted in accordance with Article 148(4) TFEU' mean recommendations relating to structural challenges which it is appropriate to address through multiannual investments that fall directly within the scope of the ESI Funds as set out in the Fund-specific Regulations;

(36) 'irregularity' means any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union.

(37) 'economic operator' means any natural or legal person or other entity taking part in the implementation of assistance from the ESI Funds, with the exception of a Member State exercising its prerogatives as a public authority;

(38) 'systemic irregularity' means any irregularity, which may be of a recurring nature, with a high probability of occurrence in similar types of operations, which results from a serious deficiency in the effective functioning of a management and control system, including a failure to establish appropriate procedures in accordance with this Regulation and the Fund-specific rules;

(39) 'serious deficiency in the effective functioning of a management and control system’ means, for the purposes of implementation of the Funds and the EMFF under Part Four, a deficiency for which substantial improvements in the system are required, which exposes the Funds and the EMFF to a significant risk of irregularities, and the existence of which is incompatible with an unqualified audit opinion on the functioning of the management and control system.

Article 3

Calculation of time limits for Commission decisions

Where, pursuant to Articles 16(2) and (3), 29(3), 30(2) and (3), 102(2), 107(2), and 108(3), a time limit is set for the Commission to adopt or amend a decision, by means of an implementing act, that time limit shall not include the period which starts on the date following the date on which the Commission sends its observations to the Member State and lasts until the Member State responds to the observations.

PART TWO
COMMON PROVISIONS APPLICABLE TO THE ESI FUNDS

TITLE I
PRINCIPLES OF UNION SUPPORT FOR THE ESI FUNDS

Article 4
General principles

1. The ESI Funds shall provide support, through multi-annual programmes, which complements national, regional and local intervention, to deliver the Union strategy for smart, sustainable and inclusive growth, as well as the Fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion taking account of the relevant Europe 2020 Integrated Guidelines and the relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU, and of the relevant Council recommendations adopted in accordance with Article 148(4) TFEU and where appropriate at national level, the National Reform Programme.

2. The Commission and the Member States shall ensure, taking account of the specific context of each Member State, that support from the ESI Funds is consistent with the relevant policies, horizontal principles referred to in Articles 5, 7 and 8 and priorities of the Union, and that it is complementary to other instruments of the Union.

3. Support from the ESI Funds shall be implemented in close cooperation between the Commission and the Member States in accordance with the principle of subsidiarity.

4. Member States, at the appropriate territorial level, in accordance with their institutional, legal and financial framework, and the bodies designated by them for that purpose shall be responsible for preparing and implementing programmes and carrying out their tasks, in partnership with the relevant partners referred to in Article 5, in compliance with this Regulation and the Fund-specific rules.

5. Arrangements for the implementation and use of the ESI Funds, and in particular the financial and administrative resources required for the preparation and implementation of programmes, in relation to monitoring, reporting, evaluation, management and control, shall respect the principle of proportionality having regard to the level of support allocated and shall take into account the overall aim of reducing the administrative burden on bodies involved in the management and control of the programmes.

6. In accordance with their respective responsibilities, the Commission and the Member States shall ensure coordination between the ESI Funds and between the ESI Funds and other relevant Union policies, strategies and instruments, including those in the framework of the Union’s external action.

7. The part of the budget of the Union allocated to the ESI Funds shall be implemented within the framework of shared management between the Member States and the Commission, in accordance with Article 59 of the Financial Regulation, with the exception of the amount of support from the Cohesion Fund transferred to the CEF referred to in Article 92(6) of this Regulation, innovative actions at the initiative of the Commission under Article 8 of the ERDF Regulation, technical assistance at the initiative of the Commission and the support for direct management under the EMFF Regulation.

8. The Commission and the Member States shall respect the principle of sound financial management in accordance with Article 30 of the Financial Regulation.

9. The Commission and the Member States shall ensure the effectiveness of the ESI Funds during preparation and implementation, in relation to monitoring, reporting and evaluation.

10. The Commission and the Member States shall carry out their respective roles in relation to the ESI Funds with the aim of reducing the administrative burden on beneficiaries.

Article 5
Partnership and multi-level governance

1. For the Partnership Agreement and each programme, each Member State shall in accordance with its institutional and legal framework organise a partnership with the competent regional and local authorities. The partnership shall also include the following partners:

(a) competent urban and other public authorities;

(b) economic and social partners; and

(c) relevant bodies representing civil society, including environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, gender equality and non-discrimination.

2. In accordance with the multi-level governance approach, the partners referred to in paragraph 1 shall be involved by Member States in the preparation of Partnership Agreements and progress reports and throughout the preparation and implementation of programmes, including through participation in the monitoring committees for programmes in accordance with Article 48.

3. The Commission shall be empowered to adopt a delegated act in accordance with Article 149 to provide for a European code of conduct on partnership (the ‘code of conduct’) in order to support and facilitate Member States in the organisation of
partnership in accordance with paragraphs 1 and 2 of this Article. The code of conduct shall set out the framework within which the Member States, in accordance with their institutional and legal framework as well as their national and regional competences, shall pursue the implementation of partnership. The code of conduct, while fully respecting the principles of subsidiarity and proportionality, shall lay down the following elements:

(a) the main principles concerning transparent procedures to be followed for the identification of the relevant partners including, where appropriate, their umbrella organisations in order to facilitate Member States in designating the most representative relevant partners, in accordance with their institutional and legal framework;

(b) the main principles and good practices concerning the involvement of the different categories of relevant partners set out in paragraph 1 in the preparation of the Partnership Agreement and programmes, the information to be provided concerning their involvement, and at the various stages of implementation;

(c) the good practices concerning the formulation of the rules of membership and internal procedures of monitoring committees to be decided, as appropriate, by the Member States or the monitoring committees of programmes in accordance with the relevant provisions of this Regulation and the Fund-specific rules;

(d) the main objectives and good practices in cases where the managing authority involves the relevant partners in the preparation of calls for proposals and in particular good practices for avoiding potential conflicts of interest in cases where there is a possibility of relevant partners also being potential beneficiaries, and for the involvement of the relevant partners in the preparation of progress reports and in relation to monitoring and evaluation of programmes in accordance with the relevant provisions of this Regulation and the Fund-specific rules;

(e) the indicative areas, themes and good practices concerning how the competent authorities of the Member States may use the ESI Funds including technical assistance to strengthen the institutional capacity of relevant partners in accordance with the relevant provisions of this Regulation and the Fund-specific rules;

(f) the role of the Commission in the dissemination of good practices;

(g) the main principles and good practices that are apt to facilitate the Member States’ assessment of the implementation of partnership and its added value.

The provisions of the code of conduct shall not in any way contradict the relevant provisions of this Regulation or the Fund-specific rules.

4. The Commission shall notify the delegated act, referred to in paragraph 3 of this Article, on the European code of conduct on partnership, simultaneously to the European Parliament and to the Council by 18 April 2014. That delegated act shall not specify a date of application that is earlier than the date of its adoption.

5. An infringement of any obligation imposed on Member States either by this Article or by the delegated act adopted pursuant to paragraph 3 of this Article, shall not constitute an irregularity leading to a financial correction pursuant to Article 85.

6. At least once a year, for each ESI Fund, the Commission shall consult the organisations which represent the partners at Union level on the implementation of support from that ESI Fund and shall report to the European Parliament and the Council on the outcome.

Article 6

Compliance with Union and national law

Operations supported by the ESI Funds shall comply with applicable Union law and the national law relating to its application (applicable law).

Article 7

Promotion of equality between men and women and non-discrimination

The Member States and the Commission shall ensure that equality between men and women and the integration of gender perspective are taken into account and promoted throughout the preparation and implementation of programmes, including in relation to monitoring, reporting and evaluation.

The Member States and the Commission shall take appropriate steps to prevent any discrimination based on sex, sexual orientation or disability, age or disability, race or ethnic origin, religion or belief, disability, age or sexual orientation during the preparation and implementation of programmes. In particular, accessibility for persons with disabilities shall be taken into account throughout the preparation and implementation of programmes.

Article 8

Sustainable development

The objectives of the ESI Funds shall be pursued in line with the principle of sustainable development and with the Union’s promotion of the aim of preserving, protecting and improving the quality of the environment, as set out in Article 11 and Article 191(1) TFEU, taking into account the polluter pays principle.
The Member States and the Commission shall ensure that environmental protection requirements, resource efficiency, climate change mitigation and adaptation, biodiversity, disaster resilience, and risk prevention and management are promoted in the preparation and implementation of Partnership Agreements and programmes. Member States shall provide information on the support for climate change objectives using a methodology based on the categories of intervention, focus areas or measures, as appropriate, for each of the ESI Funds. That methodology shall consist of assigning a specific weighting to the support provided under the ESI Funds at a level which reflects the extent to which such support makes a contribution to climate change mitigation and adaptation goals. The specific weighting assigned shall be differentiated on the basis of whether the support makes a significant or a moderate contribution towards climate change objectives. Where the support does not contribute towards those objectives or the contribution is insignificant, a weighting of zero shall be assigned. In the case of the ERDF, the ESF and the Cohesion Fund weightings shall be attached to categories of intervention established within the nomenclature adopted by the Commission. In the case of the EAFRD weightings shall be attached to focus areas set out in the EAFRD Regulation and in the case of the EMFF to measures set out in the EMFF Regulation.

The Commission shall set out uniform conditions for each of the ESI Funds for the application of the methodology referred to in the second paragraph by means of an implementing act. That implementing act shall be adopted in accordance with the examination procedure referred to in Article 150(3).

### TITLE II

#### STRATEGIC APPROACH

##### CHAPTER I

### Thematic objectives for the ESI Funds and Common Strategic Framework

#### Article 9

**Thematic objectives**

In order to contribute to the Union strategy for smart, sustainable and inclusive growth as well as the Fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion, each ESI Fund shall support the following thematic objectives:

1. strengthening research, technological development and innovation;
2. enhancing access to, and use and quality of, ICT;
3. enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF);
4. supporting the shift towards a low-carbon economy in all sectors;
5. promoting climate change adaptation, risk prevention and management;
6. preserving and protecting the environment and promoting resource efficiency;
7. promoting sustainable transport and removing bottlenecks in key network infrastructures;
8. promoting sustainable and quality employment and supporting labour mobility;
9. promoting social inclusion, combating poverty and any discrimination;
10. investing in education, training and vocational training for skills and lifelong learning;
11. enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

Thematic objectives shall be translated into priorities that are specific to each of the ESI Funds and are set out in the Fund-specific rules.

#### Article 10

**Common Strategic Framework**

1. In order to promote the harmonious, balanced and sustainable development of the Union, a Common Strategic Framework (CSF) is hereby established, as set out in Annex I. The CSF establishes strategic guiding principles to facilitate the programming process and the sectoral and territorial coordination of Union intervention under the ESI Funds and with other relevant Union policies and instruments, in line with the targets and objectives of the Union strategy for smart, sustainable and inclusive growth, taking into account the key territorial challenges of the various types of territories.

2. The strategic guiding principles as set out in the CSF shall be established in line with the purpose and within the scope of the support provided by each ESI Fund, and in line with the rules governing the operation of each ESI Fund, as defined in this Regulation and the Fund-specific rules. The CSF shall not impose additional obligations upon Member States beyond those set out within the framework of the relevant sectoral Union policies.

3. The CSF shall facilitate the preparation of the Partnership Agreement and programmes in accordance with the principles of proportionality and subsidiarity and taking into account national and regional competences, in order for the specific and appropriate policy and coordination measures to be decided.
Article 11
Content
The CSF shall establish:

(a) mechanisms for ensuring the contribution of the ESI Funds to the Union strategy for smart, sustainable and inclusive growth, and the coherence and consistency of the programming of the ESI Funds in relation to the relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU, the relevant Council recommendations adopted in accordance with 148(4) TFEU, and where appropriate at national level, to the National Reform Programme;

(b) arrangements to promote an integrated use of the ESI Funds;

(c) arrangements for coordination between the ESI Funds and other relevant Union policies and instruments, including external instruments for cooperation;

(d) horizontal principles referred to in Articles 5, 7 and 8 and cross-cutting policy objectives for the implementation of the ESI Funds;

(e) arrangements to address the key territorial challenges for urban, rural, coastal and fisheries areas, the demographic challenges of regions or specific needs of geographical areas which suffer from severe and permanent natural or demographic handicaps as referred to in Article 174 TFEU, and the specific challenges of outermost regions within the meaning of Article 349 TFEU;

(f) priority areas for cooperation activities under the ESI Funds, where appropriate, taking account of macro-regional and sea basin strategies.

Article 12
Review
Where there are major changes in the social and economic situation in the Union, or changes are made to the Union strategy for smart, sustainable and inclusive growth, the Commission may submit a proposal to review the CSF, or the European Parliament or the Council, acting in accordance with Articles 225 or 241 TFEU respectively, may request the Commission to submit such a proposal.

The Commission shall be empowered to adopt delegated acts in accordance with Article 149 in order to supplement or amend Sections 4 and 7 of Annex I where it is necessary to take account of changes in the Union policies or instruments referred to in Section 4 or changes in the cooperation activities referred to in Section 7 or to take account of the introduction of new Union policies, instruments or cooperation activities.

Article 13
Guidance for beneficiaries
1. The Commission shall prepare guidance on how to effectively access and use the ESI Funds, and on how to exploit complementarities with other instruments of relevant Union policies.

2. The guidance shall be drawn up by 30 June 2014 and shall provide, for each thematic objective, an overview of the available relevant instruments at Union level with detailed sources of information, examples of good practices for combining available funding instruments within and across policy areas, a description of relevant authorities and bodies involved in the management of each instrument, a checklist for potential beneficiaries to help them to identify the most appropriate funding sources.

3. The guidance shall be made public on the websites of the relevant Directorate Generals of the Commission. The Commission and managing authorities, acting in accordance with the Fund-specific rules, and in cooperation with the Committee of the Regions, shall ensure dissemination of the guidance to potential beneficiaries.

CHAPTER II
Partnership Agreement
Article 14
Preparation of the Partnership Agreement
1. Each Member State shall prepare a Partnership Agreement for the period from 1 January 2014 to 31 December 2020.

2. The Partnership Agreement shall be drawn up by Member States in cooperation with the partners referred to in Article 5. The Partnership Agreement shall be prepared in dialogue with the Commission. The Member States shall draw up the Partnership Agreement based on procedures that are transparent for the public, and in accordance with their institutional and legal framework.

3. The Partnership Agreement shall cover all support from the ESI Funds in the Member State concerned.

4. Each Member State shall submit its Partnership Agreement to the Commission by 22 April 2014.

5. Where one or more of the Fund-specific Regulations does not enter into force or is not expected to enter into force by 22 February 2014, the Partnership Agreement submitted by a Member State as referred to in paragraph 4 shall not be required to contain the elements referred to in points (a)(ii), (iii), (iv) and (vi) of Article 15(1) for the ESI Fund affected by such a delay or expected delay in the entry into force of the Fund-specific Regulation.
Article 15

Content of the Partnership Agreement

1. The Partnership Agreement shall set out:

(a) arrangements to ensure alignment with the Union strategy for smart, sustainable and inclusive growth as well as the Fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion, including:

(i) an analysis of disparities, development needs and growth potential with reference to the thematic objectives and the territorial challenges, and taking account of the National Reform Programme, where appropriate, and relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and relevant Council recommendations adopted in accordance with Article 148(4) TFEU;

(ii) a summary of the ex ante evaluations of the programmes, or key findings of the ex ante evaluation of the Partnership Agreement, where the latter evaluation is undertaken by the Member State at its own initiative;

(iii) selected thematic objectives, and for each of the selected thematic objectives a summary of the main results expected for each of the ESI Funds;

(iv) the indicative allocation of support by the Union by thematic objective at national level for each of the ESI Funds, as well as the total indicative amount of support envisaged for climate change objectives;

(v) the application of the horizontal principles referred to in Articles 5, 7 and 8 and policy objectives for the implementation of the ESI Funds;

(vi) the list of the programmes under the ERDF, the ESF and the Cohesion Fund, except those under the European territorial cooperation goal, and of the programmes of the EAFRD and the EMFF, with the respective indicative allocations by ESI Fund and by year;

(vii) information on the allocation related to the performance reserve, broken down by ESI Fund and, where appropriate, by category of region, and on the amounts excluded for the purpose of calculating the performance reserve in accordance with Article 20;

(b) arrangements to ensure effective implementation of the ESI Funds, including:

(i) arrangements, in line with the institutional framework of the Member States, that ensure coordination between the ESI Funds and other Union and national funding instruments and with the EIB;

(ii) the information required for ex ante verification of compliance with the rules on additonality as they are defined in Part Three;

(iii) a summary of the assessment of the fulfilment of applicable ex ante conditionalities in accordance with Article 19 and Annex XI at national level and, in the event that the applicable ex ante conditionalities are not fulfilled, of the actions to be taken, the bodies responsible and the timetable for implementation of those actions;

(iv) the methodology and mechanisms to ensure consistency in the functioning of the performance framework in accordance with Article 21;

(v) an assessment of whether there is a need to reinforce the administrative capacity of the authorities involved in the management and control of the programmes and, where appropriate, of beneficiaries as well as, where necessary, a summary of actions to be taken for that purpose;

(vi) a summary of the actions planned in the programmes, including an indicative timetable for achievement of a reduction in the administrative burden on beneficiaries;

(c) arrangements for the partnership principle as referred in Article 5;

(d) an indicative list of the partners referred to in Article 5 and a summary of the actions taken to involve them in accordance with Article 5 and of their role in the preparation of the Partnership Agreement and the progress report as referred to in Article 52.

2. The Partnership Agreement shall also indicate:

(a) an integrated approach to territorial development supported by the ESI Funds or a summary of the integrated approaches to territorial development based on the content of the programmes, setting out:

(i) the arrangements to ensure an integrated approach to the use of the ESI Funds for the territorial development of specific subregional areas, in particular the implementation arrangements for Articles 32, 33 and 36 accompanied by the principles for identifying the urban areas where integrated actions for sustainable urban development are to be implemented;
(ii) the main priority areas for cooperation under the ESI Funds, taking account, where appropriate, of macro-regional strategies and sea basin strategies;

(iii) where appropriate, an integrated approach to addressing the specific needs of geographical areas most affected by poverty or of target groups at highest risk of discrimination or social exclusion, with special regard to marginalised communities, persons with disabilities, the long term unemployed and young people not in employment, education or training;

(iv) where appropriate, an integrated approach to address the demographic challenges of regions or specific needs of geographical areas which suffer from severe and permanent natural or demographic handicaps as referred to in Article 174 TFEU;

(b) arrangements to ensure efficient implementation of the ESI Funds, including an assessment of the existing systems for electronic data exchange, and a summary of the actions planned to gradually permit all exchanges of information between beneficiaries, and authorities responsible for management and control of programmes, to be carried out by electronic data exchange.

Article 16

Adoption and amendment of the Partnership Agreement

1. The Commission shall assess the consistency of the Partnership Agreement with this Regulation taking account of the National Reform Programme, where appropriate, and the relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and relevant Council recommendations adopted in accordance with Article 148(4) TFEU, as well as of the ex ante evaluations of the programmes, and shall make observations within three months of the date of submission by the Member State of its Partnership Agreement. The Member State concerned shall provide all necessary additional information and, where appropriate, shall revise the Partnership Agreement.

2. The Commission shall adopt a decision, by means of implementing acts, approving the revised Partnership Agreement falling under Article 15(1) and those falling under Article 15(2) in the event that a Member State has made use of the provisions of Article 96(8), for the elements requiring a Commission decision under Article 96(10), no later than four months after the date of submission by the Member State of its Partnership Agreement, provided that any observations made by the Commission have been adequately taken into account. The Partnership Agreement shall not enter into force before 1 January 2014.

3. The Commission shall prepare a report on the outcome of the negotiations concerning the Partnership Agreements and the programmes, including an overview of the key issues, for each Member State, by 31 December 2015. That report shall be submitted to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions simultaneously.

4. Where a Member State proposes an amendment to the elements of the Partnership Agreement covered by the Commission decision as referred to in paragraph 2, the Commission shall carry out an assessment in accordance with paragraph 1 and, where appropriate, shall adopt a decision, by means of implementing acts, approving the amendment within three months of the date of submission of the proposal for amendment by the Member State.

5. Where a Member State amends elements of the Partnership Agreement not covered by the Commission decision as referred to in paragraph 2, it shall notify the Commission thereof within one month of the date of the decision to make the amendment.

Article 17

Adoption of the revised Partnership Agreement in the event of delay in the entry into force of a Fund-specific Regulation

1. Where Article 14(5) applies, each Member State shall submit to the Commission a revised Partnership Agreement that includes the elements missing from the Partnership Agreement for the ESI Fund concerned, within two months of the date of entry into force of the Fund-specific Regulation that was subject to the delay.

2. The Commission shall assess the consistency of the revised Partnership Agreement with this Regulation in accordance with Article 16(1) and shall adopt a decision, by means of implementing acts, approving the revised Partnership Agreement in accordance with Article 16(2).

CHAPTER III

Thematic concentration, ex ante conditionalities and performance review

Article 18

Thematic concentration

Member States shall concentrate support, in accordance with the Fund-specific rules, on interventions that bring the greatest added value in relation to the Union strategy for smart, sustainable and inclusive growth taking into account the key territorial challenges of the various types of territories in line with the CSF, the challenges identified in the National Reform Programmes, where appropriate, and relevant country-specific recommendations under Article 121(2) TFEU and the relevant Council recommendations adopted under Article 148(4) TFEU. Provisions on thematic concentration under the Fund-specific rules shall not apply to technical assistance.
Article 19

Ex ante conditionalities

1. Member States shall assess in accordance with their institutional and legal framework and in the context of the preparation of the programmes and, where appropriate, the Partnership Agreement, whether the ex ante conditionalities laid down in the respective Fund-specific rules and the general ex ante conditionalities set out in Part II of Annex XI are applicable to the specific objectives pursued within the priorities of their programmes and whether the applicable ex ante conditionalities are fulfilled.

Ex ante conditionalities shall apply only to the extent and provided that they comply with the definition laid down in point (33) of Article 2, regarding the specific objectives pursued within the priorities of the programme. The assessment of applicability shall, without prejudice to the definition laid down in point (33) of Article 2, take account of the principle of proportionality in accordance with Article 4(5) having regard to the level of support allocated, where appropriate. The assessment of fulfilment shall be limited to the criteria laid down in the Fund-specific rules and in Part II of Annex XI.

2. The Partnership Agreement shall set out a summary of the assessment of the fulfilment of applicable ex ante conditionalities at national level and for those which, pursuant to the assessment referred to in paragraph 1, are not fulfilled at the date of submission of the Partnership Agreement, the actions to be taken, the bodies responsible and the timetable for the implementation of those actions. Each programme shall identify which of the ex ante conditionalities laid down in the relevant Fund-specific rules and the general ex ante conditionalities set out in Part II of Annex XI are applicable to it, and, which of them, pursuant to the assessment referred to in paragraph 1, are fulfilled at the date of submission of the Partnership Agreement and programmes. Where the applicable ex ante conditionalities are not fulfilled, the programme shall contain a description of the actions to be taken, the bodies responsible and the timetable for their implementation. Member States shall fulfil those ex ante conditionalities not later than 31 December 2016 and report on their fulfilment not later than in the annual implementation report in 2017 in accordance with Article 52(4) or the progress report in 2017 in accordance with point (c) of Article 52(2).

3. The Commission shall assess the consistency and the adequacy of the information provided by the Member State on the applicability of ex ante conditionalities and on the fulfilment of applicable ex ante conditionalities in the framework of its assessment of the programmes and, where appropriate, of the Partnership Agreement.

That assessment of applicability by the Commission shall, in accordance with Article 4(5), take account of the principle of proportionality having regard to the level of support allocated, where appropriate. The assessment of fulfillment by the Commission shall be limited to the criteria laid down in the Fund-specific rules and in Part II of Annex XI, and shall respect national and regional competences to decide on the specific and adequate policy measures including the content of strategies.

4. In the event of disagreement between the Commission and a Member State on the applicability of an ex ante conditionality to the specific objective of the priorities of a programme or its fulfilment, both the applicability in accordance with the definition in point (33) of Article 2 and the non-fulfilment shall be proven by the Commission.

5. The Commission may decide, when adopting a programme, to suspend all or part of interim payments to the relevant priority of that programme pending the completion of actions referred to in paragraph 2 where necessary to avoid significant prejudice to the effectiveness and efficiency of the achievement of the specific objectives of the priority concerned. The failure to complete actions to fulfil an applicable ex ante conditionality which has not been fulfilled at the date of submission of the Partnership Agreement and the respective programmes, by the deadline set out in paragraph 2, shall constitute a ground for suspending interim payments by the Commission to the priorities of the programme concerned that are affected. In both cases, the scope of suspension shall be proportionate, taking into account the actions to be taken and the funds at risk.

6. Paragraph 5 shall not apply in the event of agreement between the Commission and the Member State on the non-applicability of an ex ante conditionality or on the fact that an applicable ex ante conditionality has been fulfilled, as indicated by the approval of the programme and the Partnership Agreement, or in the absence of Commission observations within 60 days of the submission of the relevant report referred to in paragraph 2.

7. The Commission shall without delay lift the suspension of interim payments for a priority where a Member State has completed actions relating to the fulfilment of ex ante conditionalities applicable to the programme concerned and which had not been fulfilled at the time of the decision of the Commission on the suspension. It shall also without delay lift the suspension where, following amendment of the programme related to the priority concerned, the ex ante conditionality concerned is no longer applicable.

8. Paragraphs 1 to 7 shall not apply to programmes under the European territorial cooperation goal.

Article 20

Performance reserve

6 % of the resources allocated to the ERDF, ESF and the Cohesion Fund under the Investment for Growth and Jobs goal referred to in point (a) of Article 89(2) of this Regulation, as well as to the EAFRD and to measures financed under shared management in accordance with the EMFF Regulation shall constitute a performance reserve which shall be established in the Partnership Agreement and programmes and allocated to specific priorities in accordance with Article 22 of this Regulation.
The following resources are excluded for the purpose of calculating the performance reserve:

(a) resources allocated to the YEI as defined in the operational programme in accordance with Article 18 of the ESF Regulation;

(b) resources allocated to technical assistance at the initiative of the Commission;

(c) resources transferred from the first pillar of the CAP to the EAFRD under Articles 7(2) and 14(1) of Regulation (EU) No 1307/2013;

(d) transfers to the EAFRD in application of Articles 10b, 136 and 136b of Council Regulation (EC) No 73/2009 in respect of calendar years 2013 and 2014 respectively;

(e) resources transferred to the CEF from the Cohesion Fund in accordance with Article 92(6) of this Regulation;

(f) resources transferred to the Fund for European Aid for the Most Deprived in accordance with Article 92(7) of this Regulation;

(g) resources allocated for innovative actions for sustainable urban development in accordance with Article 92(8) of this Regulation.

Article 21

Performance review

1. The Commission, in cooperation with the Member States, shall undertake a review of the performance of the programmes in each Member State in 2019 (the 'performance review'), with reference to the performance framework set out in the respective programmes. The method for establishing the performance framework is set out in Annex II.

2. The performance review shall examine the achievement of the milestones of the programmes at the level of priorities, on the basis of the information and the assessments presented in the annual implementation report submitted by the Member States in the year 2019.

Article 22

Application of the performance framework

1. The performance reserve shall constitute between 5 and 7% of the allocation to each priority within a programme, with the exception of priorities dedicated to technical assistance and programmes dedicated to financial instruments in accordance with Article 39. The total amount of the performance reserve allocated by ESI Fund and category of region shall be 6%. The amounts corresponding to the performance reserve shall be set out in the programmes broken down by priority and, where appropriate, by ESI Fund and by category of region.

2. On the basis of the performance review, the Commission shall within two months of the receipt of the respective annual implementation reports in the year 2019 adopt a decision, by means of implementing acts, to determine for each ESI Fund and Member State, the programmes and priorities which have achieved their milestones, setting out that information by ESI Fund and by category of region, where a priority covers more than one ESI Fund or category of region.

3. The performance reserve shall be allocated only to programmes and priorities which have achieved their milestones. Where priorities have achieved their milestones the amount of the performance reserve established for the priority shall be considered to be definitively allocated on the basis of the Commission decision referred to in paragraph 2.

4. Where priorities have not achieved their milestones, the Member State shall propose the reallocation of the corresponding amount of the performance reserve to priorities set out in the Commission decision referred to in paragraph 2, and other amendments to the programme which result from the reallocation of the performance reserve, no later than three months after the adoption of the decision referred to in paragraph 2.

The Commission shall approve, in accordance with Article 30(3) and (4), the amendment of the programmes concerned. Where a Member State fails to submit the information in accordance with Article 50(5) and (6), the performance reserve for the programmes or the priorities concerned shall not be allocated to the programmes or the priorities concerned.

5. The Member State's proposal to reallocate the performance reserve shall be consistent with thematic concentration requirements and minimum allocations set out in this Regulation and the Fund-specific rules. By way of derogation, where one or more of the priorities linked to thematic concentration requirements or minimum allocations have not achieved their milestones, the Member State may propose a reallocation of the reserve, which does not comply with the aforementioned requirements and minimum allocations.

6. Where there is evidence, resulting from the performance review for a priority, that there has been a serious failure in achieving that priority’s milestones relating only to the financial and output indicators and key implementation steps set out in the performance framework and that that failure is due to clearly identified implementation weaknesses, which the Commission had previously communicated pursuant to Article 50(8) following close consultations with the Member State concerned, and that Member State has failed to take the necessary corrective action to address such weaknesses, the Commission may, not earlier than five months after such communication, suspend all or part of an interim payment of a priority of a programme in accordance with the procedure laid down in the Fund-specific rules.
The Commission shall without delay lift the suspension of interim payments when the Member State has taken the necessary corrective action. Where the corrective action concerns the transfer of financial allocations to other programmes or priorities, which have achieved their milestones, the Commission shall approve, by means of an implementing act, the necessary amendment of the programmes concerned in accordance with Article 30(2). By way of derogation from Article 30(2), in such case the Commission shall decide on the amendment no later than two months after the submission of the Member State request for amendment.

7. Where the Commission, based on the examination of the final implementation report of the programme, establishes a serious failure to achieve the targets relating only to financial indicators, output indicators and key implementation steps set out in the performance framework due to clearly identified implementation weaknesses, which the Commission had previously communicated pursuant to Article 50(8) following close consultations with the Member State concerned, and the Member State has failed to take the necessary corrective action to address such weaknesses, the Commission may notwithstanding Article 85 apply financial corrections in respect of the priorities concerned in accordance with the Fund-specific rules.

When applying financial corrections, the Commission shall take into account, with due regard to the principle of proportionality, the absorption level and external factors contributing to the failure.

Financial corrections shall not be applied where the failure to achieve targets is due to the impact of socio-economic or environmental factors, significant changes in the economic or environmental conditions in the Member State concerned or because of reasons of force majeure seriously affecting implementation of the priorities concerned.

The Commission shall be empowered to adopt delegated acts in accordance with Article 149 to establish detailed rules on criteria for determining the level of financial correction to be applied.

The Commission shall adopt implementing acts, laying down the detailed arrangements to ensure a consistent approach for determining the milestones and targets in the performance framework for each priority and for assessing the achievement of the milestones and targets. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

CHAPTER IV
Measures linked to sound economic governance

Article 23
Measures linking effectiveness of ESI Funds to sound economic governance

1. The Commission may request a Member State to review and propose amendments to its Partnership Agreement and relevant programmes, where this is necessary to support the implementation of relevant Council Recommendations or to maximise the growth and competitiveness impact of the ESI Funds in Member States receiving financial assistance.

Such a request may be made for the following purposes:

(a) to support the implementation of a relevant country-specific recommendation adopted in accordance with Article 121(2) TFEU and of a relevant Council recommendation adopted in accordance with Article 148(4) TFEU, addressed to the Member State concerned;

(b) to support the implementation of relevant Council Recommendations addressed to the Member State concerned and adopted in accordance with Articles 7(2) or 8(2) of Regulation (EU) No 1176/2011 (1) of the European Parliament and of the Council provided that these amendments are deemed necessary to help correct the macro-economic imbalances; or

(c) to maximise the growth and competitiveness impact of the available ESI Funds, if a Member State meets one of the following conditions:

(i) Union financial assistance is made available to it under Council Regulation (EU) No 407/2010 (2);

(ii) financial assistance is made available to it in accordance with Council Regulation (EC) No 332/2002 (3);

(iii) financial assistance is made available to it that triggers a macroeconomic adjustment programme in accordance with Regulation (EU) No 472/2013 of the European Parliament and of the Council (4) or that triggers a decision of the Council in accordance with Article 136(1) TFEU.

For the purposes of point (b) of the second subparagraph, each of those conditions shall be deemed to be satisfied where such assistance has been made available to the Member State before or after 21 December 2013 and remains available to it.


2. A request by the Commission to a Member State in accordance with paragraph 1 shall be justified, with reference to the need to support the implementation of the relevant recommendations or to maximise the growth and competitiveness impact of the ESI Funds as appropriate, and shall indicate the programmes or priorities which it considers are concerned and the nature of the amendments expected. Such a request shall not be made before 2013 or after 2019, nor in relation to the same programmes in two consecutive years.

3. The Member State shall submit its response to the request referred to in paragraph 1 within two months of its receipt, setting out the amendments it considers necessary in the Partnership Agreement and programmes, the reasons for such amendments, identifying the programmes concerned and outlining the nature of the amendments proposed and their expected effects on the implementation of recommendations and on the implementation of the ESI Funds. If necessary, the Commission shall make observations within one month of the receipt of that response.

4. The Member State shall submit a proposal to amend the Partnership Agreement and the relevant programmes within two months of the date of submission of the response referred to in paragraph 3.

5. Where the Commission has not submitted observations or where the Commission is satisfied that any observations submitted have been duly taken into account, the Commission shall adopt a decision approving the amendments to the Partnership Agreement and the relevant programmes without undue delay and in any event not later than three months after their submission by the Member State in accordance with paragraph 3.

6. Where the Member State fails to take effective action in response to a request made in accordance with paragraph 1, within the deadlines set out in paragraphs 3 and 4, the Commission may, within three months following its observations under paragraph 3 or following the submission of the proposal of the Member State under paragraph 4, propose to the Council that it suspend part or all of the payments for the programmes or priorities concerned. In its proposal, the Commission shall set out the grounds for concluding that the Member State has failed to take effective action. In making its proposal, the Commission shall take account of all relevant information, and shall give due consideration to any elements arising from and opinions expressed through the structured dialogue under paragraph 15.

The Council shall decide on that proposal, by means of an implementing act. That implementing act shall only apply with respect to requests for payment submitted after the date of the adoption of that implementing act.

7. The scope and level of the suspension of payments imposed in accordance with paragraph 6, shall be proportionate and effective, and respect equality of treatment between Member States, in particular with regard to the impact of the suspension on the economy of the Member State concerned. The programmes to be suspended shall be determined on the basis of the needs identified in the request referred to in paragraphs 1 and 2.

The suspension of payments shall not exceed 50 % of the payments of each of the programmes concerned. The decision may provide for an increase in the level of the suspension up to 100 % of payments if the Member State fails to take effective action in response to a request made in accordance with paragraph 1, within three months of the decision to suspend payments referred to in paragraph 6.

8. Where the Member State has proposed amendments to the Partnership Agreement and the relevant programmes as requested by the Commission, the Council acting on a proposal from the Commission shall decide on the lifting of the suspension of payments.

9. The Commission shall make a proposal to the Council to suspend part or all of the commitments or payments for the programmes of a Member State in the following cases:

(a) where the Council decides in accordance with Article 126(8) or Article 126(11) TFEU that a Member State has not taken effective action to correct its excessive deficit;

(b) where the Council adopts two successive recommendations in the same imbalance procedure, in accordance with Article 8(3) of Regulation (EU) No 1176/2011 on the grounds that a Member State has submitted an insufficient corrective action plan;

(c) where the Council adopts two successive decisions in the same imbalance procedure in accordance with Article 10(4) of Regulation (EU) No 1176/2011 establishing non-compliance by a Member State on the grounds that it has not taken the recommended corrective action;

(d) where the Commission concludes that a Member State has not taken measures to implement the adjustment programme referred to in Regulation (EU) No 407/2010 or Regulation (EC) No 332/2002 and as a consequence decides not to authorise the disbursement of the financial assistance granted to that Member State;

(e) where the Council decides that a Member State does not comply with the macro-economic adjustment programme referred to in Article 7 of Regulation (EU) No 472/2013, or with the measures requested by a Council decision adopted in accordance with Article 136(1) TFEU.

In making its proposal, the Commission shall respect the provisions of paragraph 11 and shall take account of all relevant information in that regard, and it shall give due consideration to any elements arising from and opinions expressed through the structured dialogue under paragraph 15.
Priority shall be given to the suspension of commitments: payments shall be suspended only when immediate action is sought and in the case of significant non-compliance. The suspension of payments shall apply to requests for payment submitted for the programmes concerned after the date of the decision to suspend.

10. A proposal by the Commission referred to in paragraph 9 in relation to the suspension of commitments shall be deemed adopted by the Council unless the Council decides, by means of an implementing act, to reject such a proposal by qualified majority within one month of the submission of the Commission proposal. The suspension of commitments shall apply to the commitments from the ESI Funds for the Member State concerned from 1 January of the year following the decision to suspend.

The Council shall adopt a decision, by means of an implementing act, on a proposal by the Commission referred to in paragraph 9 in relation to the suspension of payments.

11. The scope and level of the suspension of commitments or payments to be imposed on the basis of paragraph 10, shall be proportionate, respect the equality of treatment between Member States and take into account the economic and social circumstances of the Member State concerned, in particular the level of unemployment of the Member State concerned in relation to the Union average and the impact of the suspension on the economy of the Member State concerned. The impact of suspensions on programmes of critical importance to address adverse economic or social conditions shall be a specific factor to be taken into account.

Detailed provisions for determining the scope and level of suspensions are set out in Annex III.

The suspension of commitments shall be subject to the lower of the following ceilings:

(a) A maximum of 50 % of the commitments relating to the next financial year for the ESI Funds in the first case of non-compliance with an excessive deficit procedure as referred to in point (a) of the first subparagraph of paragraph 9 and a maximum of 25 % of the commitments relating to the next financial year for the ESI Funds in the first case of non-compliance relating to a corrective action plan under an excessive imbalances procedure as referred to in point (b) of the first subparagraph of paragraph 9 or non-compliance with the recommended corrective action pursuant to an excessive imbalances procedure as referred to in point (c) of the first subparagraph of paragraph 9.

The level of the suspension shall increase gradually up to a maximum of 100 % of the commitments relating to the next financial year for the ESI Funds in the case of an excessive deficit procedure, in line with the seriousness of the non-compliance;

(b) a maximum of 0,5 % of nominal GDP applying in the first case of non-compliance with an excessive deficit procedure as referred to in point (a) of the first subparagraph of paragraph 9 and a maximum of 0,25 % of nominal GDP applying in the first case of non-compliance relating to a corrective action plan under an excessive imbalances procedure as referred to in point (b) of the first subparagraph of paragraph 9 or non-compliance with recommended corrective action under an excessive imbalances procedure as referred to in point (c) of the first subparagraph of paragraph 9.

(c) a maximum of 50 % of the commitments relating to the next financial year for the ESI Funds or a maximum of 0,5 % of nominal GDP in the first case of non-compliance relating to a corrective action plan under an excessive imbalances procedure as referred to in point (a) of the first subparagraph of paragraph 9.

In determining the level of the suspension and whether to suspend commitments or payments, the stage of the programme cycle shall be taken into account having regard in particular to the period remaining for using the funds following the re-budgeting of suspended commitments.

12. Without prejudice to de-commitment rules set out in Articles 86 to 88 the Commission shall lift the suspension of commitments, without delay, in the following cases:

(a) where the excessive deficit procedure is held in abeyance in accordance with Article 9 of Council Regulation (EC) No 1467/97 (1) or the Council has decided in accordance with Article 126(12) TFEU to abrogate the decision on the existence of an excessive deficit;

(b) a maximum of 0,5 % of nominal GDP applying in the first case of non-compliance with an excessive deficit procedure as referred to in point (a) of the first subparagraph of paragraph 9 and a maximum of 0,25 % of nominal GDP applying in the first case of non-compliance relating to a corrective action plan under an excessive imbalances procedure as referred to in point (b) of the first subparagraph of paragraph 9 or non-compliance with recommended corrective action under an excessive imbalances procedure as referred to in point (c) of the first subparagraph of paragraph 9.

If non-compliance relating to corrective actions referred to in points (a), (b) and (c) of the first subparagraph of paragraph 9 persists, the percentage of that GDP cap shall be gradually increased up to:

— a maximum of 1 % of nominal GDP applying in the event of persistent non-compliance with an excessive deficit procedure in accordance with point (a) of the first subparagraph of paragraph 9; and

— a maximum of 0,5 % of nominal GDP applying in the event of persistent non-compliance with an excessive imbalances procedure in accordance with point (b) or (c) of the first subparagraph of paragraph 9, in line with the seriousness of the non-compliance;

(b) where the Council has endorsed the corrective action plan submitted by the Member State concerned in accordance with Article 8(2) of Regulation (EU) No 1176/2011 or the excessive imbalance procedure is placed in a position of abeyance in accordance with Article 10(5) of that Regulation or the Council has closed the excessive imbalance procedure in accordance with Article 11 of that Regulation;

(c) where the Commission has concluded that the Member State concerned has taken adequate measures to implement the adjustment programme referred to in Article 7 of Regulation (EU) No 472/2013 or the measures requested by a decision of the Council in accordance with Article 136(1) TFEU.

When lifting the suspension of commitments, the Commission shall re-budget the suspended commitments in accordance with Article 8 of Council Regulation (EU, Euratom) No 1311/2013.

A decision concerning the lifting of the suspension of payments shall be taken by the Council on a proposal from the Commission where the applicable conditions set out in points (a), (b) and (c) of the first subparagraph are fulfilled.

13. Paragraphs 6 to 12 shall not apply to the United Kingdom in so far as the suspension of commitments or of payments relate to matters covered by points (a), (b) and (c)(iii) of the second subparagraph of paragraph 1 or points (a), (b) or (c) of the first subparagraph of paragraph 9.

14. This Article shall not apply to programmes under the European territorial cooperation goal.

15. The Commission shall keep the European Parliament informed of the implementation of this Article. In particular the Commission shall, when one of the conditions set out in paragraph 6 or points (a) to (e) of the first subparagraph of paragraph 9 is fulfilled for a Member State, immediately inform the European Parliament and provide details of the ESI Funds and programmes which could be subject to a suspension of commitments or payments.

The European Parliament may invite the Commission for a structured dialogue on the application of this Article, having regard in particular to the transmission of the information referred to in the first sub-paragraph.

The Commission shall transmit the proposal for suspension of commitments or payments or the proposal to lift such a suspension to the European Parliament and the Council immediately after its adoption. The European Parliament may invite the Commission to explain the reasons for its proposal.

16. In 2017, the Commission shall carry out a review of the application of this Article. To this end, the Commission shall prepare a report which it shall transmit to the European Parliament and the Council, accompanied where necessary by a legislative proposal.

17. Where there are major changes in the social and economic situation in the Union, the Commission may submit a proposal to review the application of this Article, or the European Parliament or the Council, acting in accordance with Articles 225 or 241 TFEU respectively, may request the Commission to submit such a proposal.

Article 24

Increase in payments for Member State with temporary budgetary difficulties

1. On the request of a Member State, interim payments may be increased by 10 percentage points above the co-financing rate applicable to each priority for the ERDF, ESF and the Cohesion Fund or to each measure for the EAFRD and the EMFF. If a Member State meets one of the following conditions after 21 December 2013, the increased rate, which may not exceed 100 %, shall apply to its requests for payments for the period until 30 June 2016:

(a) where the Member State concerned receives a loan from the Union under Council Regulation (EU) No 407/2010;

(b) where the Member State concerned receives medium-term financial assistance in accordance with Regulation (EC) No 332/2002 conditional on the implementation of a macro-economic adjustment programme;

(c) where financial assistance is made available to the Member State concerned conditional on the implementation of a macroeconomic adjustment programme as specified in Regulation (EU) No 472/2013.

This paragraph shall not apply to programmes under the ETC Regulation.

2. Notwithstanding paragraph 1, Union support through interim payments and payments of the final balance shall not be higher than the public support or the maximum amount of support from the ESI Funds for each priority for the ERDF, ESF and the Cohesion Fund, or for each measure for the EAFRD and the EMFF, as laid down in the decision of the Commission approving the programme.

3. The Commission shall examine the application of paragraphs 1 and 2 and shall submit to the European Parliament and the Council a report with its assessment and, if necessary, a legislative proposal before 30 June 2016.
**Article 25**

Management of technical assistance for Member States with temporary budgetary difficulties

1. On the request of a Member State with temporary budgetary difficulties which meets the conditions set out in Article 24(1), a part of the resources provided for under Article 59 and programmed in accordance with Fund-specific rules may, in agreement with the Commission, be transferred to technical assistance at the initiative of the Commission for implementation of measures in relation to the Member State concerned in accordance with point (k) of the third subparagraph of Article 58(1) through direct or indirect management.

2. The resources referred to in paragraph 1 shall be additional to the amounts established in accordance with the ceilings set out in the Fund-specific rules for technical assistance at the initiative of the Commission. Where a ceiling on technical assistance at the initiative of the Member State is set out in the Fund-specific rules, the amount to be transferred shall be included for the purposes of the calculation of compliance with that ceiling.

3. A Member State shall request the transfer referred to in paragraph 2 for a calendar year in which it meets the conditions set out in Article 24(1) by 31 January of the year in which a transfer is to be made. The request shall be accompanied by a proposal to amend the programme or programmes from which the transfer will be made. Corresponding amendments shall be made to the Partnership Agreement in accordance with Article 30(2) which shall set out the total amount transferred each year to the Commission.

Where a Member State meets the conditions set out in Article 24(1) on 1 January 2014, it may transmit the request for that year at the same time as the submission of its Partnership Agreement, which shall set out the amount to be transferred to technical assistance at the initiative of the Commission.

**TITLE III**

PROGRAMMING

**CHAPTER I**

General provisions on the ESI Funds

**Article 26**

Preparation of programmes

1. The ESI Funds shall be implemented through programmes in accordance with the Partnership Agreement. Each programme shall cover the period from 1 January 2014 to 31 December 2020.

2. Programmes shall be drawn up by Member States or any authority designated by them, in cooperation with the partners referred to in Article 5. Member States shall draw up the programmes based on procedures that are transparent for the public, in accordance with their institutional and legal framework.

3. The Member States and the Commission shall cooperate to ensure effective coordination in the preparation and implementation of programmes for the ESI Funds, including, where appropriate, multi-fund programmes for the Funds, taking account of the proportionality principle.

4. Programmes shall be submitted by the Member States to the Commission within three months of the submission of the Partnership Agreement. European territorial cooperation programmes shall be submitted by 22 September 2014. All programmes shall be accompanied by the ex ante evaluation as set out in Article 55.

5. Where one or more of the Fund-specific Regulations for the ESI Funds enters into force between 22 February 2014 and 22 June 2014, the programme or programmes supported by the ESI Fund affected by the delay in the entry into force of the Fund-specific Regulation shall be submitted within three months of the submission of the revised Partnership Agreement referred to in Article 17(1).

6. Where one or more of the Fund-specific Regulations for the ESI Funds enters into force later than on 22 June 2014, the programme or programmes supported by the ESI Fund affected by the delay in the entry into force of the Fund-specific Regulation shall be submitted within three months of the date of entry into force of the Fund-specific Regulation that was subject to the delay.

**Article 27**

Content of programmes

1. Each programme shall set out a strategy for the programme’s contribution to the Union strategy for smart, sustainable and inclusive growth consistent with this Regulation, the Fund-specific rules, and with the content of the Partnership Agreement.

Each programme shall include arrangements to ensure effective, efficient and coordinated implementation of the ESI Funds and actions to achieve a reduction of the administrative burden on beneficiaries.

2. Each programme shall define priorities setting out specific objectives, financial appropriations of support from the ESI Funds and corresponding national co-financing, including amounts related to the performance reserve, which may be public or private in accordance with the Fund-specific rules.

3. Where Member States and regions participate in macro-regional strategies or sea basin strategies, the relevant programme, in accordance with the needs of the programme area as identified by the Member State, shall set out the contribution of the planned interventions to those strategies.

4. Each priority shall set out indicators and corresponding targets expressed in qualitative or quantitative terms, in accordance with the Fund-specific rules, in order to assess
progress in programme implementation aimed at achievement of objectives as the basis for monitoring, evaluation and review of performance. Those indicators shall include:

(a) financial indicators relating to expenditure allocated;

(b) output indicators relating to the operations supported;

(c) result indicators relating to the priority concerned.

For each ESI Fund, the Fund-specific rules shall set out common indicators and may set out provisions related to programme-specific indicators.

5. Each programme, except those which cover exclusively technical assistance, shall include a description, in accordance with the Fund-specific rules, of the actions to take into account the principles set out in Articles 5, 7 and 8.

6. Each programme, except those where technical assistance is undertaken under a specific programme, shall set out the indicative amount of support to be used for climate change objectives, based on the methodology referred to in Article 8.

7. Member States shall draft the programme in accordance with the Fund-specific rules.

Article 28

Specific provisions on the content of programmes dedicated to joint instruments for uncapped guarantees and securitisation providing capital relief implemented by the EIB

1. By way of derogation from Article 27, the dedicated programmes referred to in point (b) of the first subparagraph of Article 39(4) shall include:

(a) the elements set out under the first subparagraph of Article 27(1), and under paragraphs 2, 3 and 4 of that Article as regards the principles set out under Article 5;

(b) an identification of the bodies referred to under Articles 125, 126 and 127 of this Regulation and Article 65(2) of the EAFRD Regulation as relevant for the Fund concerned;

(c) for each ex ante conditionality, established in accordance with Article 19 and Annex XI, which is applicable to the programme, an assessment of whether the ex ante conditionality is fulfilled at the date of submission of the Partnership Agreement and programme, and where ex ante conditionality are not fulfilled, a description of the actions to fulfil the ex ante conditionality, the bodies responsible and a timetable for such actions in accordance with the summary submitted in the Partnership Agreement.

2. By way of derogation from Article 55, the ex ante assessment referred to in point (a) of the first subparagraph of Article 39(4) shall be considered as the ex ante evaluation of such programmes.

3. For the purposes of programmes referred to in point (b) of the first subparagraph of Article 39(4) of this Regulation, Article 6(2) and Article 59(5) and (6) of the EAFRD Regulation shall not apply. In addition to the elements referred to in paragraph 1 of this Article, only the provisions set out in points (c)(i), (f), (h), (i) and (m)(i) to (iiii) of Article 8(1) of the EAFRD Regulation shall apply for programmes under the EAFRD.

Article 29

Procedure for the adoption of programmes

1. The Commission shall assess the consistency of programmes with this Regulation and with the Fund-specific rules, their effective contribution to the selected thematic objectives and to the Union priorities specific to each ESI Fund, and also the consistency with the Partnership Agreement, taking account of the relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and relevant Council recommendations adopted in accordance with Article 148(4) TFEU as well as of the ex ante evaluation. The assessment shall address, in particular, the adequacy of the programme strategy, the corresponding objectives, indicators, targets and the allocation of budgetary resources.

2. By way of derogation from paragraph 1, the Commission shall not need to assess the consistency of the dedicated operational programmes for the YEI referred to in point (a) of the second paragraph of Article 18 of the ESF Regulation and dedicated programmes referred to in point (b) of the first subparagraph of Article 39(4) of this Regulation with the Partnership Agreement in the absence of the submission by the Member State of its Partnership Agreement at the date of submission of such dedicated programmes.

3. The Commission shall make observations within three months of the date of submission of the programme. The Member State shall provide to the Commission all necessary additional information and, where appropriate, revise the proposed programme.

4. In accordance with the Fund-specific rules, the Commission shall approve each programme no later than six months following its submission by the Member State concerned, provided that any observations made by the Commission have been adequately taken into account, but not before 1 January 2014 or before adoption by the Commission of a decision approving the Partnership Agreement.
By way of derogation from the requirement referred to in the first subparagraph, programmes under the European territorial cooperation goal may be approved by the Commission before the adoption of the decision approving the Partnership Agreement and dedicated operational programmes for the YEI referred to in point (a) of the second paragraph of Article 18 of the ESF Regulation and dedicated programmes referred to in point (b) of the first subparagraph of Article 39(4) of this Regulation may be approved by the Commission before the submission of the Partnership Agreement.

Article 30
Amendment of programmes

1. Requests for amendment of programmes submitted by a Member State shall be duly justified and shall in particular set out the expected impact of the changes to the programme on achieving the Union strategy for smart, sustainable and inclusive growth and the specific objectives defined in the programme, taking account of this Regulation and the Fund-specific rules, the horizontal principles referred to in Articles 5, 7 and 8, as well as of the Partnership Agreement. They shall be accompanied by the revised programme.

2. The Commission shall assess the information provided in accordance with paragraph 1, taking account of the justification provided by the Member State. The Commission may make observations within one month of the submission of the revised programme and the Member State shall provide to the Commission all necessary additional information. In accordance with the Fund-specific rules, the Commission shall approve requests for amendment of a programme as soon as possible but no later than three months after their submission by the Member State provided that any observations made by the Commission have been adequately taken into account.

Where the amendment of a programme affects the information provided in the Partnership Agreement in accordance with points (a)(iii), (iv) and (vi) of Article 15(1)), the approval of the amendment of the programme by the Commission shall at the same time constitute an approval for the consequential revision of the information in the Partnership Agreement.

3. By way of derogation from paragraph 2, where the request for amendment is submitted to the Commission in order to reallocate the performance reserve following the performance review, the Commission shall make observations only where it considers that the allocation proposed is not in compliance with applicable rules, is not consistent with the development needs of the Member State or the region, or entails a significant risk that the objectives and targets included in the proposal cannot be achieved. The Commission shall approve the request for amendment of a programme as soon as possible and no later than two months after the submission of the request by the Member State provided that any observations made by the Commission have been adequately taken into account. The approval of the amendment of the programme by the Commission shall at the same time constitute an approval for the consequential revision of the information in the Partnership Agreement.

4. By way of derogation from paragraph 2, specific procedures for the amendment of operational programmes may be established in the EMFF Regulation.

Article 31
Participation of the EIB

1. The EIB may, at the request of Member States, participate in the preparation of the Partnership Agreement, as well as in activities relating to the preparation of operations, in particular major projects, financial instruments and PPPs.

2. The Commission may consult the EIB before the adoption of the Partnership Agreement or the programmes.

3. The Commission may request the EIB to examine the technical quality, economic and financial sustainability, and the viability of major projects and to assist it as regards the financial instruments to be implemented or developed.

4. The Commission, in implementing the provisions of this Regulation, may award grants or service contracts to the EIB covering initiatives implemented on a multi-annual basis. The commitment of the contributions of the budget of the Union in respect of such grants or service contracts shall be effected annually.

CHAPTER II
Community-led local development

Article 32
Community-led local development

1. Community-led local development shall be supported by the EAFRD, which shall be designated as LEADER local development and may be supported by the ERDF, ESF or EMFF. For the purposes of this Chapter, those Funds are hereinafter referred to as the "ESI Funds concerned".

2. Community-led local development shall be:

(a) focused on specific subregional areas;

(b) led by local action groups composed of representatives of public and private local socio-economic interests, in which, at the decision-making level neither public authorities, as defined in accordance with national rules, nor any single interest group represents more than 49% of the voting rights;

(c) carried out through integrated and multi-sectoral area-based local development strategies;

(d) designed taking into consideration local needs and potential, and shall include innovative features in the local context, networking and, where appropriate, cooperation.

3. Support from the ESI Funds concerned to community-led local development shall be consistent and coordinated between the ESI Funds concerned. This shall be ensured inter alia through coordinated capacity-building, selection, approval and funding of community-led local development strategies and local action groups.
4. Where the selection committee for the community-led local development strategies set up under Article 33(3) 
determines that the implementation of the community-led local development strategy selected requires support from 
more than one Fund, it may designate in accordance with national rules and procedures, a lead Fund to support all 
running and animation costs under points (d) and (e) of Article 33(1) for the community-led local development strategy.

5. Community-led local development supported by the ESI Funds concerned shall be carried out under one or more 
priorities of the relevant programme or programmes in accordance with Fund-specific rules of the ESI Funds concerned.

Article 33

Community-led local development strategies

1. A community-led local development strategy shall contain at least the following elements:

(a) the definition of the area and population covered by the strategy;

(b) an analysis of the development needs and potential of the area, including an analysis of strengths, weaknesses, opportunities and threats;

(c) a description of the strategy and its objectives, a description of the integrated and innovative features of the strategy and a hierarchy of objectives, including measurable targets for outputs or results. In relation to results, targets may be expressed in quantitative or qualitative terms. The strategy shall be consistent with the relevant programmes of all the ESI Funds concerned that are involved;

(d) a description of the community involvement process in the development of the strategy;

(e) an action plan demonstrating how objectives are translated into actions;

(f) a description of the management and monitoring arrangements of the strategy, demonstrating the capacity of the local action group to implement the strategy and a description of specific arrangements for evaluation;

(g) the financial plan for the strategy, including the planned allocation from each of the ESI Funds concerned.

2. Member States shall define criteria for the selection of community-led local development strategies.

3. Community-led local development strategies shall be selected by a committee set up for that purpose by the 
managing authority or authorities responsible and approved by the managing authority or authorities responsible.

4. The first round of selection of community-led local development strategies shall be completed within two years of the date of the approval of the Partnership Agreement. Member States may select additional community-led local development strategies after that date but no later than 31 December 2017.

5. The decision approving a community-led local development strategy shall set out the allocations of each of the ESI Funds concerned. The decision shall also set out the responsibilities for the management and control tasks under the programme or programmes in relation to the community-led local development strategy.

6. The population of the area referred to in point (a) of paragraph 1 shall be not less than 10 000 and not more 
than 150 000 inhabitants. However, in duly justified cases and on the basis of a proposal by a Member State the 
Commission may adopt or amend those population limits in its decision under Article 15(2) or (3) to approve or amend respectively the Partnership Agreement in the case of that Member State, in order to take account of sparsely or densely populated areas or in order to ensure the territorial coherence of areas covered by the community-led local development strategies.

Article 34

Local action groups

1. Local action groups shall design and implement the community-led local development strategies.

Member States shall define the respective roles of the local action group and the authorities responsible for the implementation of the relevant programmes, concerning all implementation tasks relating to the community-led local development strategy.

2. The managing authority or authorities responsible shall ensure that the local action groups either select one partner within the group as a lead partner in administrative and financial matters, or come together in a legally constituted common structure.

3. The tasks of local action groups shall include the following:

(a) building the capacity of local actors to develop and implement operations including fostering their project management capabilities;

(b) drawing up a non-discriminatory and transparent selection procedure and objective criteria for the selection of operations, which avoid conflicts of interest, ensure that at least 50 % of the votes in selection decisions are cast by partners which are not public authorities, and allow selection by written procedure;
(c) ensuring coherence with the community-led local development strategy when selecting operations, by prioritising those operations according to their contribution to meeting that strategy’s objectives and targets;

(d) preparing and publishing calls for proposals or an ongoing project submission procedure, including defining selection criteria;

(e) receiving and assessing applications for support;

(f) selecting operations and fixing the amount of support and, where relevant, presenting the proposals to the body responsible for final verification of eligibility before approval;

(g) monitoring the implementation of the community-led local development strategy and the operations supported and carrying out specific evaluation activities linked to that strategy.

4. Without prejudice to point (b) of paragraph 3, the local action group may be a beneficiary and implement operations in accordance with the community-led local development strategy.

5. In the case of cooperation activities of local action groups as referred to in point (c) of Article 35(1), the tasks set out in point (f) of paragraph 3 of this Article may be carried out by the managing authority responsible.

Article 35
Support from the ESI Funds for community-led local development

1. Support from the ESI Funds concerned for community-led local development shall cover:

(a) the costs of preparatory support consisting of capacity-building, training and networking with a view to preparing and implementing a community-led local development strategy.

Such costs may include one or more of the following elements:

(i) training actions for local stakeholders;

(ii) studies of the area concerned;

(iii) costs related to the design of the community-led local development strategy, including consultancy costs and costs for actions related to consultations of stakeholders for the purposes of preparing the strategy;

(iv) administrative costs (operating and personnel costs) of an organisation that applies for preparatory support during the preparation phase;

(v) support for small pilot projects.

Such preparatory support shall be eligible regardless of whether the community-led local development strategy designed by the local action group benefitting from the support is selected for funding by the selection committee set up under Article 33(3).

(b) implementation of operations under the community-led local development strategy;

(c) preparation and implementation of the local action group’s cooperation activities;

(d) running costs linked to the management of the implementation of the community-led local development strategy consisting of operating costs, personnel costs, training cost, costs linked to public relations, financial costs as well as the costs linked to monitoring and evaluation of that strategy as referred to in point (g) of Article 34(3);

(e) animation of the community-led local development strategy in order to facilitate exchange between stakeholders to provide information and to promote the strategy and to support potential beneficiaries with a view to developing operations and preparing applications.

2. Support for running costs and animation as referred to in points (d) and (e) of paragraph 1 shall not exceed 25 % of the total public expenditure incurred within the community-led local development strategy.

CHAPTER III
Territorial development

Article 36
Integrated territorial investment

1. Where an urban development strategy or other territorial strategy, or a territorial pact referred to in Article 12(1) of the ESF Regulation, requires an integrated approach involving investments from the ESF, ERDF or Cohesion Fund under more than one priority axis of one or more operational programmes, actions may be carried out as an integrated territorial investment (an ‘ITI’).

Actions carried out as an ITI may be complemented with financial support from the EAFRD or the EMFF.

2. Where an ITI is supported by ESF, ERDF or Cohesion Fund, the relevant operational programme or programmes shall describe the approach to the use of the ITI instrument and the indicative financial allocation from each priority axis in accordance with the Fund-specific rules.
Where an ITI is complemented with financial support from the EAFRD or the EMFF, the indicative financial allocation and the measures covered shall be set out in the relevant programme or programmes in accordance with the Fund-specific rules.

3. The Member State or the managing authority may designate one or more intermediate bodies, including local authorities, regional development bodies or non-governmental organisations, to carry out the management and implementation of an ITI in accordance with the Fund-specific rules.

4. The Member State or the relevant managing authorities shall ensure that the monitoring system for the programme or programmes provides for the identification of operations and outputs of a priority contributing to an ITI.

**TITLE IV**

**FINANCIAL INSTRUMENTS**

**Article 37**

**Financial instruments**

1. The ESI Funds may be used to support financial instruments under one or more programmes, including when organised through funds of funds, in order to contribute to the achievement of specific objectives set out under a priority.

Financial instruments shall be implemented to support investments which are expected to be financially viable and do not give rise to sufficient funding from market sources. When applying this Title, the managing authorities, the bodies implementing funds of funds, and the bodies implementing financial instruments shall comply with applicable law, in particular on State aid and public procurement.

2. Support of financial instruments shall be based on an ex ante assessment which has established evidence of market failures or suboptimal investment situations, and the estimated level and scope of public investment needs, including types of financial instruments to be supported. Such ex ante assessment shall include:

   (a) an analysis of market failures, suboptimal investment situations, and investment needs for policy areas and thematic objectives or investment priorities to be addressed with a view to contributing to the achievement of specific objectives set out under a priority and to be supported through financial instruments. That analysis shall be based on available good practices methodology;

   (b) an assessment of the added value of the financial instruments that are being considered for support from the ESI Funds, consistency with other forms of public intervention addressing the same market, possible State aid implications, the proportionality of the envisaged intervention and measures to minimise market distortion;

   (c) an estimate of additional public and private resources to be potentially raised by the financial instrument down to the level of the final recipient (expected leverage effect), including as appropriate an assessment of the need for, and level of, preferential remuneration to attract counterpart resources from private investors and/or a description of the mechanisms which will be used to establish the need for, and extent of, such preferential remuneration, such as a competitive or appropriately independent assessment process;

   (d) an assessment of lessons learnt from similar instruments and ex ante assessments carried out by the Member State in the past, and how such lessons will be applied in the future;

   (e) the proposed investment strategy, including an examination of options for implementation arrangements within the meaning of Article 38, financial products to be offered, final recipients targeted and envisaged combination with grant support as appropriate;

   (f) a specification of the expected results and how the financial instrument concerned is expected to contribute to the achievement of the specific objectives set out under the relevant priority including indicators for that contribution;

   (g) provisions allowing for the ex ante assessment to be reviewed and updated as required during the implementation of any financial instrument which has been implemented based upon such assessment, where during the implementation phase, the managing authority considers that the ex ante assessment may no longer accurately represent the market conditions existing at the time of implementation.

3. The ex ante assessment referred to in paragraph 2 may be performed in stages. It shall, in any event, be completed before the managing authority decides to make programme contributions to a financial instrument.

The summary findings and conclusions of ex ante assessments in relation to financial instruments shall be published within three months of their date of finalisation.

The ex ante assessment shall be submitted to the monitoring committee for information purposes in accordance with the Fund-specific rules.

4. Where financial instruments support financing to enterprises, including SMEs, such support shall target the establishment of new enterprises, early stage-capital, i.e. seed capital and start-up capital, expansion capital, capital for the strengthening of the general activities of an enterprise, or the
realisation of new projects, penetration of new markets or new developments by existing enterprises, without prejudice to applicable Union State aid rules, and in accordance with the Fund-specific rules. Such support may include investment in both tangible and intangible assets as well as working capital within the limits of applicable Union State aid rules and with a view to stimulating the private sector as a supplier of funding to enterprises. It may also include the costs of transfer of proprietary rights in enterprises provided that such transfers take place between independent investors.

5. Investments that are to be supported through financial instruments shall not be physically completed or fully implemented at the date of the investment decision.

6. Where financial instruments provide support to final recipients in respect of infrastructure investments with the objective of supporting urban development or urban regeneration or similar infrastructure investments with the objectives of diversifying non-agricultural activities in rural areas, such support may include the amount necessary for the reorganisation of a debt portfolio regarding infrastructure forming part of the new investment, up to a maximum of 20% of the total amount of programme support from the financial instrument to the investment.

7. Financial instruments may be combined with grants, interest rate subsidies and guarantee fee subsidies. Where support from ESI Funds is provided by means of financial instruments and combined in a single operation, with other forms of support directly related to financial instruments targeting the same final recipients, including technical support, interest rate subsidies and guarantee fee subsidies, the provisions applicable to financial instruments shall apply to all forms of support within that operation. In such cases, applicable Union State aid rules shall be respected and separate records shall be maintained for each form of support.

8. Final recipients supported by an ESI Fund financial instrument may also receive assistance from another ESI Funds priority or programme or from another instrument supported by the budget of the Union in accordance with applicable Union State aid rules. In that case, separate records shall be maintained for each source of assistance and the ESI Funds financial instrument support shall be part of an operation with eligible expenditure distinct from the other sources of assistance.

9. The combination of support provided through grants and financial instruments as referred to in paragraphs 7 and 8 may, subject to applicable Union State aid rules, cover the same expenditure item provided that the sum of all forms of support combined does not exceed the total amount of the expenditure item concerned. Grants shall not be used to reimburse support received from financial instruments. Financial instruments shall not be used to pre-finance grants.

10. Contributions in kind shall not constitute eligible expenditure in respect of financial instruments, except for contributions of land or real estate in respect of investments with the objective of supporting rural development, urban development or urban regeneration, where the land or real estate forms part of the investment. Such contributions of land or real estate shall be eligible provided that the conditions laid down in Article 69(1) are met.

11. VAT shall not constitute eligible expenditure of an operation, except in the case of VAT which is non-recoverable under national VAT legislation. The treatment of VAT at the level of investments made by final recipients shall not be taken into account for the purposes of determining the eligibility of expenditure under the financial instrument. However, where financial instruments are combined with grants under paragraphs 7 and 8 of this Article, the provisions of Article 69(3) shall apply to the grant.

12. For the purposes of the application of this Article, the applicable Union State aid rules shall be those in force at the time when the managing authority or the body that implements the fund of funds contractually commits programme contributions to a financial instrument, or when the financial instrument contractually commits programme contributions to final recipients, as applicable.

13. The Commission shall be empowered to adopt delegated acts in accordance with Article 149 laying down additional specific rules on the purchase of land and on combining technical support with financial instruments.

Article 38

Implementation of financial instruments

1. In implementing Article 37, managing authorities may provide a financial contribution to the following financial instruments:

(a) financial instruments set up at Union level, managed directly or indirectly by the Commission;

(b) financial instruments set up at national, regional, transnational or cross-border level, managed by or under the responsibility of the managing authority.

2. Contributions from the ESI Funds to financial instruments under point (a) of paragraph 1 shall be placed in separate accounts and used, in accordance with the objectives of the respective ESI Funds, to support actions and final recipients consistent with the programme or programmes from which such contributions are made.
Contributions to the financial instruments referred to in the first subparagraph shall be subject to this Regulation unless exceptions are expressly provided for.

The second subparagraph is without prejudice to the rules governing the set up and functioning of the financial instruments under the Financial Regulation, unless those rules conflict with the rules of this Regulation, in which case this Regulation prevails.

3. For financial instruments under point (b) of paragraph 1, the managing authority may provide a financial contribution to the following financial instruments:

(a) financial instruments complying with the standard terms and conditions laid down by the Commission, in accordance with the second subparagraph of this paragraph;

(b) already existing or newly created financial instruments which are specifically designed to achieve the specific objectives set out under the relevant priority.

The Commission shall adopt implementing acts concerning the standard terms and conditions with which the financial instruments under point (a) of the first subparagraph shall comply. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

4. When supporting financial instruments referred to in point (b) of paragraph 1 the managing authority may:

(a) invest in the capital of existing or newly created legal entities, including those financed from other ESI Funds, dedicated to implementing financial instruments consistent with the objectives of the respective ESI Funds, which will undertake implementation tasks; the support to such entities shall be limited to the amounts necessary to implement new investments in accordance with Article 37 and in a manner that is consistent with the objectives of this Regulation;

(b) entrust implementation tasks to:

(i) the EIB;

(ii) international financial institutions in which a Member State is a shareholder, or financial institutions established in a Member State aiming at the achievement of public interest under the control of a public authority;

(iii) a body governed by public or private law; or

(c) undertake implementation tasks directly, in the case of financial instruments consisting solely of loans or guarantees. In that case the managing authority shall be considered to be the beneficiary as defined in point (10) of Article 2.

When implementing the financial instrument, the bodies referred to in points (a),(b) and (c) of the first subparagraph shall ensure compliance with applicable law, including rules covering the ESI Funds, State aid, public procurement and relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud. Those bodies shall not be established and shall not maintain business relations with entities incorporated in territories, whose jurisdictions do not cooperate with the Union in relation to the application of the internationally agreed tax standards and shall transpose such requirements in their contracts with the selected financial intermediaries.

The Commission shall be empowered to adopt delegated acts in accordance with Article 149 laying down additional specific rules on the role, liabilities and responsibility of bodies implementing financial instruments, related selection criteria and products that may be delivered through financial instruments in accordance with Article 37. The Commission shall notify those delegated acts simultaneously to the European Parliament and the Council by 22 april 2014.

5. The bodies referred to in points (a) and (b) of the first subparagraph of paragraph 4, when implementing funds of funds may further entrust part of the implementation to financial intermediaries provided that such entities ensure under their responsibility that the financial intermediaries satisfy the criteria laid down in Article 140(1),(2) and (4) of the Financial Regulation. Financial intermediaries shall be selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interest.

6. The bodies referred to in point (b) of the first subparagraph of paragraph 4 to which implementation tasks have been entrusted shall open fiduciary accounts in their name and on behalf of the managing authority, or set up the financial instrument as a separate block of finance within the financial institution. In the case of a separate block of finance, an accounting distinction shall be made between programme resources invested in the financial instrument and the other resources available in the financial institution. The assets held on fiduciary accounts and such separate blocks of finance shall be managed in accordance with the principle of sound financial management following appropriate prudential rules and shall have appropriate liquidity.

7. Where a financial instrument is implemented under points (a) and (b) of the first subparagraph of paragraph 4, subject to the implementation structure of the financial instrument, the terms and conditions for contributions from programmes to financial instruments shall be set out in funding agreements in accordance with Annex III at the following levels:

(a) where applicable, between the duly mandated representatives of the managing authority and the body that implements the fund of funds; and
(b) between the duly mandated representatives of the managing authority, or where applicable, the body that implements the fund of funds, and the body that implements the financial instrument.

8. For financial instruments implemented under point (c) of the first subparagraph of paragraph 4, the terms and conditions for contributions from programmes to financial instruments shall be set out in a strategy document in accordance with Annex IV to be examined by the monitoring committee.

9. National public and private contributions, including where relevant contributions in kind as referred to in Article 37(10), may be provided at the level of the fund of funds, at the level of the financial instrument or at the level of final recipients, in accordance with the Fund-specific rules.

10. The Commission shall adopt implementing acts laying down uniform conditions regarding the detailed arrangements for the transfer and management of programme contributions managed by the bodies referred to in the first subparagraph of paragraph 4. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

Article 39

Contribution of ERDF and EAFRD to joint uncapped guarantee and securitisation financial instruments in favour of SMEs, implemented by the EIB

1. For the purposes of this Article, 'debt finance' means loans, leasing or guarantees.

2. Member States may use the ERDF and EAFRD to provide a financial contribution to financial instruments referred to in point (a) of Article 38(1) of this Regulation, managed indirectly by the Commission with implementation tasks entrusted to the EIB pursuant to point (c)(iii) of Article 58(1) and Article 139(4) of the Financial Regulation, in respect of the following activities:

(a) uncapped guarantees providing capital relief to financial intermediaries for new portfolios of debt finance to eligible SMEs in accordance with Article 37(4) of this Regulation;

(b) securitisation, as defined in point (61) of Article 4 (1) of Regulation (EU) 575/2013 of the European Parliament and of the Council (7), of any of the following:

(i) existing portfolios of debt finance to SMEs and other enterprises with less than 500 employees;

(ii) new portfolios of debt finance to SMEs.

The financial contribution referred to in points (a) and (b) of the first subparagraph of this paragraph shall contribute to junior and/or mezzanine tranches of portfolios mentioned therein provided that the relevant financial intermediary retains a sufficient part of the risk of the portfolios at least equal to the risk retention requirement set out in Directive 2013/36/EU of the European Parliament and of the Council (7) and in Regulation (EU) No 575/2013 to ensure adequate alignment of interest. In the case of securitisation under point (b) of the first subparagraph of this paragraph, the financial intermediary is obliged to originate new debt finance to eligible SMEs in accordance with Article 37(4) of this Regulation.

Each Member State intending to participate in such financial instruments shall contribute an amount which is in line with SMEs' debt financing needs in that Member State and the estimated demand for such SME debt finance, taking into account the ex ante assessment referred to in point (a) of the first subparagraph of paragraph 4 and in any case which is not higher than 7 % of the allocation from the ERDF and EAFRD to the Member State. The aggregate ERDF and EAFRD contribution by all participating Member States shall be subject to a global ceiling of EUR 8 500 000 000 (in 2011 prices).

Where it is considered by the Commission in consultation with the EIB that the aggregate minimum contribution to the instrument representing the sum of the contributions of all participating Member States is insufficient taking due account of the minimum critical mass defined in the ex ante assessment referred to in point (a) of the first subparagraph of paragraph 4, implementation of the financial instrument shall be discontinued and the contributions returned to the Member States.

Where the Member State and the EIB are not able to agree the conditions of the funding agreement referred to in point (c) of the first subparagraph of paragraph 4 the Member State shall submit a request for amendment of the programme referred to in point (b) of the first subparagraph of paragraph 4 and reallocate the contribution to other programmes and priorities in accordance with requirements for thematic concentration.

Where the conditions for the termination of the Member State's contribution to the instrument established in the funding agreement between the Member State concerned and the EIB referred to in point (c) of the first subparagraph of paragraph 4 have been satisfied, the Member State shall submit a request for amendment of the programme referred to in point (b) of the

first subparagraph of paragraph 4 and reallocate the remaining contribution to other programmes and priorities in accordance with requirements for thematic concentration.

Where the participation of a Member State is discontinued, that Member State shall submit a request for amendment of the programme. Where unused appropriations are decommitted, the decommitted appropriations shall be made available again to the Member State concerned, in order to be re-programmed for other programmes and priorities in accordance with the requirements for thematic concentration.

3. The SMEs which receive new debt finance, as a result of the new portfolio built up by the financial intermediary in the context of the financial instrument referred to in paragraph 2 shall be considered the final recipients of the contribution of the ERDF and EAFRD to the financial instrument concerned.

4. The financial contribution referred to in paragraph 2 shall comply with the following conditions:

(a) by way of derogation from Article 37(2), it shall be based on one ex ante assessment at Union level carried out by the EIB and the Commission.

On the basis of available data sources on bank debt finance and SMEs, the ex ante assessment shall cover, inter alia, an analysis of the SME financing needs at Union level, SME financing conditions and needs as well as an indication of the SME financing gap in each Member State, a profile of the economic and financial situation of the SME sector at Member State level, minimum critical mass of aggregate contributions, a range of estimated total loan volume generated by such contributions, and the added value;

(b) it shall be provided by each participating Member State as part of a single dedicated national programme per financial contribution by ERDF and EAFRD supporting the thematic objective set out in point (3) of the first paragraph of Article 9;

(c) it shall be subject to the conditions set out in a funding agreement concluded between each participating Member State and the EIB including, inter alia:

(i) tasks and obligations of the EIB including remuneration;

(ii) minimum leverage to be achieved at clearly defined milestones within the eligibility period indicated in Article 65(2);

(iii) conditions for the new debt finance;

(iv) provisions relating to non-eligible activities and exclusion criteria;

(v) schedule of payments;

(vi) penalties in the event of non-performance by financial intermediaries;

(vii) selection of financial intermediaries;

(viii) monitoring, reporting and auditing;

(ix) visibility;

(x) the conditions for termination of the agreement.

For the purposes of implementation of the instrument, the EIB will enter into contractual arrangements with selected financial intermediaries;

(d) in the event that the funding agreement referred to in point (c) is not concluded within six months of the adoption of the programme referred to in point (b), the Member State shall have the right to reallocate such contribution to other programmes and priorities in accordance with requirements for thematic concentration.

The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt an implementing act laying down the model of the funding agreement referred to in point (c) of the first subparagraph. That implementing act shall be adopted in accordance with the examination procedure referred to in Article 150(3).

5. A minimum leverage shall be achieved in each participating Member State at the milestones set out in the funding agreement referred to in point (c) of the first subparagraph of paragraph 4, calculated as the ratio between the new debt finance to eligible SMEs to be originated by the financial intermediary and the corresponding contribution of the ERDF and EAFRD from the relevant Member State to the financial instrument. Such minimum leverage may vary between participating Member States.

In the event that the financial intermediary does not achieve the minimum leverage set out in the funding agreement referred to in point (c) of the first subparagraph of paragraph 4 it shall be contractually bound to pay penalties for the benefit of the participating Member State, in accordance with the terms and conditions set out in the funding agreement.

Neither the guarantees issued nor the relevant securitisation transactions shall be affected by a failure by the financial intermediary to reach the minimum leverage set out in the funding agreement.

6. By way of derogation from the first subparagraph of Article 38(2), financial contributions referred to in paragraph 2 of this Article may be placed in separate accounts per Member State or, if two or more participating Member States give their consent, in a single account covering all such Member States and used in accordance with the specific objectives of the programmes from which the contributions are made.
7. By way of derogation from Article 41(1) and (2) as regards the financial contributions referred to in paragraph 2 of this Article, the Member State's request for payment to the Commission shall be made on the basis of 100% of the amounts to be paid by the Member State to the EIB in accordance with the schedule defined in the funding agreement referred to in point (c) of the first subparagraph of paragraph 4 of this Article. Such requests for payment shall be based on the amounts requested by the EIB deemed necessary to cover commitments for guarantee contracts or securitisation transactions to be finalised within the three following months. Payments from Member States to the EIB shall be made without delay and in any case before commitments are entered into by the EIB.

8. At closure of the programme, the eligible expenditure shall be the total amount of programme contributions paid to the financial instrument, corresponding:

(a) for the activities referred to in point (a) of the first subparagraph of paragraph 2 of this Article, to the resources referred to in point (b) of the first subparagraph of Article 42(3);

(b) for the activities referred to in point (b) of the first subparagraph of paragraph 2 of this Article, to the aggregate amount of new debt finance resulting from the securitisation transactions, paid to or to the benefit of eligible SMEs within the eligibility period indicated in Article 65(2).

9. For the purpose of Articles 44 and 45, the uncalled guarantees and the amounts recovered in relation to, respectively, the uncapped guarantees and the securitisation transactions, shall be deemed to be resources paid back to the financial instruments. At the winding up of the financial instruments, the net liquidation proceeds, after deduction of costs, fees and payment of amounts due to creditors ranking senior to those contributed by the ERDF and EAFRD, shall be returned to the relevant Member States pro rata to their contributions to the financial instrument.

10. The report referred to in Article 46(1) shall include the following additional elements:

(a) the total amount of ERDF and EAFRD support paid to the financial instrument in relation to uncapped guarantees or securitisation transactions, by programme and priority or measure;

(b) progress in creating the new debt finance in accordance with Article 37(4), for eligible SMEs.

11. Notwithstanding Article 93(1), the resources allocated to instruments under paragraph 2 of this Article may be used for the purpose of giving rise to new SME debt finance in the entire territory of the Member State without regard to the categories of region, unless otherwise provided for in the funding agreement referred to in point (c) of the first subparagraph of paragraph 4.

12. Article 70 shall not apply to programmes set up to implement financial instruments under this Article.

**Article 40**

Management and control of financial instruments

1. Bodies designated in accordance with Article 124 of this Regulation for ERDF, Cohesion Fund, ESF, EMFF and with Article 65 of the EAFRD Regulation for the EAFRD shall not carry out on-the-spot verifications of operations comprising financial instruments implemented under point (a) of Article 38(1). Those designated bodies shall receive regular control reports from the bodies entrusted with the implementation of those financial instruments.

2. The bodies responsible for the audit of programmes shall not carry out audits of operations comprising financial instruments implemented under point (a) of Article 38(1) and of management and control systems relating to those financial instruments. They shall receive regular control reports from the auditors designated in the agreements setting up those financial instruments.

3. The bodies responsible for the audit of programmes may conduct audits at the level of final recipients only when one or more of the following situations occur:

(a) supporting documents, providing evidence of the support from the financial instrument to final recipients and of its use for the intended purposes in line with applicable law, are not available at the level of the managing authority or at the level of the bodies that implement financial instruments;

(b) there is evidence that the documents available at the level of the managing authority or at the level of the bodies that implement financial instruments do not represent a true and accurate record of the support provided.

4. The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, concerning the management and control of financial instruments referred to in point (b) of Article 38(1), including controls to be performed by managing and audit authorities, arrangements for keeping supporting documents, elements to be evidenced by supporting documents, and management and control and audit arrangements. The Commission shall notify those delegated acts simultaneously to the European Parliament and the Council by 22 April 2014.

5. The bodies implementing financial instruments shall be responsible for ensuring that supporting documents are available and shall not impose on final recipients record-keeping requirements that go beyond what is necessary to enable them to fulfil that responsibility.
Requests for payment including expenditure for financial instruments

1. As regards financial instruments referred to in point (a) of Article 38(1) and financial instruments referred to in point (b) of Article 38(1) implemented in accordance with points (a) and (b) of Article 38(4), phased applications for interim payments shall be made for programme contributions paid to the financial instrument during the eligibility period laid down in Article 65(2) (the 'eligibility period') in accordance with the following conditions:

(a) the amount of the programme contribution paid to the financial instrument included in each application for interim payment submitted during the eligibility period shall not exceed 25% of the total amount of programme contributions committed to the financial instrument under the relevant funding agreement, corresponding to expenditure within the meaning of points (a), (b) and (d) of Article 42(1) expected to be paid during the eligibility period. Applications for interim payment submitted after the eligibility period shall include the total amount of eligible expenditure within the meaning of Article 42;

(b) each application for interim payment referred to in point (a) of this paragraph may include up to 25% of the total amount of the national co-financing as referred to in Article 38(9) expected to be paid to the financial instrument, or at the level of final recipients for expenditure in the meaning of points (a), (b) and (d) of Article 42(1), within the eligibility period;

(c) subsequent applications for interim payment submitted during the eligibility period shall only be made:

(i) for the second application for interim payment, when at least 60% of the amount included in the first application for interim payments has been spent as eligible expenditure within the meaning of points (a), (b) and (d) of Article 42(1);

(ii) for the third and subsequent applications for interim payment, when at least 85% of the amounts included in the previous applications for interim payments have been spent as eligible expenditure within the meaning of points (a), (b) and (d) of Article 42(1);

(d) each application for interim payment, which includes expenditure related to financial instruments, shall separately disclose the total amount of programme contributions paid to the financial instrument and the amounts paid as eligible expenditure within the meaning of points (a), (b) and (d) of Article 42(1).

At closure of a programme, the application for payment of the final balance shall include the total amount of eligible expenditure as referred to in Article 42.

2. As regards financial instruments referred to in point (b) of Article 38(1) implemented in accordance with point (c) of Article 38(4), the applications for interim payments and for payment of the final balance shall include the total amount of the payments effected by the managing authority for investments in final recipients as referred to in points (a) and (b) of Article 42(1).

3. The Commission shall be empowered to adopt delegated acts in accordance with Article 149, laying down the rules for withdrawal of payments to financial instruments and consequent adjustments in respect of applications for payments.

4. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts laying down the models to be used when submitting additional information concerning financial instruments with the applications for payments to the Commission. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

Eligible expenditure at closure

1. At closure of a programme, the eligible expenditure of the financial instrument shall be the total amount of programme contributions effectively paid or, in the case of guarantees, committed by the financial instrument within the eligibility period, corresponding to:

(a) payments to final recipients, and in the cases referred to in Article 37(7) payments to the benefit of final recipients;

(b) resources committed for guarantee contracts, whether outstanding or already come to maturity, in order to honour possible guarantee calls for losses, calculated on the basis of a prudent ex ante risk assessment, covering a multiple amount of underlying new loans or other risk-bearing instruments for new investments in final recipients;

(c) capitalised interest rate subsidies or guarantee fee subsidies, due to be paid for a period not exceeding 10 years after the eligibility period, used in combination with financial instruments, paid into an escrow account specifically set up for that purpose, for effective disbursement after the eligibility period, but in respect of loans or other risk-bearing instruments disbursed for investments in final recipients within the eligibility period;

(d) reimbursement of management costs incurred or payment of management fees of the financial instrument.
The Commission shall be empowered to adopt delegated acts in accordance with Article 149 laying down the specific rules concerning the establishment of a system of capitalisation of annual instalments for interest rate subsidies and guarantee fee subsidies referred to in point (c) of the first subparagraph.

2. In the case of equity-based instruments and micro-credit, capitalised management costs or fees due to be paid for a period not exceeding six years after the eligibility period, in respect of investments in final recipients which occurred within the eligibility period, which cannot be covered by Articles 44 or 45, may be considered as eligible expenditure when paid into an escrow account specifically set up for that purpose.

3. In the case of equity-based instruments targeting enterprises referred to in Article 37(4) for which the funding agreement referred to in point (b) of Article 38(7) was signed before 31 December 2017, which by the end of the eligibility period invested at least 55 % of the programme resources committed in the relevant funding agreement, a limited amount of payments for investments in final recipients to be made for a period not exceeding four years after the end of eligibility period may be considered as eligible expenditure, when paid into an escrow account specifically set up for that purpose, provided that State aid rules are complied with and that all of the conditions set out below are fulfilled.

The amount paid into the escrow account:

(a) shall be used solely for follow-on investments in final recipients having received initial equity investments from the financial instrument within the eligibility period, which are still wholly or partially outstanding;

(b) shall be used solely for follow-on investments to be made in accordance with market standards and market standard contractual arrangements and limited to the minimum necessary to stimulate private sector co-investment, while ensuring continuity of financing for the target enterprises so that both public and private investors can benefit from investments;

(c) shall not exceed 20 % of the eligible expenditure of the equity-based instrument referred to in point (a) of the first subparagraph of paragraph 1 from which ceiling capital resources and gains returned to that equity-based instrument during the eligibility period shall be deducted.

Any amounts paid into the escrow account which are not used for investments in final recipients paid in the period referred to in the first subparagraph shall be used in accordance with Article 45.

4. The eligible expenditure disclosed in accordance with paragraphs 1 and 2 shall not exceed the sum of the:

(a) total amount of the support from the ESI Funds paid for the purposes of paragraphs 1 and 2; and

(b) corresponding national co-financing.

5. Management cost and fees as referred to in point (d) of the first subparagraph of paragraph 1 and in paragraph 2 of this Article may be charged by the body implementing the fund of funds or bodies implementing financial instruments pursuant to points (a) and (b) of Article 38(4) and shall not exceed the thresholds defined in the delegated act referred to in paragraph 6 of this Article. Whereas management costs shall comprise direct or indirect cost items reimbursed against evidence of expenditure, management fees shall refer to an agreed price for services rendered established via a competitive market process, where applicable. Management costs and fees shall be based on a performance based calculation methodology. Management costs and fees may comprise arrangement fees. Where arrangement fees, or any part thereof, are charged to final recipients, they shall not be declared as eligible expenditure.

6. The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down the specific rules setting out the criteria for determining management costs and fees on the basis of performance and the applicable thresholds as well as rules for the reimbursement of capitalised management costs and fees for equity-based instruments and micro-credit.

Article 43

Interest and other gains generated by support from the ESI Funds to financial instruments

1. Support from the ESI Funds paid to financial instruments shall be placed in accounts domiciled within financial institutions in Member States and shall be invested on a temporary basis in accordance with the principles of sound financial management.

2. Interest and other gains attributable to support from the ESI Funds paid to financial instruments shall be used for the same purposes, including the reimbursement of management costs incurred or payment of management fees of the financial instrument in accordance with point (d) of the first subparagraph of Article 42(1), and expenditure paid in accordance with Article 42(2), as the initial support from the ESI Funds either within the same financial instrument, or following the winding up of the financial instrument, in other financial instruments or forms of support in accordance with the specific objectives set out under a priority, until the end of the eligibility period.
Article 44

Re-use of resources attributable to the support from the ESI Funds until the end of the eligibility period

1. Resources paid back to financial instruments from investments or from the release of resources committed for guarantee contracts, including capital repayments and gains and other earnings or yields, such as interest, guarantee fees, dividends, capital gains or any other income generated by investments, which are attributable to the support from the ESI Funds, shall be re-used for the following purposes, up to the amounts necessary and in the order agreed in the relevant funding agreements:

(a) further investments through the same or other financial instruments, in accordance with the specific objectives set out under a priority;

(b) where applicable, preferential remuneration of private investors, or public investors operating under the market economy principle, who provide counterpart resources to the support from the ESI Funds to the financial instrument or who co-invest at the level of final recipients;

(c) where applicable, reimbursement of management costs incurred and payment of management fees of the financial instrument.

The need and the level for preferential remuneration pursuant to point (b) of the first subparagraph shall be established in the ex-ante assessment. The preferential remuneration shall not exceed what is necessary to create the incentives for attracting private counterpart resources and shall not over-compensate private investors, or public investors operating under the market economy principle. The alignment of interest shall be ensured through an appropriate sharing of risk and profit and shall be carried out on a normal commercial basis and be compatible with Union State aid rules.

2. The managing authority shall ensure that adequate records of the use of the resources referred to in paragraph 1 are maintained.

Article 45

Use of resources after the end of the eligibility period

Member States shall adopt the necessary measures to ensure that resources paid back to financial instruments, including capital repayments and gains and other earnings or yields generated during a period of at least eight years after the end of the eligibility period, which are attributable to the support from the ESI Funds to financial instruments pursuant to Article 37, are used in accordance with the aims of the programme or programmes, either within the same financial instrument or, following the exit of those resources from the financial instrument, in other financial instruments provided that, in both cases, an assessment of market conditions demonstrates a continuing need for such investment, or in other forms of support.

Article 46

Report on implementation of financial instruments

1. The managing authority shall send to the Commission a specific report covering the operations comprising financial instruments as an annex to the annual implementation report.

2. The specific report referred to in paragraph 1 shall include, for each financial instrument, the following information:

(a) identification of the programme and of the priority or measure from which support from the ESI Funds is provided;

(b) description of the financial instrument and implementation arrangements;

(c) identification of the bodies implementing financial instruments, and the bodies implementing funds of funds where applicable, as referred to under point (a) of Article 38(1), points (a), (b) and (c) of Article 38(4), and the financial intermediaries referred to under Article 38(6);

(d) total amount of programme contributions by priority or measure paid to the financial instrument;

(e) total amount of support paid to the final recipients or to the benefit of final recipients, or committed in guarantee contracts by the financial instrument for investments in final recipients, as well as management costs incurred or management fees paid, by programme and priority or measure;

(f) the performance of the financial instrument including progress in its set-up and in selection of bodies implementing the financial instrument, including the body implementing a fund of funds;

(g) interest and other gains generated by support from the ESI Funds to the financial instrument and programme resources paid back to financial instruments from investments as referred to in Articles 43 and 44;

(h) progress in achieving the expected leverage effect of investments made by the financial instrument and value of investments and participations;
1. Within three months of the date of notification to the Member State of the Commission decision adopting a programme, the Member State shall set up a committee, in accordance with its institutional, legal and financial framework, to monitor implementation of the programme, in agreement with the managing authority within three months of the date of notification of the decision adopting the cooperation programme to the Member States. That monitoring committee shall draw up and adopt its rules of procedure.

### Article 48

**Composition of the monitoring committee**

1. The composition of the monitoring committee shall be decided by the Member State, provided that the monitoring committee is composed of representatives of the relevant Member State authorities and intermediate bodies and of representatives of the partners referred to in Article 5. Representatives of the partners shall be delegated to be part of the monitoring committee by the respective partners through transparent processes. Each member of the monitoring committee may have a voting right.

The composition of the monitoring committee of a programme under the European territorial goal shall be agreed by the Member States participating in the programme and by third countries in the event that they have accepted the invitation to participate in the cooperation programme. The monitoring committee shall include relevant representatives of those Member States and third countries. The monitoring committee may include representatives of the EGTC carrying out activities related to the programme within the programme area.

2. The list of the members of the monitoring committee shall be published.

3. The Commission shall participate in the work of the monitoring committee in an advisory capacity.

4. If the EIB contributes to a programme, it may participate in the work of the monitoring committee in an advisory capacity.

5. The monitoring committee shall be chaired by a representative of the Member State or of the managing authority.

### Article 49

**Functions of the monitoring committee**

1. The monitoring committee shall meet at least once a year and shall review implementation of the programme and progress made towards achieving its objectives. In doing so, it shall have regard to the financial data, common and programme-specific indicators, including changes in the value of result indicators and progress towards quantified target values, and the milestones defined in the performance framework referred to in Article 21(1), and, where relevant, the results of qualitative analyses.

2. The monitoring committee shall examine all issues that affect the performance of the programme, including the conclusions of the performance reviews.
3. The monitoring committee shall be consulted and shall, if it considers it to be appropriate, give an opinion on any amendment of the programme proposed by the managing authority.

4. The monitoring committee may make observations to the managing authority regarding implementation and evaluation of the programme including actions related to the reduction of the administrative burden on beneficiaries. The monitoring committee shall monitor actions taken as a result of its observations.

Article 50
Implementation reports

1. From 2016 until and including 2023, each Member State shall submit to the Commission an annual report on implementation of the programme in the previous financial year. Each Member State shall submit to the Commission a final report on implementation of the programme for the ERDF, the ESF and the Cohesion Fund and an annual implementation report for the EAFRD and the EMFF by the deadline established in the Fund-specific rules.

2. Annual implementation reports shall set out key information on implementation of the programme and its priorities by reference to the financial data, common and programme-specific indicators and quantified target values, including changes in the value of result indicators where appropriate, and, beginning from the annual implementation report to be submitted in 2017, the milestones defined in the performance framework. The data transmitted shall relate to values for indicators for fully implemented operations and also, where possible, having regard to the stage of implementation, for selected operations. They shall also set out a synthesis of the findings of all evaluations of the programme that have become available during the previous financial year, any issues which affect the performance of the programme, and the measures taken. The annual implementation report to be submitted in 2016 may also set out, where relevant, actions taken to fulfil ex ante conditionalities.

3. By way of derogation from paragraph 2, specific rules on the data to be transmitted for the ESF may be established in the ESF Regulation.

4. The annual implementation report to be submitted in 2017 shall set out and assess the information referred to in paragraph 2 and progress made towards achieving the objectives of the programme, including the contribution of the ESI Funds to changes in the value of result indicators, when evidence is available from relevant evaluations. That annual implementation report shall set out the actions taken to fulfil the ex-ante conditionalities not fulfilled at the time of adoption of the programmes. It shall also assess the implementation of actions to take into account the principles set out in Articles 7 and 8, the role of the partners referred to in Article 5 in the implementation of the programme and report on support used for climate change objectives.

5. The annual implementation report to be submitted in 2019 and the final implementation report for the ESI Funds shall, in addition to the information and assessment referred to in paragraphs 2 and 3, include information on, and assess progress towards, achieving the objectives of the programme and its contribution to achieving the Union strategy for smart, sustainable and inclusive growth.

6. In order to be deemed admissible, the annual implementation reports referred to in paragraphs 1 to 5 shall contain all the information required in those paragraphs and in the Fund-specific rules.

The Commission shall inform the Member State within 15 working days of the date of receipt of the annual implementation report if it is not admissible, failing which it shall be deemed admissible.

7. The Commission shall examine the annual and final implementation report and inform the Member State of its observations within two months of the date of receipt of the annual implementation report and within five months of the date of receipt of the final implementation report. Where the Commission does not provide observations within those deadlines, the reports shall be deemed to be accepted.

8. The Commission may make observations to the managing authority concerning issues which significantly affect the implementation of the programme. Where such observations are made, the managing authority shall provide all necessary information with regard to those observations and, where appropriate, inform the Commission, within three months, of measures taken.

9. The annual and final implementation reports, as well as a summary for citizens of their content, shall be made available to the public.

Article 51
Annual review meeting

1. An annual review meeting shall be organised every year from 2016 until and including 2023 between the Commission and each Member State to examine the performance of each programme, taking account of the annual implementation report and the Commission's observations where applicable.

2. The annual review meeting may cover more than one programme. In 2017 and 2019, the annual review meeting shall cover all programmes in the Member State and shall also take account of the progress reports submitted by the Member State, in accordance with Article 52, in those years.

3. By way of derogation from paragraph 1, the Member State and the Commission may agree not to organise an annual review meeting for a programme in years other than 2017 and 2019.

4. The annual review meeting shall be chaired by the Commission or, if the Member State so requests, co-chaired by the Member State and the Commission.
5. The Member State shall ensure that appropriate follow-up is given to comments of the Commission following the annual review meeting concerning issues which significantly affect the implementation of the programme and, where appropriate, inform the Commission, within three months, of the measures taken.

Section II

Strategic progress

Article 52

Progress report

1. By 31 August 2017 and by 31 August 2019, the Member State shall submit to the Commission a progress report on implementation of the Partnership Agreement as at 31 December 2016 and 31 December 2018 respectively.

2. The progress report shall set out information on and assess:

(a) changes in the development needs in the Member State since the adoption of the Partnership Agreement;

(b) progress made towards achievement of the Union strategy for smart, sustainable and inclusive growth, as well as of the Fund-specific missions referred to in Article 4(1), through the contribution of the ESI Funds to the thematic objectives selected, and in particular with regard to the milestones set out in the performance framework for each programme, and to the support used for climate change objectives;

(c) whether the actions taken to fulfil the applicable ex ante conditionality set out in the Partnership Agreement not fulfilled at the date of adoption of the Partnership Agreement have been implemented in accordance with the timetable established. This point shall only apply to the progress report to be submitted in 2017;

(d) implementation of mechanisms to ensure coordination between the ESI Funds and other Union and national funding instruments and with the EIB;

(e) implementation of the integrated approach to territorial development, or a summary of the implementation of the integrated approaches that are based on the programmes, including progress towards achievement of priority areas established for cooperation;

(f) where appropriate, actions taken to reinforce the capacity of the Member State authorities and beneficiaries to administer and use the ESI Funds;

(g) actions taken, and progress made, with regard to reducing the administrative burden on beneficiaries;

(h) the role of the partners referred to in Article 5 in the implementation of the Partnership Agreement;

(i) a summary of the actions taken in relation to the application of the horizontal principles referred to in Articles 5, 7 and 8 and policy objectives for the implementation of the ESI Funds.

3. Where the Commission determines, within two months of the date of submission of the progress report, that the information submitted is incomplete or unclear in a manner which significantly affects the quality and reliability of the assessment concerned, it may request additional information from the Member State, on condition that that request does not cause unjustified delays and that the Commission provides reasons to substantiate the alleged lack of quality and reliability. The Member State shall provide to the Commission the information requested within three months and, where appropriate, shall revise the progress report accordingly.

4. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts establishing the model to be used when submitting the progress report. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

Article 53

Reporting by the Commission and debate on the ESI Funds

1. The Commission shall transmit each year from 2016 to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, a summary report in relation to ESI Fund programmes based on the annual implementation reports of the Member States submitted under Article 50 as well as a synthesis of the findings of the available evaluations of programmes. In 2017 and 2019 the summary report shall form a part of the strategic report referred to in paragraph 2.

2. In 2017 and 2019, the Commission shall prepare a strategic report summarising the progress reports of the Member States, which by 31 December 2017 and 31 December 2019, respectively, it shall submit to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions and those institutions shall be invited to hold a debate on it.

3. The Council shall debate the strategic report in particular with regard to the contribution of the ESI Funds to the achievement of the Union strategy for smart, sustainable and inclusive growth and shall be invited to provide input to the spring meeting of the European Council.

4. Every two years from 2018, the Commission shall include in its Annual Progress Report to the spring meeting of the European Council a section summarising the most recent of the reports referred to in paragraphs 1 and 2, in particular with regard to the contribution of the ESI Funds to progress made towards the Union strategy for smart, sustainable and inclusive growth.
CHAPTER II

Evaluation

Article 54

General Provisions

1. Evaluations shall be carried out to improve the quality of the design and implementation of programmes, as well as to assess their effectiveness, efficiency and impact. The impact of programmes shall be evaluated, in the light of the mission of each ESI Fund, in relation to the targets under the Union strategy for smart, sustainable and inclusive growth and, having regard to the size of the programme, in relation to GDP and unemployment in the programme area concerned, where appropriate.

2. Member States shall provide the resources necessary for carrying out evaluations, and shall ensure that procedures are in place to produce and collect the data necessary for evaluations, including data related to common and where appropriate programme-specific indicators.

3. Evaluations shall be carried out by internal or external experts that are functionally independent of the authorities responsible for programme implementation. The Commission shall provide guidance on how to carry out evaluations, immediately following the entry into force of this Regulation.

4. All evaluations shall be made available to the public.

Article 55

Ex ante evaluation

1. Member States shall carry out ex ante evaluations to improve the quality of the design of each programme.

2. Ex ante evaluations shall be carried out under the responsibility of the authority responsible for the preparation of the programmes. They shall be submitted to the Commission at the same time as the programme, together with an executive summary. The Fund-specific rules may establish thresholds below which the ex ante evaluation may be combined with the evaluation for another programme.

3. Ex ante evaluations shall appraise:

   (a) the contribution to the Union strategy for smart, sustainable and inclusive growth, having regard to the selected thematic objectives and priorities, taking into account national and regional needs and potential for development as well as lessons drawn from previous programming periods;

   (b) the internal coherence of the proposed programme or activity and its relationship with other relevant instruments;

   (c) the consistency of the allocation of budgetary resources with the objectives of the programme;

   (d) the consistency of the selected thematic objectives, the priorities and corresponding objectives of the programmes

   with the CSF, the Partnership Agreement and the relevant country specific recommendations adopted in accordance with Article 121(2) TFEU and where appropriate at national level, the National Reform Programme;

   (e) the relevance and clarity of the proposed programme indicators;

   (f) how the expected outputs will contribute to results;

   (g) whether the quantified target values for indicators are realistic, having regard to the support envisaged from the ESI Funds;

   (h) the rationale for the form of support proposed;

   (i) the adequacy of human resources and administrative capacity for management of the programme;

   (j) the suitability of the procedures for monitoring the programme and for collecting the data necessary to carry out evaluations;

   (k) the suitability of the milestones selected for the performance framework;

   (l) the adequacy of planned measures to promote equal opportunities between men and women and to prevent any discrimination, in particular as regards accessibility for persons with disabilities;

   (m) the adequacy of planned measures to promote sustainable development;

   (n) measures planned to reduce the administrative burden on beneficiaries.

4. Ex ante evaluations shall incorporate, where appropriate, the requirements for strategic environmental assessment set out in Directive 2001/42/EC of the European Parliament and of the Council (1) taking into account climate change mitigation needs.

Article 56

Evaluation during the programming period

1. An evaluation plan shall be drawn up by the managing authority or Member State and may cover more than one programme. It shall be submitted in accordance with the Fund-specific rules.

2. Member States shall ensure that appropriate evaluation capacity is available.

3. During the programming period, the managing authority shall ensure that evaluations, including evaluations to assess effectiveness, efficiency and impact, are carried out for each programme on the basis of the evaluation plan and that each evaluation is subject to appropriate follow-up in accordance with the Fund-specific rules. At least once during the programming period, an evaluation shall assess how support from the ESI Funds has contributed to the objectives for each priority. All evaluations shall be examined by the monitoring committee and sent to the Commission.

4. The Commission may carry out, at its own initiative, evaluations of programmes. It shall inform the managing authority and the results shall be sent to the managing authority and provided to the monitoring committee concerned.

5. Paragraphs 1, 2 and 3 of this Article shall not apply to the dedicated programmes referred to in point (b) of the first subparagraph of Article 39(4).

Article 57
Ex post evaluation

1. The ex post evaluations shall be carried out by the Commission, or by the Member States in close cooperation with the Commission. Ex post evaluations shall examine the effectiveness and efficiency of the ESI Funds and their contribution to the Union strategy for smart, sustainable and inclusive growth taking account of the targets established in that Union strategy and in accordance with specific requirements established in the Fund-specific rules.

2. Ex post evaluations shall be completed by 31 December 2024.

3. The ex-post evaluation of the dedicated programmes referred to in point (b) of the first subparagraph of Article 39(4) shall be carried out by the Commission and completed by 31 December 2019.

4. For each of the ESI Funds, the Commission shall prepare, by 31 December 2025, a synthesis report outlining the main conclusions of ex-post evaluations.

TITLE VI
TECHNICAL ASSISTANCE

Article 58
Technical assistance at the initiative of the Commission

1. At the initiative of the Commission, the ESI Funds may support the preparatory, monitoring, administrative and technical assistance, evaluation, audit and control measures necessary for implementing this Regulation.

The measures referred to in the first subparagraph may include in particular:

(a) assistance for project preparation and appraisal, including with the EIB;

(b) support for institutional strengthening and administrative capacity-building for the effective management of the ESI Funds;

(c) studies linked to the Commission's reporting on the ESI Funds and the cohesion report;

(d) measures related to the analysis, management, monitoring, information exchange and implementation of the ESI Funds, as well as measures related to the implementation of control systems and technical and administrative assistance;

(e) evaluations, expert reports, statistics and studies, including those of a general nature, concerning the current and future operation of the ESI Funds, which may be carried out where appropriate by the EIB;

(f) actions to disseminate information, support networking, carry out communication activities, raise awareness and promote cooperation and exchange of experience, including with third countries;

(g) the installation, operation and interconnection of computerised systems for management, monitoring, audit, control and evaluation;

(h) actions to improve evaluation methods and the exchange of information on evaluation practices;

(i) actions related to auditing;

(j) the strengthening of national and regional capacity regarding investment planning, needs assessment, preparation, design and implementation of financial instruments, joint action plans and major projects, including joint initiatives with the EIB;

(k) the dissemination of good practices in order to assist Member States to strengthen the capacity of the relevant partners referred to in Article 5 and their umbrella organisations;

(l) measures to identify, prioritize and implement structural and administrative reforms in response to economic and social challenges in Member States which meet the conditions set out in Article 24(1).

To bring about greater efficiency in communication to the public at large and stronger synergies between the communication activities undertaken at the initiative of the Commission, the resources allocated to communication actions under this Regulation shall also contribute to the corporate communication of the political priorities of the Union as far as they are related to the general objectives of this Regulation.
2. The Commission shall set out each year its plans on the type of actions related to the measures listed in paragraph 1, when a contribution from the ESI Funds is envisaged, by means of implementing acts.

Article 59
Technical assistance at the initiative of the Member States

1. At the initiative of a Member State, the ESI Funds may support actions for preparation, management, monitoring, evaluation, information and communication, networking, complaint resolution, and control and audit. The ESI Funds may be used by the Member State to support actions for the reduction of the administrative burden on beneficiaries, including electronic data exchange systems, and actions to reinforce the capacity of Member State authorities and beneficiaries to administer and use those Funds. The ESI Funds may also be used to support actions to reinforce the capacity of relevant partners in line with point (e) of Article 5(3) and to support exchange of good practices between such partners. The actions referred to in this paragraph may concern previous and subsequent programming periods.

2. The Fund-specific rules may add or exclude actions which may be financed by the technical assistance of each ESI Fund.

TITeL VII
FINANCIAL SUPPORT FROM THE ESI FUNDS

CHAPTER I
Support from the ESI Funds

Article 60
Determination of co-financing rates

1. The Commission decision adopting a programme shall fix the co-financing rate or rates and the maximum amount of support from the ESI Funds in accordance with the Fund-specific rules.

2. Technical assistance measures implemented at the initiative of, or on behalf of, the Commission may be financed at the rate of 100 %.

Article 61
Operations generating net revenue after completion

1. This Article shall apply to operations which generate net revenue after their completion. For the purposes of this Article ‘net revenue’ means cash in-flows directly paid by users for the goods or services provided by the operation, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short-life equipment incurred during the corresponding period. Operating cost-savings generated by the operation shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

Where not all the investment cost is eligible for co-financing, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the investment cost.

2. The eligible expenditure of the operation to be co-financed from the ESI Funds shall be reduced in advance taking into account the potential of the operation to generate net revenue over a specific reference period that covers both implementation of the operation and the period after its completion.

3. The potential net revenue of the operation shall be determined in advance by one of the following methods chosen by the managing authority for a sector, subsector or type of operation:

(a) application of a flat rate net revenue percentage for the sector or subsector applicable to the operation as defined in Annex V or in any of the delegated acts referred to in the second, third and fourth subparagraphs;

(b) calculation of the discounted net revenue of the operation, taking into account the reference period appropriate to the sector or subsector applicable to the operation, the profitability normally expected of the category of investment concerned, the application of the polluter-pays principle and, if appropriate, considerations of equity linked to the relative prosperity of the Member State or region concerned.

The Commission shall be empowered to adopt delegated acts in accordance with Article 149 in duly justified cases to amend Annex V by adjusting the flat rates established therein taking into account historical data, the potential for cost recovery and the polluter-pays principle where applicable.

The Commission shall be empowered to adopt delegated acts in accordance with Article 149 establishing flat rates for sectors or subsectors within the fields of ICT, RDI and energy efficiency. The Commission shall notify the delegated acts to the European Parliament and the Council not later than 30 June 2015.

In addition, the Commission shall be empowered to adopt delegated acts in accordance with Article 149 in duly justified cases with regard to adding sectors or subsectors, including subsectors for sectors in Annex V, falling under the thematic objectives defined in the first paragraph of Article 9 and supported by the ESI Funds.

Where the method referred to in point (a) of the first subparagraph is applied, all the net revenue generated during implementation and after completion of the operation shall be considered to be taken into account by the application of the flat rate and shall therefore not be deducted subsequently from the eligible expenditure of the operation.
When a flat rate for a new sector or subsector has been established by the adoption of a delegated act in accordance with the third and fourth subparagraphs, a managing authority may choose to apply the method set out in point (a) of the first subparagraph for new operations in relation to the sector or subsector concerned.

The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down the method referred to in point (b) of the first subparagraph. Where that method is applied, the net revenue generated during implementation of the operation, resulting from sources of revenue not taken into account in determining the potential net revenue of the operation, shall be deducted from the eligible expenditure of the operation, no later than in the final payment claim submitted by the beneficiary.

4. The method by which the net revenue is deducted from the expenditure of the operation included in the request for payment submitted to the Commission shall be determined in accordance with national rules.

5. As an alternative to the application of the methods laid down in paragraph 3, the maximum co-financing rate referred to in Article 60(1) may, at the request of a Member State, be decreased at the moment of adoption of a programme for a priority or measure under which all operations supported under that priority or measure could apply a uniform flat rate in accordance with point (a) of the first subparagraph of paragraph 3. The decrease shall be not less than the amount calculated by multiplying the maximum Union co-financing rate applicable under the Fund-specific rules by the relevant flat rate referred to in point (a) of the first subparagraph of paragraph 3.

Where the method referred to in the first subparagraph is applied, all net revenue generated during implementation, and after completion, of the operation shall be considered to be taken into account by application of the decreased co-financing rate and shall therefore not be deducted subsequently from the eligible expenditure of the operations.

6. Where it is objectively not possible to determine the revenue in advance based on any of the methods set out in paragraphs 3 or 5, the net revenue generated within three years of the completion of an operation, or by the deadline for the submission of documents for programme closure fixed in the Fund-specific rules, whichever is the earlier, shall be deducted from the expenditure declared to the Commission.

7. Paragraphs 1 to 6 shall not apply to:

(a) operations or parts of operations supported solely by the ESF;

(b) operations whose total eligible cost before application of paragraphs 1 to 6 does not exceed EUR 1 000 000;

(c) repayable assistance subject to an obligation for full repayment and prizes;

(d) technical assistance;

(e) support to or from financial instruments;

(f) operations for which public support takes the form of lump sums or standard scale unit costs;

(g) operations implemented under a joint action plan;

(h) operations for which amounts or rates of support are defined in Annex II to the EAFRD Regulation.

Notwithstanding point (b) of the first subparagraph of this paragraph, where a Member State applies paragraph 5, it may include in the relevant priority or measure operations whose total eligible cost before application of paragraphs 1 to 6 does not exceed EUR 1 000 000.

8. In addition, paragraphs 1 to 6 shall not apply to operations for which support under the programme constitutes:

(a) de minimis aid;

(b) compatible State aid to SMEs, where an aid intensity or an aid amount limit is applied in relation to State aid;

(c) compatible State aid, where an individual verification of financing needs in accordance with the applicable State aid rules has been carried out.

Notwithstanding the first subparagraph, a managing authority may apply the paragraphs 1 to 6 to operations which fall under points (a) to (c) of the first subparagraph of this paragraph where this is provided for in national rules.

CHAPTER II

Special rules on support from the ESI Funds to PPPs

Article 62

PPPs

The ESI Funds may be used to support PPP operations. Such PPP operations shall comply with applicable law, in particular concerning State aid and public procurement.

Article 63

Beneficiary under PPP operations

1. In relation to a PPP operation, and by way of derogation from point (10) of Article 2, a beneficiary may be either:

(a) the public law body initiating the operation; or
(b) a body governed by private law of a Member State (the "private partner") selected or to be selected for the implementation of the operation.

2. The public law body initiating the PPP operation may propose that the private partner, to be selected after approval of the operation, be the beneficiary for the purposes of support from the ESI Funds. In that event, the approval decision shall be conditional on the managing authority satisfying itself that the selected private partner fulfils and assumes all the corresponding obligations of a beneficiary under this Regulation.

3. The private partner selected to implement the operation may be replaced as beneficiary during implementation where this is required under the terms and conditions of the PPP or the financing agreement between the private partner and the financial institution co-financing the operation. In that event the replacement private partner or public law body shall become the beneficiary provided that the managing authority satisfies itself that the replacement partner fulfils and assumes all the corresponding obligations of a beneficiary under this Regulation.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 149 laying down additional rules on the replacement of a beneficiary and on the related responsibilities.

5. The replacement of a beneficiary shall not be considered a change in ownership within the meaning of point (b) of Article 71(1) if that replacement satisfies the applicable conditions set out in paragraph 3 of this Article and in a delegated act adopted pursuant to paragraph 4 of this Article.

**Article 64**

**Support for PPP operations**

1. In the case of a PPP operation where the beneficiary is a public law body, expenditure under a PPP operation which has been incurred and paid by the private partner may, by way of derogation from Article 65(2), be considered as incurred and paid by a beneficiary and included in a request for payment to the Commission provided that the following conditions are met:

   (a) the beneficiary has entered into a PPP agreement with a private partner;

   (b) the managing authority has verified that the expenditure declared by the beneficiary has been paid by the private partner and that the operation complies with applicable Union and national law, the programme and the conditions for support of the operation.

2. Payments to beneficiaries made in respect of expenditure included in a request for payment in accordance with paragraph 1 shall be paid into an escrow account set up for that purpose in the name of the beneficiary.

3. The funds paid into the escrow account referred to in paragraph 2 shall be used for payments in accordance with the PPP agreement, including any payments to be made in the event of termination of the PPP agreement.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 149 laying down the minimum requirements to be included in PPP agreements which are necessary for the application of the derogation laid down in paragraph 1 of this Article, including provisions related to termination of the PPP agreement and for the purpose of ensuring an adequate audit trail.

**CHAPTER III**

**Eligibility of expenditure and durability**

**Article 65**

**Eligibility**

1. The eligibility of expenditure shall be determined on the basis of national rules, except where specific rules are laid down in, or on the basis of, this Regulation or the Fund-specific rules.

2. Expenditure shall be eligible for a contribution from the ESI Funds if it has been incurred by a beneficiary and paid between the date of submission of the programme to the Commission or from 1 January 2014, whichever is earlier, and 31 December 2023. In addition, expenditure shall only be eligible for a contribution from the EAFRD if the relevant aid is actually paid by the paying agency between 1 January 2014 and 31 December 2023.

3. By way of derogation from paragraph 2, expenditure under the YEI shall be eligible as of 1 September 2013.

4. In the case of costs reimbursed pursuant to points (b) and (c) of the first subparagraph of Article 67(1), the actions constituting the basis for reimbursement shall be carried out between 1 January 2014 and 31 December 2023.

5. By way of derogation from paragraph 4, the starting date in relation to costs reimbursed on the basis of (b) and (c) of the first subparagraph of Article 67(1) for actions under the YEI shall be 1 September 2013.

6. Operations shall not be selected for support by the ESI Funds where they have been physically completed or fully implemented before the application for funding under the programme is submitted by the beneficiary to the managing authority, irrespective of whether all related payments have been made by the beneficiary.

7. This Article shall be without prejudice to the rules on eligibility of technical assistance at the initiative of the Commission set out in Article 58.

8. This paragraph shall apply to operations which generate net revenue during their implementation and to which paragraphs 1 to 6 of Article 61 do not apply.
The eligible expenditure of the operation to be co-financed from the ESI Funds shall be reduced by the net revenue not taken into account at the time of approval of the operation directly generated only during its implementation, not later than at the final payment claim submitted by the beneficiary. Where not all the costs are eligible for co-financing, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the cost.

This paragraph shall not apply to:

(a) technical assistance;
(b) financial instruments;
(c) repayable assistance subject to an obligation for full repayment;
(d) prizes;
(e) operations subject to the State aid rules;
(f) operations for which public support takes the form of lump sums or standard scale unit costs provided that the net revenue has been taken into account ex ante;
(g) operations implemented under a joint action plan provided that the net revenue has been taken into account ex ante;
(h) operations for which amounts or rates of support are defined in Annex II to the EAFRD Regulation; or
(i) operations for which the total eligible cost does not exceed EUR 50 000.

For the purposes of this Article and Article 61, any payment received by the beneficiary arising from contractual penalties as a result of a breach of contract between the beneficiary and a third party or third parties or that has occurred as a result of the withdrawal of an offer by a third party chosen under public procurement rules (the 'deposit') shall not be considered as revenue and shall not be deducted from the eligible expenditure of the operation.

9. Expenditure that becomes eligible as a result of an amendment to a programme shall only be eligible from the date of submission to the Commission of the request for amendment or, in the event of application of Article 96(11), from the date of entry into force of the decision amending the programme.

10. By way of derogation from paragraph 9, specific provisions on the starting date of eligibility may be established in the EAFRD Regulation.

11. An operation may receive support from one or more ESI Funds or from one or more programmes and from other Union instruments, provided that the expenditure item included in a request for payment for reimbursement by one of the ESI Funds does not receive support from another Fund or Union instrument, or support from the same Fund under another programme.

Article 66
Forms of support
The ESI Funds shall be used to provide support in the form of grants, prizes, repayable assistance and financial instruments, or a combination thereof.

In the case of repayable assistance, the support repaid to the body that provided it, or to another competent authority of the Member State, shall be kept in a separate account or separated with accounting codes and reused for the same purpose or in accordance with the objectives of the programme.

Article 67
Forms of grants and repayable assistance
1. Grants and repayable assistance may take any of the following forms:

(a) reimbursement of eligible costs actually incurred and paid, together with, where applicable, contributions in kind and depreciation;
(b) standard scales of unit costs;
(c) lump sums not exceeding EUR 100 000 of public contribution;
(d) flat-rate financing, determined by the application of a percentage to one or more defined categories of costs.

Fund-specific rules may limit the forms of grants or repayable assistance applicable to certain operations.

2. By way of derogation from paragraph 1, additional forms of grants and methods of calculation may be established in the EMFF Regulation.

3. The options referred to in paragraph 1 may be combined only where each option covers different categories of costs or where they are used for different projects forming a part of an operation or for successive phases of an operation.
4. Where an operation or a project forming a part of an operation is implemented exclusively through the public procurement of works, goods or services, only point (a) of the first subparagraph of paragraph 1 shall apply. Where the public procurement within an operation or project forming part of an operation is limited to certain categories of costs, all the options referred to in paragraph 1 may be applied.

5. The amounts referred to in points (b), (c) and (d) of the first subparagraph of paragraph 1 shall be established in one of the following ways:

(a) a fair, equitable and verifiable calculation method based on:

(i) statistical data or other objective information;

(ii) the verified historical data of individual beneficiaries; or

(iii) the application of the usual cost accounting practices of individual beneficiaries;

(b) in accordance with the rules for application of corresponding scales of unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation and beneficiary;

(c) in accordance with the rules for application of corresponding scales of unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;

(d) rates established by this Regulation or the Fund-specific rules;

(e) specific methods for determining amounts established in accordance with the Fund-specific rules.

6. The document setting out the conditions for support for each operation shall set out the method to be applied for determining the costs of the operation and the conditions for payment of the grant.

**Article 68**

**Flat rate financing for indirect costs and staff costs concerning grants and repayable assistance**

1. Where the implementation of an operation gives rise to indirect costs, they may be calculated at a flat rate in one of the following ways:

(a) a flat rate of up to 25 % of eligible direct costs, provided that the rate is calculated on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;

(b) a flat rate of up to 15 % of eligible direct costs without there being a requirement for the Member State to perform a calculation to determine the applicable rate;

(c) a flat rate applied to eligible direct costs based on existing methods and corresponding rates, applicable in Union policies for a similar type of operation and beneficiary.

The Commission shall be empowered to adopt delegated acts in accordance with Article 149 concerning the definition of the flat rate and the related methods referred to in point (c) of the first subparagraph of this paragraph.

2. For the purposes of determining staff costs relating to the implementation of an operation, the hourly rate applicable may be calculated by dividing the latest documented annual gross employment costs by 1 720 hours.

**Article 69**

**Specific eligibility rules for grants and repayable assistance**

1. Contributions in kind in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made, may be eligible on condition that the eligibility rules of the ESI Funds and the programme so provide and that all the following criteria are fulfilled:

(a) the public support paid to the operation which includes contributions in kind does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation;

(b) the value attributed to contributions in kind does not exceed the costs generally accepted on the market in question;

(c) the value and the delivery of the contribution can be independently assessed and verified;

(d) in the case of provision of land or real estate, a cash payment, for the purposes of a lease agreement of a nominal amount per annum not exceeding a single unit of the currency of the Member State, may be made;

(e) in the case of contributions in kind in the form of unpaid work, the value of that work is determined by taking into account the verified time spent and the rate of remuneration for equivalent work.

The value of the land or real estate referred to in point (d) of the first subparagraph of this paragraph shall be certified by an independent qualified expert or duly authorised official body and shall not exceed the limit laid down in point (b) of paragraph 3.
2. Depreciation costs may be considered as eligible where the following conditions are fulfilled:

(a) the eligibility rules of the programme allow for it;

(b) the amount of the expenditure is duly justified by supporting documents having equivalent probative value to invoices for eligible costs where reimbursed in the form referred to in point (a) of the first subparagraph of Article 67(1);

(c) the costs relate exclusively to the period of support for the operation;

(d) public grants have not contributed towards the acquisition of the depreciated assets.

3. The following costs shall not be eligible for a contribution from the ESI Funds and from the amount of support transferred from the Cohesion Fund to the CEF as referred to in Article 92(6):

(a) interest on debt, except in relation to grants given in the form of an interest rate subsidy or guarantee fee subsidy;

(b) the purchase of land not built on and land built on in the amount exceeding 10 % of the total eligible expenditure for the operation concerned. For derelict sites and for those formerly in industrial use which comprise buildings, that limit shall be increased to 15 %. In exceptional and duly justified cases, the limit may be raised above the respective aforementioned percentages for operations concerning environmental conservation;

(c) value added tax except where it is non-recoverable under national VAT legislation.

Article 70

Eligibility of operations depending on location

1. Operations supported by the ESI Funds, subject to the derogations referred to in paragraphs 2 and 3, and the Fund-specific rules, shall be located in the programme area.

2. The managing authority may accept that an operation is implemented outside the programme area but within the Union, provided that all the following conditions are satisfied:

(a) the operation is for the benefit of the programme area;

(b) the total amount allocated under the programme to operations located outside the programme area does not exceed 15 % of the support from the ERDF, Cohesion Fund and EMFF at the level of the priority, or 5 % of the support from the EAFRD at the level of the programme;

(c) the monitoring committee has given its agreement to the operation or types of operations concerned;

(d) the obligations of the authorities for the programme in relation to management, control and audit concerning the operation are fulfilled by the authorities responsible for the programme under which that operation is supported or they enter into agreements with authorities in the area in which the operation is implemented.

3. For operations concerning technical assistance or promotional activities, expenditure may be incurred outside the Union provided that the conditions set out in point (a) of paragraph 2 and the obligations in relation to management, control and audit concerning the operation are fulfilled.

4. Paragraphs 1 to 3 shall not apply to programmes under the European territorial cooperation goal and paragraphs 2 and 3 shall not apply to operations supported by the ESF.

Article 71

Durability of operations

1. An operation comprising investment in infrastructure or productive investment shall repay the contribution from the ESI Funds if within five years of the final payment to the beneficiary or within the period of time set out in State aid rules, where applicable, it is subject to any of the following:

(a) a cessation or relocation of a productive activity outside the programme area;

(b) a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;

(c) a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Sums unduly paid in respect of the operation shall be recovered by the Member State in proportion to the period for which the requirements have not been fulfilled.

Member States may reduce the time limit set out in the first subparagraph to three years in cases concerning the maintenance of investments or jobs created by SMEs.

2. An operation comprising investment in infrastructure or productive investment shall repay the contribution from the ESI Funds if within 10 years of the final payment to the beneficiary the productive activity is subject to relocation outside the Union, except where the beneficiary is an SME. Where the contribution from the ESI Funds takes the form of State aid, the period of 10 years shall be replaced by the deadline applicable under State aid rules.
3. Operations supported by the ESF and operations supported by the other ESI Funds that are not investments in infrastructure or productive investments shall repay the contribution from the Fund only where they are subject to an obligation for maintenance of investment under the applicable State aid rules and where they undergo a cessation or relocation of a productive activity within the period laid down in those rules.

4. Paragraphs 1, 2 and 3 shall not apply to contributions to or by financial instruments or to any operation which undergoes cessation of a productive activity due to a non-fraudulent bankruptcy.

5. Paragraphs 1, 2 and 3 shall not apply to natural persons who are beneficiaries of investment support and, after the completion of the investment operation, become eligible for and receive support under Regulation (EU) No 1309/2013 of the European Parliament and of the Council where the investment concerned is directly linked to the type of activity identified as eligible for support from the European Globalisation Adjustment Fund.

TITLE VIII
MANAGEMENT AND CONTROL

CHAPTER I
Management and control systems

Article 72
General principles of management and control systems

Management and control systems shall, in accordance with Article 4(8), provide for:

(a) a description of the functions of each body involved in management and control, and the allocation of functions within each body;

(b) compliance with the principle of separation of functions between and within such bodies;

(c) procedures for ensuring the correctness and regularity of expenditure declared;

(d) computerised systems for accounting, for the storage and transmission of financial data and data on indicators, for monitoring and for reporting;

(e) systems for reporting and monitoring where the body responsible entrusts execution of tasks to another body;

(f) arrangements for auditing the functioning of the management and control systems;

(g) systems and procedures to ensure an adequate audit trail;

(h) the prevention, detection and correction of irregularities, including fraud, and the recovery of amounts unduly paid, together with any interest on late payments.

Article 73
Responsibilities under shared management

In accordance with the principle of shared management, Member States and the Commission shall be responsible for the management and control of programmes in accordance with their respective responsibilities laid down in this Regulation and in the Fund-specific rules.

Article 74
Responsibilities of Member States

1. Member States shall fulfil the management, control and audit obligations, and assume the resulting responsibilities, which are laid down in the rules on shared management set out in the Financial Regulation and the Fund-specific rules.

2. Member States shall ensure that their management and control systems for programmes are set up in accordance with the Fund-specific rules and that those systems function effectively.

3. Member States shall ensure that effective arrangements for the examination of complaints concerning the ESI Funds are in place. The scope, rules and procedures concerning such arrangements shall be the responsibility of Member States in accordance with their institutional and legal framework. Member States shall, upon request by the Commission, examine complaints submitted to the Commission falling within the scope of their arrangements. Member States shall inform the Commission, upon request, of the results of those examinations.

4. All official exchanges of information between the Member State and the Commission shall be carried out using an electronic data exchange system. The Commission shall adopt implementing acts establishing the terms and conditions with which that electronic data exchange system is to comply. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

CHAPTER II
Commission powers and responsibilities

Article 75
Commission powers and responsibilities

1. The Commission shall satisfy itself, on the basis of available information, including information on the designation of bodies responsible for the management and control, the documents provided each year, in accordance with Article 59(5) of the Financial Regulation, by those designated bodies, control reports, annual implementation reports and audits carried out by national and Union bodies, that the Member States have set up management and control systems that comply with this Regulation and the Fund-specific rules and that those systems function effectively during the implementation of programmes.
2. Commission officials or authorised Commission representatives may carry out on-the-spot audits or checks subject to giving at least 12 working days notice to the competent national authority, except in urgent cases. The Commission shall respect the principle of proportionality by taking into account the need to avoid unjustified duplication of audits or checks carried out by Member States, the level of risk to the budget of the Union and the need to minimise the administrative burden on beneficiaries in accordance with the Fund-specific rules. The scope of such audits or checks may include, in particular, verification of the effective functioning of management and control systems in a programme or a part thereof, in operations and assessment of the sound financial management of operations or programmes. Officials or authorised representatives of the Member State may take part in such audits or checks.

Commission officials or authorised Commission representatives, duly empowered to carry out on-the-spot audits or checks, shall have access to all necessary records, documents and metadata, irrespective of the medium in which they are stored, relating to operations supported by the ESI Funds or to management and control systems. Member States shall provide copies of such records, documents and metadata to the Commission upon request.

The powers set out in this paragraph shall not affect the application of national provisions which reserve certain acts for agents specifically designated by national legislation. Commission officials and authorised representatives shall not take part, inter alia, in home visits or the formal questioning of persons within the framework of national legislation. However, such officials and representatives shall have access to the information thus obtained without prejudice to the competences of national courts and in full respect of the fundamental rights of the legal subjects concerned.

3. The Commission may require a Member State to take the actions necessary to ensure the effective functioning of their management and control systems or the correctness of expenditure in accordance with the Fund-specific rules.

The decision of the Commission adopting a programme shall constitute a financing decision within the meaning of Article 84 of the Financial Regulation and once notified to the Member State concerned, a legal commitment within the meaning of that Regulation.

For each programme, the budget commitments for the first instalment shall follow the adoption of the programme by the Commission.

The budget commitments for subsequent instalments shall be made by the Commission before 1 May of each year, on the basis of the decision referred to in the second paragraph of this Article, except where Article 16 of the Financial Regulation applies.

Following application of the performance framework in accordance with Article 22, where priorities have not achieved their milestones, the Commission shall where necessary decommit the corresponding appropriations committed to the programmes concerned as part of the performance reserve and shall make them available again for the programmes for which the allocation is increased as a result of an amendment approved by the Commission in accordance with Article 22(5).

### Article 77

**Common rules for payments**

1. Payments by the Commission of the contribution from the ESI Funds to each programme shall be made in accordance with budget appropriations and subject to available funding. Each payment shall be posted to the earliest open budget commitment of the Fund concerned.

2. Payments related to the commitments of the performance reserve shall not be made prior to the definitive allocation of the performance reserve, in accordance with Article 22(3) and (4).

3. Payments shall take the form of pre-financing, interim payments and payment of the final balance.

4. For forms of support under points (b), (c) and (d) of the first subparagraph of Article 67(1) and under Articles 68 and 69, costs calculated on the applicable basis shall be regarded as eligible expenditure.

### Article 78

**Common rules for calculating interim payments, and payment of the final balance**

The Fund-specific rules shall lay down rules for the calculation of the amount reimbursed as interim payments, and of the final balance. That amount shall be a function of the specific co-financing rate applicable to the eligible expenditure.

### Article 79

**Requests for payment**

1. The specific procedure and information to be submitted for requests for payment in relation to each ESI Fund shall be laid down in the Fund-specific rules.
2. The request for payment to be submitted to the Commission shall provide all the information necessary for the Commission to produce accounts in accordance with Article 68(3) of the Financial Regulation.

Article 80

Use of the euro

Amounts set out in programmes submitted by Member States, forecasts of expenditure, statements of expenditure, requests for payment, accounts and expenditure mentioned in the annual and final implementation reports shall be denominated in euro.

Article 81

Payment of initial pre-financing

1. Following the Commission decision adopting the programme, an initial pre-financing amount for the whole programming period shall be paid by the Commission. The initial pre-financing amount shall be paid in instalments according to budgetary needs. The level of the instalments shall be defined in the Fund-specific rules.

2. Initial pre-financing shall be used only for payments to beneficiaries in the implementation of the programme. It shall be made available without delay to the body responsible for that purpose.

Article 82

Clearance of initial pre-financing

The amount paid as initial pre-financing shall be totally cleared from the Commission accounts not later than when the programme is closed.

Article 83

Interruption of the payment deadline

1. The payment deadline for an interim payment claim may be interrupted by the authorising officer by delegation within the meaning of the Financial Regulation for a maximum period of six months if:

(a) following information provided by a national or Union audit body, there is clear evidence to suggest a significant deficiency in the functioning of the management and control system;

(b) the authorising officer by delegation has to carry out additional verifications following information that has come to that officer's attention alerting him or her that expenditure in a request for payment is linked to an irregularity having serious financial consequences;

(c) there is a failure to submit one of the documents required under Article 59(5) of the Financial Regulation.

The Member State may agree to an extension of the interruption period for another three months.

2. The authorising officer by delegation shall limit the interruption to the part of the expenditure covered by the payment claim affected by the elements referred to in the first subparagraph of paragraph 1, unless it is not possible to identify the part of the expenditure affected. The authorising officer by delegation shall inform the Member State and the managing authority in writing immediately of the reason for interruption and shall ask them to remedy the situation. The interruption shall be ended by the authorising officer by delegation as soon as the necessary measures have been taken.

CHAPTER II

Examination and acceptance of accounts

Article 84

Deadline for the examination and acceptance of accounts by the Commission

By 31 May of the year following the end of the accounting period, the Commission shall, in accordance with Article 59(6) of the Financial Regulation, apply procedures for the examination and acceptance of the accounts and inform the Member State as to whether it accepts that the accounts are complete, accurate and true in accordance with Fund-specific rules.

CHAPTER III

Financial corrections

Article 85

Financial corrections by the Commission

1. The Commission shall make financial corrections by cancelling all or part of the Union contribution to a programme and effecting recovery from the Member State, in order to exclude from Union financing expenditure which is in breach of applicable law.

2. A breach of applicable law shall lead to a financial correction only in relation to expenditure which has been declared to the Commission and where one of the following conditions is met:

(a) the breach has affected the selection of an operation by the body responsible for support from the ESI Funds or in cases where, due to the nature of the breach, it is not possible to establish that impact but there is a substantiated risk that the breach has had such an effect;

(b) the breach has affected the amount of expenditure declared for reimbursement by the budget of the Union or in cases where, due to the nature of the breach, it is not possible to quantify its financial impact but there is a substantiated risk that the breach has had such an effect.
3. When deciding on a financial correction under paragraph 1, the Commission shall respect the principle of proportionality by taking account of the nature and gravity of the breach of applicable law and its financial implications for the budget of the Union. The Commission shall keep the European Parliament informed of decisions taken to apply financial corrections.

4. The criteria and the procedures for applying financial corrections shall be laid down in the Fund-specific rules.

CHAPTER IV

Decommitment

Article 86

Principles

1. All programmes shall be submitted to a decommitment procedure established on the basis that amounts linked to a commitment which are not covered by pre-financing or by a request for payment within a defined period, including any request for payment for which all or part is subject to an interruption of the payment deadline or a suspension of payments, shall be decommitted.

2. The commitment related to the last year of the period shall be decommitted in accordance with the rules to be followed for the closure of the programmes.

3. The Fund-specific rules shall specify the precise application of the decommitment rule for each ESI Fund.

4. The part of commitments still open shall be decommitted if any of the documents required for the closure have not been submitted to the Commission by the deadlines established in the Fund-specific rules.

5. The budgetary commitments in respect of the performance reserve shall be subject only to the decommitment procedure set out in paragraph 4.

Article 87

Exception to the decommitment

1. The amount concerned by decommitment shall be reduced by the amounts equivalent to that part of the budget commitment for which:

(a) the operations are suspended by a legal proceeding or by an administrative appeal having suspensory effect; or

(b) it has not been possible to make a request for payment for reasons of force majeure seriously affecting implementation of all or part of the programme.

The national authorities claiming force majeure under point (b) of the first subparagraph shall demonstrate the direct consequences of the force majeure on the implementation of all or part of the programme.

For the purpose of points (a) and (b) of the first subparagraph, the reduction may be requested once, if the suspension or force majeure lasted no longer than one year, or a number of times that corresponds to the duration of the force majeure or the number of years between the date of the legal or administrative decision suspending the implementation of the operation and the date of the final legal or administrative decision.

2. By 31 January, the Member State shall send to the Commission information on the exceptions referred to in points (a) and (b) of the first subparagraph of paragraph 1 for the amount to be declared by the end of the preceding year.

Article 88

Procedure

1. The Commission shall inform the Member State and the managing authority in good time whenever there is a risk of application of the decommitment rule under Article 86.

2. On the basis of the information it has received as of 31 January, the Commission shall inform the Member State and the managing authority of the amount of the decommitment resulting from that information.

3. The Member State shall have two months to agree to the amount to be decommitted or to submit its observations.

4. By 30 June, the Member State shall submit to the Commission a revised financing plan reflecting, for the financial year concerned, the reduced amount of support over one or more priorities of the programme taking into account the allocation by Fund and by category of region, where appropriate. Failing such submission, the Commission shall revise the financing plan by reducing the contribution from the ESI Funds for the financial year concerned. That reduction shall be allocated to each priority proportionately.

5. The Commission shall amend the decision adopting the programme, by means of implementing acts, not later than 30 September.

PART THREE

GENERAL PROVISIONS APPLICABLE TO THE ERDF, THE ESF AND THE COHESION FUND

TITLE I

OBJECTIVES AND FINANCIAL FRAMEWORK

CHAPTER I

Mission, goals and geographical coverage of support

Article 89

Mission and goals

1. The Funds shall contribute to developing and pursuing the actions of the Union leading to strengthening of its economic, social and territorial cohesion in accordance with Article 174 TFEU.
The actions supported by the Funds shall also contribute to the delivery of the Union strategy for smart, sustainable and inclusive growth.

2. For the purpose of the mission referred to in paragraph 1, the following goals shall be pursued:

(a) Investment for growth and jobs in Member States and regions, to be supported by the Funds; and

(b) European territorial cooperation, to be supported by the ERDF.

Article 90
Investment for growth and jobs goal


2. Resources for the Investment for growth and jobs goal shall be allocated among the following three categories of NUTS level 2 regions:

(a) less developed regions, whose GDP per capita is less than 75 % of the average GDP of the EU-27;

(b) transition regions, whose GDP per capita is between 75 % and 90 % of the average GDP of the EU-27;

(c) more developed regions, whose GDP per capita is above 90 % of the average GDP of the EU-27.

The classification of regions under one of the three categories of regions shall be determined on the basis of how the GDP per capita of each region, measured in purchasing power parities (PPS) and calculated on the basis of Union figures for the period 2007 - 2009, relates to the average GDP of the EU-27 for the same reference period.

3. The Cohesion Fund shall support those Member States whose GNI per capita, measured in PPS and calculated on the basis of Union figures for the period 2008 - 2010, is less than 90 % of the average GNI per capita of the EU-27 for the same reference period.

The Member States eligible for funding from the Cohesion Fund in 2013, but whose nominal GNI per capita exceeds 90 % of the average GNI per capita of the EU-27 as calculated under the first subparagraph shall receive support from the Cohesion Fund on a transitional and specific basis.

4. Immediately following the entry into force of this Regulation, the Commission shall adopt a decision, by means of an implementing act, setting out the list of regions fulfilling the criteria of the three categories of regions referred to in paragraph 2 and of Member States fulfilling the criteria of paragraph 3. That list shall be valid from 1 January 2014 to 31 December 2020.

5. In 2016, the Commission shall review the eligibility of Member States for support from the Cohesion Fund on the basis of Union GNI figures for the period 2012 - 2014 for the EU-27. Those Member States whose nominal GNI per capita falls below 90 % of the average GNI per capita of the EU-27 shall become newly eligible for support from the Cohesion Fund and those Member States which were eligible for the Cohesion Fund and whose nominal GNI per capita exceeds 90 %, shall lose their eligibility and shall receive support from the Cohesion Fund on a transitional and specific basis.

CHAPTER II
Financial framework

Article 91
Resources for economic, social and territorial cohesion

1. The resources for economic, social and territorial cohesion available for budgetary commitment for the period 2014 - 2020 shall be EUR 325 145 694 739 in 2011 prices, in accordance with the annual breakdown set out in Annex VI, of which EUR 322 145 694 739 represents the global resources allocated to the ERDF, the ESF and the Cohesion Fund and EUR 3 000 000 000 represents a specific allocation for the YEI. For the purposes of programming and subsequent inclusion in the budget of the Union, the amount of resources for economic, social and territorial cohesion shall be indexed at 2 % per year.

2. The Commission shall adopt a decision, by means of implementing acts, setting out the annual breakdown of the global resources per Member State under the Investment for growth and jobs goal and the European territorial cooperation goal, and the annual breakdown of the resources from the specific allocation for the YEI per Member State together with the list of eligible regions in accordance with the criteria and methodology set out in Annexes VII and VIII respectively, without prejudice to paragraph 3 of this Article or to Article 92(8).

3. 0.35 % of the global resources after the deduction of the support to the CEF referred to in Article 92(6), and to the aid for the most deprived referred to in Article 92(7) shall be allocated to technical assistance at the initiative of the Commission.

Article 92
Resources for the Investment for growth and jobs goal and for the European territorial cooperation goal

1. Resources for the Investment for growth and jobs goal shall amount to 96,33 % of the global resources (i.e., a total of EUR 313 197 435 409) and shall be allocated as follows:

(a) 52.45 % (i.e., a total of EUR 164 279 015 916) for less developed regions;
Regulation (EU, Euratom) No 1311/2013, review the total allocation for the year 2017 in accordance with Articles 4 and 5 of Article 91(2).

identified in the decision of the Commission referred to in adjustments respectively shall be made available as set out in the paragraph 1 of this Article, for the years 2014 and 2015, a as a percentage of total combined resources for the Funds at periods. To that share shall be added an additional amount for employment objectives for the 2007-2013 programming periods for the Convergence and Regional competitiveness ESF share for that Member State laid down in the operational programmes for the periods. To that share shall be added an additional amount for each Member State determined in accordance with the method set out in Annex IX in order to ensure that the share of the ESF and the total allocations, the total allocations shall be adjusted divergences of more than +/-5% between the revised allocations and the most recent statistics available and of the comparison, for the Member States, between the cumulated national GDP observed for the years 2014-2015 and the cumulated national GDP for the same period estimated in 2012 in accordance with paragraph 10 of Annex VII. Where there is a cumulative divergence of more than +/-5% between the revised allocations and the total allocations, the total allocations shall be adjusted correspondingly. In accordance with Article 5 of Regulation (EU, Euratom) No 1311/2013, adjustments shall be spread in equal proportions over the years 2017-2020 and the corresponding ceilings of the financial framework shall be modified accordingly. The total net effect of the adjustments, whether positive or negative, shall not exceed EUR 4 000 000 000. Following the technical adjustment, the Commission, shall adopt a decision, by means of implementing act, setting out the amount to be transferred from each Member State's Cohesion Fund allocation to the CEF, which amount shall be determined on a pro rata basis for the whole period. The Cohesion Fund allocation of each Member State shall be reduced accordingly.

The annual appropriations corresponding to the support from the Cohesion Fund referred to in the first subparagraph shall be entered in the relevant budget lines of the CEF as of the 2014 budgetary exercise.

Resources for the YEI shall amount to EUR 3 000 000 000 from the specific allocation for the YEI and at least EUR 3 000 000 000 from ESF targeted investment.

The amount transferred from the Cohesion Fund to the CEF, referred to in the first subparagraph, shall be implemented by launching specific calls for projects implementing the core networks or for projects and horizontal activities identified in Part I of Annex I to Regulation (EU) No 1316/2013 exclusively in Member States eligible for funding from the Cohesion Fund.

The Commission shall adopt a decision, by means of an implementing act, setting out the amount to be transferred from each Member State's Cohesion Fund allocation to the CEF, which amount shall be determined on a pro rata basis for the whole period. The Cohesion Fund allocation of each Member State shall be reduced accordingly.

In order to ensure that sufficient investment is targeted at youth employment, labour mobility, knowledge, social inclusion and combating poverty, the share of Structural Funds resources available for programming for operational programmes, under the Investment for growth and jobs goal allocated to the ESF in each Member State, shall not be lower than the corresponding ESF share for that Member State laid down in the operational programmes for the Convergence and Regional competitiveness and employment objectives for the 2007-2013 programming period. To that share shall be added an additional amount for each Member State determined in accordance with the method set out in Annex IX in order to ensure that the share of the ESF as a percentage of total combined resources for the Funds at Union level, excluding the support from the Cohesion Fund for transport infrastructure under the CEF referred to in paragraph 6 and support from the Structural Funds for aid for the most deprived referred to in paragraph 7, in Member States is not less than 23.1%. For the purposes of this paragraph, investment provided from the ESF to the YEI shall be considered to be part of the share of Structural Funds allocated to the ESF.

The amount transferred from the Cohesion Fund to the CEF, referred to in the first subparagraph, shall be implemented by launching specific calls for projects implementing the core networks or for projects and horizontal activities identified in Part I of Annex I to Regulation (EU) No 1316/2013.

Rules applicable for the transport sector under Regulation (EU) No 1316/2013 shall apply to the specific calls referred to in the fourth subparagraph. Until 31 December 2016, the selection of projects eligible for financing shall respect the national allocations under the Cohesion Fund. As of 1 January 2017, resources transferred to the CEF which have not been committed to a transport infrastructure project shall be made available to all Member States eligible for funding from the Cohesion Fund to finance transport infrastructure projects in accordance with Regulation (EU) No 1316/2013.

In order to support Member States eligible for funding from the Cohesion Fund, which may experience difficulties in designing projects that are of a sufficient maturity, quality, or both, and which have sufficient added value for the Union, particular attention shall be given to programme support actions aimed at strengthening institutional capacity and the efficiency of public administrations and public services in relation to the development and implementation of projects listed in Part I of Annex I to the Regulation (EU) No 1316/2013. To ensure the highest possible absorption of the transferred funds in all
Member States eligible for funding from the Cohesion fund, the Commission may organise additional calls.

7. The support from the Structural Funds for aid for the most deprived under the Investment for Growth and Jobs goal shall be not less than EUR 2 500 000 000 and may be increased by up to EUR 1 000 000 000 by additional support decided on a voluntary basis by Member States.

The Commission shall adopt a decision, by means of an implementing act, setting out the amount to be transferred from each Member State's Structural Funds allocation to aid for the most deprived for the whole period. The Structural Funds allocation of each Member State shall be reduced accordingly, on the basis of a pro-rata reduction by category of region.

The annual appropriations corresponding to the support from the Structural Funds referred to in the first subparagraph shall be entered in the relevant budget lines of the aid for the most deprived instrument with the 2014 budgetary exercise.

8. EUR 330 000 000 of the Structural Funds resources for the Investment for growth and jobs goal shall be allocated to innovative actions under direct or indirect management by the Commission in the area of sustainable urban development.

9. Resources for the European territorial cooperation goal shall amount to 2,75 % of the global resources available for budgetary commitment from the Funds for the period 2014-2020 (i.e., a total of EUR 8 948 259 330).

10. For the purposes of this Article, Articles 18, 91, 93, 95, 99, 120, Annex I and Annex X of this Regulation, Article 4 of the ERDF Regulation, Article 4 and Articles 16 to 23 of the ESF Regulation, Article 3(3) of the ETC Regulation, the outermost region of Mayotte shall be considered to be a NUTS level 2 region falling into the category of less developed regions. For the purposes of Article 3(1) and (2) of the ETC Regulation, the regions of Mayotte and Saint Martin shall be considered to be NUTS level 3 regions.

Article 93

Non-transferability of resources between categories of regions

1. The total appropriations allocated to each Member State in respect of less developed regions, transition regions and more developed regions shall not be transferable between those categories of regions.

2. By way of derogation from paragraph 1, the Commission may, in duly justified circumstances which are linked to the implementation of one or more thematic objectives, a proposal by a Member State in its first submission of the Partnership Agreement or, in duly justified circumstances, at the time of allocation of the performance reserve, or in a major revision of the Partnership Agreement, to transfer up to 3 % of the total appropriation for a category of regions to other categories of regions.

Article 94

Non-transferability of resources between goals

1. The total appropriations allocated to each Member State in respect of the Investment for growth and jobs goal and the European territorial cooperation goal shall not be transferable between those goals.

2. By way of derogation from paragraph 1, the Commission may, in order to uphold the effective contribution of the Funds to the missions referred to in Article 89(1), in duly justified circumstances, and subject to the condition laid down in paragraph 3, accept by means of an implementing act a proposal by a Member State in its first submission of the Partnership Agreement to transfer a part of its appropriations for the European territorial cooperation goal to the Investment for growth and jobs goal.

3. The share of the European territorial cooperation goal in the Member State making the proposal referred to in paragraph 2 shall be not less than 35 % of the total allocated to that Member State in respect of the Investment for growth and jobs goal and the European territorial cooperation goal, and after transfer shall be not less than 25 % of that total.

Article 95

Additionality

1. For the purposes of this Article and Annex X, the following definitions apply:

(1) 'gross fixed capital formation' means all the resident producers' acquisitions, less disposals, of fixed assets during a given period and certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units, as defined in Council Regulation (EC) No 2223/96 (1);

(2) 'fixed assets' means all tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year;

(3) 'general government' means the totality of institutional units which, in addition to fulfilling their political responsibilities and their role of economic regulation, produce principally non-market services (possibly goods) for individual or collective consumption and redistribute income and wealth;

(4) 'public or equivalent structural expenditure' means the gross fixed capital formation of the general government.

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2. Support from the Funds for the Investment for growth and jobs goal shall not replace public or equivalent structural expenditure by a Member State.

3. Member States shall maintain for the period 2014-2020 a level of public or equivalent structural expenditure on average per year at least equal to the reference level set in the Partnership Agreement.

In setting the reference level referred to in the first subparagraph, the Commission and the Member States shall take into account the general macroeconomic conditions and specific or exceptional circumstances, such as privatisations, an exceptional level of public or equivalent structural expenditure by a Member State in the 2007-2013 programming period and the evolution of other public investment indicators. They shall also take into account changes in the national allocations from the Funds as compared to the years 2007-2013.

4. Verification of whether the level of public or equivalent structural expenditure under the Investment for growth and jobs goal has been maintained for the period shall only take place in those Member States in which less developed regions cover at least 15 % of the total population.

In those Member States in which less developed regions cover at least 65 % of the total population, the verification shall take place at national level.

In those Member States in which less developed regions cover more than 15 % and less than 65 % of the total population, the verification shall take place at regional level. For that purpose, those Member States shall provide to the Commission information about the expenditure in the less developed regions at each stage of the verification process.

5. The verification of whether the level of public or equivalent structural expenditure under the Investment for growth and jobs goal has been maintained shall take place at the time of submission of the Partnership Agreement (the "ex ante verification"), in 2018 (the "mid-term verification"), and in 2022 (the "ex post verification").

The detailed rules relating to the verification of additionality are set out in point 2 of Annex X.

6. If it is established by the Commission in the ex post verification that a Member State has not maintained the reference level of public or equivalent structural expenditure under the Investment for growth and jobs goal set out in the Partnership Agreement and as set out in Annex X, the Commission may, in relation to the degree of non-compliance, carry out a financial correction by adoption of a decision by means of implementing act. In determining whether to carry out a financial correction the Commission shall take into account whether the economic situation of the Member State has significantly changed since the mid-term verification. The detailed rules relating to financial correction rates are set out in point 3 of Annex X.

7. Paragraphs 1 to 6 shall not apply to programmes under the European territorial cooperation goal.

TITLE II
PROGRAMMING
CHAPTER I
General provisions on the Funds

Article 96
Content, adoption and amendment of operational programmes under the Investment for growth and jobs goal

1. An operational programme shall consist of priority axes. A priority axis shall concern one Fund and one category of region, except in the case of the Cohesion Fund, and shall correspond, without prejudice to Article 59, to a thematic objective and comprise one or more of the investment priorities of that thematic objective, in accordance with the Fund-specific rules. Where appropriate and in order to increase its impact and effectiveness through a thematically coherent integrated approach, a priority axis may:

(a) concern more than one category of region;

(b) combine one or more complementary investment priorities from the ERDF, the Cohesion Fund and the ESF under one thematic objective;

(c) in duly justified cases combine one or more complementary investment priorities from different thematic objectives in order to achieve the maximum contribution to that priority axis;

(d) for the ESF, combine investment priorities from different thematic objectives set out in points (8), (9), (10) and (11) of the first paragraph of Article 9 in order to facilitate their contribution to other priority axes and in order to implement social innovation and transnational cooperation.

Member States may combine two or more of the options in points (a) to (d).

2. An operational programme shall contribute to the Union strategy for smart, sustainable and inclusive growth and to the achievement of economic, social and territorial cohesion and shall set out:

(a) a justification for the choice of thematic objectives, corresponding investment priorities and financial allocations having regard to the Partnership Agreement, based on an identification of regional and, where appropriate, national needs including the need to address the challenges identified
in relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and the relevant Council recommendations adopted in accordance with Article 148(4) TFEU, taking into account the ex ante evaluation in accordance with Article 55;

(b) for each priority axis other than technical assistance:

(i) the investment priorities and corresponding specific objectives;

(ii) in order to strengthen the result-orientation of the programming, the expected results for the specific objectives, and the corresponding result indicators, with a baseline value and a target value, where appropriate quantified in accordance with the Fund-specific rules;

(iii) a description of the type and examples of actions to be supported under each investment priority and their expected contribution to the specific objectives referred to in point (i); including the guiding principles for the selection of operations and where appropriate, the identification of main target groups, specific territories targeted, types of beneficiaries, the planned use of financial instruments and major projects;

(iv) the output indicators, including the quantified target value, which are expected to contribute to the results, in accordance with the Fund-specific rules, for each investment priority;

(v) identification of implementation steps and financial and output indicators, and where appropriate, result indicators, to be used as milestones and targets for the performance framework in accordance with Article 21(1) and Annex II;

(vi) the corresponding categories of intervention based on a nomenclature adopted by the Commission, and an indicative breakdown of the programmed resources;

(vii) where appropriate, a summary of the planned use of technical assistance including, where necessary, actions to reinforce the administrative capacity of authorities involved in the management and control of the programmes and beneficiaries;

(c) for each priority axis concerning technical assistance:

(i) specific objectives;

(ii) the expected results for each specific objective, and, where objectively justified given the content of the actions, the corresponding result indicators, with a baseline value and a target value, in accordance with the Fund-specific rules;

(iii) a description of actions to be supported and their expected contribution to the specific objectives referred to in point (i);

(iv) the output indicators which are expected to contribute to the results;

(v) the corresponding categories of intervention based on a nomenclature adopted by the Commission, and an indicative breakdown of the programmed resources.

Point (ii) shall not apply where the Union contribution to the priority axis or axes concerning technical assistance in an operational programme does not exceed EUR 15 000 000.

(d) a financing plan containing the following tables:

(i) tables specifying for each year, in accordance with Articles 60, 120 and 121, the amount of the total financial appropriation envisaged for the support from each of the Funds, identifying the amounts related to the performance reserve;

(ii) tables specifying, for the whole programming period, for the operational programme and for each priority axis, the amount of the total financial appropriation of the support from each of the Funds and the national co-financing, identifying the amounts related to the performance reserve. For priority axes, which concern several categories of region, the tables shall specify the amount of total financial appropriation from the Funds and the national co-financing for each category of region.

For priority axes, which combine investment priorities from different thematic objectives, the table shall specify the amount of total financial appropriation from each of the Funds and the national co-financing for each of the corresponding thematic objectives.

Where the national co-financing is made up of public and private co-financing, the table shall give the indicative breakdown between the public and the private components. It shall show, for information purposes, the envisaged participation from the EIB;

(e) a list of major projects for which the implementation is planned during the programming period.

The Commission shall adopt implementing acts concerning the nomenclature referred to in points (b)(v) and (c)(v) of the first subparagraph. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).
3. Taking into account its content and objectives, an operational programme shall describe the integrated approach to territorial development, having regard to the Partnership Agreement, and showing how that operational programme contributes to the accomplishment of its objectives and expected results, specifying, where appropriate, the following:

(a) the approach to the use of community-led local development instruments and the principles for identifying the areas where it will be implemented;

(b) the indicative amount of the ERDF support for integrated actions for sustainable urban development, to be implemented in accordance with Article 7(3) of the ERDF Regulation and the indicative allocation of ESF support for integrated actions;

(c) the approach to the use of the IPI instrument other than in cases covered by point (b), and their indicative financial allocation from each priority axis;

(d) the arrangements for interregional and transnational actions, within the operational programmes, with beneficiaries located in at least one other Member State;

(e) where Member States and regions participate in macro-regional strategies and sea-basin strategies, subject to the needs of the programme area as identified by the Member State, the contribution of the planned interventions under the programme to such strategies.

4. In addition, the operational programme shall specify the following:

(a) where appropriate, the identification of whether and how it addresses the geographical areas most affected by poverty or target groups at highest risk of discrimination or social exclusion, with special regard to marginalised communities, and persons with disabilities, and where relevant the contribution to the integrated approach set out in the Partnership Agreement;

(b) where appropriate, the identification of whether and how it addresses the demographic challenges of regions or specific needs of areas which suffer from severe and permanent natural or demographic handicaps, as referred to in Article 174 TFEU and the contribution to the integrated approach set out in the Partnership Agreement to this end.

5. The operational programme shall identify:

(a) the managing authority, the certifying authority, where applicable, and the audit authority;

(b) the body to which payments are to be made by the Commission;

(c) the actions taken to involve the relevant partners referred to in Article 5 in the preparation of the operational programme, and the role of those partners in the implementation, monitoring and evaluation of the operational programme.

6. The operational programme shall also set out the following, having regard to the content of the Partnership Agreement and taking into account the institutional and legal framework of the Member States:

(a) mechanisms to ensure coordination between the Funds, the EAFRD, the EMFF and other Union and national funding instruments, and with the EIB taking into account the relevant provisions laid down in the CSF;

(b) for each ex ante conditionality, established in accordance with Article 19 and Annex XI, which is applicable to the operational programme, an assessment of whether the ex ante conditionality is fulfilled at the date of submission of the Partnership Agreement and operational programme, and where ex ante conditionalities are not fulfilled, a description of the actions to fulfil the ex ante conditionality, the bodies responsible and a timetable for such actions in accordance with the summary submitted in the Partnership Agreement;

(c) a summary of the assessment of the administrative burden on beneficiaries and, where necessary, the actions planned, accompanied by an indicative timeframe, to reduce the administrative burden.

7. Each operational programme, except those where technical assistance is undertaken under a specific operational programme, shall, subject to the Member State's duly justified assessment of their relevance to the content and objectives of the operational programmes, include a description of:

(a) the specific actions to take into account environmental protection requirements, resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management, in the selection of operations;

(b) the specific actions to promote equal opportunities and prevent discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the preparation, design and implementation of the operational programme and in particular in relation to access to funding, taking account of the needs of the various target groups at risk of such discrimination and in particular the requirements to ensure accessibility for persons with disabilities;

(c) the contribution of the operational programme to the promotion of equality between men and women and, where appropriate, the arrangements to ensure the integration of gender perspective at operational programme and operation level.
Member States may submit an opinion from the national equality bodies on the measures set out in points (b) and (c) of the first subparagraph with the proposal for an operational programme under the Investment for growth and jobs goal.

8. When a Member State prepares a maximum of one operational programme for each Fund, the elements of the operational programme falling under point (a) of the first subparagraph of paragraph 2, points (a), (c) and (d) of paragraph 3, paragraph 4 and paragraph 6 may be incorporated solely under the relevant provisions of the Partnership Agreement.

9. The operational programme shall be prepared in accordance with a model. The Commission shall, in order to ensure uniform conditions for the implementation of this Article adopt an implementing act laying down that model. That implementing act shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

10. The Commission shall adopt a decision, by means of implementing acts, approving all the elements, including any of its future amendments, of the operational programme falling under this Article, except those falling under points (b)(vi), (c)(v) and (e) of the first subparagraph of paragraph 2, paragraphs 4 and 5, points (a) and (c) of paragraph 6 and paragraph 7, which remain under the responsibility of the Member States.

11. The managing authority shall notify the Commission of any decision amending the elements of the operational programme not covered by the Commission decision, referred to in paragraph 10, within one month of the date of that amending decision. The amending decision shall specify the date of its entry into force, which shall not be earlier than the date of its adoption.

**Article 97**

Specific provisions on the programming of support for the joint instruments for uncapped guarantees and securitisation under the Investment for growth and jobs goal

In accordance with Article 28, operational programmes referred to in point (b) of the first subparagraph of Article 39(4) shall include only the elements referred to in point (b)(i), (ii) and (iv) and point (d) of the first subparagraph of Article 96(2), Article 96(5) and point (b) of Article 96(6).

**Article 98**

Joint support from the Funds under the Investment for growth and jobs goal

1. The Funds may jointly provide support for operational programmes under the Investment for growth and jobs goal.

2. The ERDF and the ESF may finance, in a complementary manner and subject to a limit of 10% of Union funding for each priority axis of an operational programme, a part of an operation for which the costs are eligible for support from the other Fund on the basis of eligibility rules applied to that Fund, provided that such costs are necessary for the satisfactory implementation of the operation and are directly linked to it.

3. Paragraphs 1 and 2 shall not apply to programmes under the European territorial cooperation goal.

**Article 99**

Geographical scope of operational programmes under the Investment for growth and jobs goal

Unless otherwise agreed between the Commission and the Member State, operational programmes for the ERDF and the ESF shall be drawn up at the appropriate geographical level and at least at NUTS level 2, in accordance with the institutional and legal framework of the Member State.

Operational programmes with support from the Cohesion Fund shall be drawn up at national level.

**CHAPTER II**

**Major projects**

**Article 100**

Content

As part of an operational programme or operational programmes, which have been subject to a Commission decision under Article 96(10) of this Regulation or under Article 8(12) of the ETC Regulation, the ERDF and the Cohesion Fund may support an operation comprising a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature which has clearly identified goals and for which the total eligible cost exceeds EUR 50 000 000 and in the case of operations contributing to the thematic objective under point (7) of the first paragraph of Article 9 where the total eligible cost exceeds EUR 75 000 000 (the ‘major project’). Financial instruments shall not be considered to be major projects.

**Article 101**

Information necessary for the approval of a major project

Before a major project is approved, the managing authority shall ensure that the following information is available:

(a) details concerning the body to be responsible for implementation of the major project, and its capacity;

(b) a description of the investment and its location;

(c) the total cost and total eligible cost, taking account of the requirements set out in Article 61;

(d) feasibility studies carried out, including the options analysis, and the results;
(e) a cost-benefit analysis, including an economic and a financial analysis, and a risk assessment;

(f) an analysis of the environmental impact, taking into account climate change adaptation and mitigation needs, and disaster resilience;

(g) an explanation as to how the major project is consistent with the relevant priority axes of the operational programme or operational programmes concerned, and its expected contribution to achieving the specific objectives of those priority axes and the expected contribution to socioeconomic development;

(h) the financing plan showing the total planned financial resources and the planned support from the Funds, the EIB, and all other sources of financing, together with physical and financial indicators for monitoring progress, taking account of the identified risks;

(i) the timetable for implementing the major project and, where the implementation period is expected to be longer than the programming period, the phases for which support from the Funds is requested during the programming period.

The Commission shall adopt implementing acts establishing the methodology to be used based on recognised best practices, in carrying out the cost-benefit analysis referred to in point (e) of the first paragraph. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

At the initiative of a Member State, the information in points (a) to (i) of the first paragraph may be assessed by independent experts supported by technical assistance of the Commission or, in agreement with the Commission, by other independent experts ("quality review"). In other cases, the Member State shall submit to the Commission the information set out in points (a) to (i) of the first paragraph as soon as it is available.

The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down the methodology to be used in carrying out the quality review of a major project.

The Commission shall adopt implementing acts establishing the format for submission of the information set out in points (a) to (i) of the first paragraph. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

**Article 102**

**Decision on a major project**

1. Where a major project has been appraised positively by a quality review by independent experts, on the basis of their assessment of the information referred to in the first paragraph of Article 101, the managing authority may proceed with the selection of the major project in accordance with Article 125(3). The managing authority shall notify the Commission of the selected major project. That notification shall consist of the following elements:

(a) the document referred to in point (c) of Article 125(3) setting out:

   (i) the body to be responsible for implementation of the major project;

   (ii) a description of the investment, its location, timetable and expected contribution of the major project to the specific objectives of the relevant priority axis or axes;

   (iii) the total cost and total eligible cost, taking account of the requirements set out in Article 61;

   (iv) the financing plan, and the physical and financial indicators for monitoring progress, taking account of the identified risks;

(b) the quality review of the independent experts, providing clear statements on the investment’s feasibility and the economic viability of the major project.

The financial contribution to the major project selected by the Member State shall be deemed to be approved by the Commission in the absence of a decision, by means of an implementing act, refusing the financial contribution within three months of the date of the notification referred to in the first subparagraph. The Commission shall refuse the financial contribution only on the grounds that it has established a significant weakness in the independent quality review.

The Commission shall adopt implementing acts establishing the format for the notification referred to in the first subparagraph. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

2. In cases other than those referred to in paragraph 1 of this Article, the Commission shall appraise the major project on the basis of the information referred to in Article 101 in order to determine whether the requested financial contribution for the major project selected by the managing authority in accordance with Article 125(3) is justified. The Commission shall adopt a decision on the approval of the financial contribution to the selected major project, by means of an implementing act, no later than three months after the date of submission of the information referred to in Article 101.

3. The approval by the Commission under the second subparagraph of paragraph 1 and paragraph 2 shall be conditional on the first works contract being concluded, or, in the case of operations implemented under PPP structures, on the signing of the PPP agreement between the public body and the private sector body, within three years of the date of the approval. At the duly motivated request of the Member State, in particular in the case of delays resulting from administrative and legal proceedings related to the implementation of major projects, and made within the three year period, the Commission may adopt a decision, by means of an implementing act, on the extension of the period by not more than two years.
4. Where the Commission does not approve the financial contribution to the selected major project, it shall give in its decision the reasons for its refusal.

5. Major projects notified to the Commission under paragraph 1 or submitted for approval under paragraph 2 shall be contained in the list of major projects in an operational programme.

6. Expenditure relating to a major project may be included in a request for payment after the notification referred to in paragraph 1 or after the submission for approval referred to in paragraph 2. Where the Commission does not approve the major project selected by the managing authority, the declaration of expenditure following the adoption of the Commission decision shall be rectified accordingly.

**Article 103**

**Decision on a major project subject to phased implementation**

1. By way of derogation from the third paragraph of Article 101 and Article 102(1) and (2), the procedures set out in paragraphs 2, 3 and 4 of this Article shall apply to an operation which satisfies the following conditions:

(a) the operation consists of the second or subsequent phase of a major project under the previous programming period for which the preceding phase or phases are approved by the Commission not later than 31 December 2015 pursuant to Regulation (EC) No 1083/2006; or in the case of Member States which acceded to the Union after 1 January 2013, no later than 31 December 2016;

(b) the sum of the total eligible costs of all phases of the major project exceeds the respective levels set out in Article 100;

(c) the major project application and assessment by the Commission under the previous programming period covered all the planned phases;

(d) there are no substantial changes in the information referred to in the first paragraph of Article 101 of this Regulation for the major project compared to the information provided for the major project application submitted under Regulation (EC) No 1083/2006, in particular as regards the total eligible cost;

(e) the phase of the major project to be implemented under the previous programming period is or will be ready to be used for its intended purpose as specified in the Commission decision by the deadline of the submission of the closure documents for the relevant operational programme or programmes.

2. The managing authority may proceed with the selection of the major project in accordance with Article 125(3) and submit the notification containing all the elements set out in point (a) of the first subparagraph of Article 102(1) together with its confirmation that the condition under point (d) of paragraph 1 of this Article is fulfilled. No quality review of the information by independent experts shall be required.

3. The financial contribution to the major project selected by the managing authority shall be deemed to be approved by the Commission in the absence of a decision, by means of an implementing act, refusing the financial contribution to the major project within three months of the date of the notification referred to in paragraph 2. The Commission shall refuse the financial contribution only on the grounds that there have been substantial changes in the information referred to in point (d) of paragraph 1 or that the major project is not consistent with the relevant priority axis of the operational programme or programmes concerned.

4. Article 102(3) to (6) shall apply to decisions on a major project subject to phased implementation.

**CHAPTER III**

**Joint action plan**

**Article 104**

**Scope**

1. A joint action plan is an operation the scope of which is defined and which is managed in relation to the outputs and results to be achieved. It comprises a project or a group of projects, not consisting of the provision of infrastructure, carried out under the responsibility of the beneficiary, as part of an operational programme or programmes. The outputs and results of a joint action plan shall be agreed between a Member State and the Commission and shall contribute to specific objectives of the operational programmes and form the basis of support from the Funds. Results shall refer to direct effects of the joint action plan. The beneficiary of a joint action plan shall be a public law body. Joint action plans shall not be considered to be major projects.

2. The public expenditure allocated to a joint action plan shall be a minimum of EUR 10 000 000 or 20 % of the public support of the operational programme or programmes, whichever is lower. For the purpose of undertaking a pilot project, the minimum public expenditure allocated to one joint action plan for each operational programme may be reduced to EUR 5 000 000.

3. Paragraph 2 shall not apply to operations supported under the YEI.

**Article 105**

**Preparation of joint action plans**

1. The Member State, the managing authority or any designated public law body may submit a proposal for a joint action plan at the same time as or subsequent to the submission of the operational programmes concerned. That proposal shall contain all the information referred to in Article 106.
2. A joint action plan shall cover part of the period between 1 January 2014 and 31 December 2023. The outputs and results of a joint action plan shall give rise to reimbursement only if attained after the date of the decision of approval of the joint action plan referred to in Article 107 and before the end of the implementation period defined in that decision.

Article 106
Content of joint action plans

A joint action plan shall contain:

(1) an analysis of the development needs and objectives justifying it, taking into account the objectives of the operational programmes and, where applicable, the relevant country-specific recommendations and the broad guidelines of the economic policies of the Member States and of the Union under Article 121(2) TFEU and the relevant Council recommendations which the Member States are to take into account in their employment policies under Article 148(4) TFEU;

(2) the framework describing the relationship between the general and specific objectives of the joint action plan, the milestones and the targets for outputs and results, and the projects or types of projects envisaged;

(3) the common and specific indicators used to monitor outputs and results, where relevant, by priority axis;

(4) information on its geographic coverage and target groups;

(5) its expected implementation period;

(6) an analysis of its effects on the promotion of equality between men and women and the prevention of discrimination;

(7) an analysis of its effects on the promotion of sustainable development, where appropriate;

(8) its implementing provisions, including the following:

(a) the designation of the beneficiary responsible for the implementation of the joint action plan, providing guarantees of its competence in the domain concerned as well as its administrative and financial management capacity;

(b) the arrangements for steering the joint action plan, in accordance with Article 108;

(c) the arrangements for monitoring and evaluating the joint action plan including arrangements ensuring the quality, collection and storage of data on the achievement of milestones, outputs and results;

(d) the arrangements ensuring the dissemination of information and communication in relation to the joint action plan and to the Funds;

(9) its financial arrangements, including the following:

(a) the costs of achieving milestones, outputs and result targets with reference to point (2), based on the methods set out in Article 67(5) of this Regulation and in Article 14 of the ESF Regulation;

(b) an indicative schedule of payments to the beneficiary linked to the milestones and targets;

(c) the financing plan by operational programme and priority axis, including the total eligible amount and the amount of public expenditure.

The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts laying down the format of the model for the joint action plan. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

Article 107
Decision on the joint action plan

1. The Commission shall appraise the joint action plan on the basis of the information referred to in Article 106 in order to determine whether support from the Funds is justified.

Where the Commission, within two months following the submission of a joint action plan proposal, considers that it does not meet the appraisal requirements referred to in Article 104, it shall make observations to the Member State. The Member State shall provide to the Commission all necessary additional information requested and, where appropriate, revise the joint action plan accordingly.

2. Provided that any observations have been adequately taken into account, the Commission shall adopt a decision, by means of an implementing act, approving the joint action plan no later than four months after its submission by the Member State but not before the adoption of the operational programmes concerned.
3. The decision referred to in paragraph 2 shall indicate the beneficiary and the general and specific objectives of the joint action plan, the milestones and targets for outputs and results, the costs of achieving those milestones, outputs and result targets, and the financing plan by operational programme and priority axis, including the total eligible amount and the amount of public expenditure, the implementation period of the joint action plan and, where relevant, the geographical coverage and target groups of the joint action plan.

4. Where the Commission refuses, by means of an implementing act, to allow support from the Funds to be allocated to a joint action plan, it shall notify the Member State of its reasons within the period laid down in paragraph 2.

**Article 108**

**Steering committee and amendment of the joint action plan**

1. The Member State or the managing authority shall set up a steering committee for the joint action plan, distinct from the monitoring committee of the relevant operational programmes. The steering committee shall meet at least twice a year and shall report to the managing authority. The managing authority shall inform the relevant monitoring committee of the results of the work carried out by the steering committee and the progress of the implementation of the joint action plan in accordance with point (e) of Article 110(1) and point (a) of Article 125(2).

The composition of the steering committee shall be decided by the Member State in agreement with the relevant managing authority, respecting the principle of partnership.

The Commission may participate in the work of the steering committee in an advisory capacity.

2. The steering committee shall carry out the following activities:

(a) review progress towards achieving the milestones, outputs and results of the joint action plan;

(b) consider and approve any proposal to amend the joint action plan in order to take account of any issues affecting its performance.

3. Requests for amendment of joint action plans submitted by a Member State to the Commission shall be duly substantiated. The Commission shall assess whether the request for amendment is justified, taking account of the information provided by the Member State. The Commission may make observations and the Member State shall provide to the Commission all necessary additional information. The Commission shall adopt a decision, by means of an implementing act, on a request for amendment no later than three months after its submission by the Member State, provided that any observations made by the Commission have been satisfactorily taken into account. The amendment shall enter into force from the date of the decision, unless otherwise set out in the decision.

**Article 109**

**Financial management and control of the joint action plan**

1. Payments to the beneficiary of a joint action plan shall be treated as lump sums or standard scales of unit costs. The ceiling for lump sums set out in point (c) of the first subparagraph of Article 67(1) shall not apply.

2. The financial management, control and audit of the joint action plan shall be aimed exclusively at verifying that the conditions for payments defined in the decision approving the joint action plan have been fulfilled.

3. The beneficiary of a joint action plan and the bodies acting under its responsibility may apply their accounting practices for the costs of implementing operations. Those accounting practices and the costs actually incurred by the beneficiary shall not be subject to audit by the audit authority or the Commission.

**TITLE III**

**MONITORING, EVALUATION, INFORMATION AND COMMUNICATION**

**CHAPTER I**

**Monitoring and evaluation**

**Article 110**

**Functions of the monitoring committee**

1. The monitoring committee shall examine in particular:

(a) any issues that affect the performance of the operational programme;

(b) progress made in implementation of the evaluation plan and the follow-up given to findings of evaluations;

(c) implementation of the communication strategy;

(d) implementation of major projects;

(e) implementation of joint action plans;

(f) actions to promote equality between men and women, equal opportunities, and non-discrimination, including accessibility for persons with disabilities;

(g) actions to promote sustainable development;

(h) where applicable ex ante conditionalities are not fulfilled at the date of the submission of the Partnership Agreement and operational programme, progress on actions to fulfil the applicable ex ante conditionalities;

(i) financial instruments.
2. By way of derogation from Article 49(3), the monitoring committee shall examine and approve:

(a) the methodology and criteria used for selection of operations;

(b) the annual and final implementation reports;

(c) the evaluation plan for the operational programme and any amendment of the evaluation plan, including where either is part of a common evaluation plan pursuant to Article 114(1);

(d) the communication strategy for the operational programme and any amendment of the strategy;

(e) any proposal by the managing authority for any amendment to the operational programme.

Article 111
Implementation reports for the Investment for growth and jobs goal

1. By 31 May 2016 and by the same date of each subsequent year until and including 2023 the Member State shall submit to the Commission an annual implementation report in accordance with Article 50(1). The report submitted in 2016 shall cover the financial years 2014 and 2015, as well as the period between the starting date for eligibility of expenditure and 31 December 2013.

2. For the reports submitted in 2017 and 2019, the deadline referred to in paragraph 1 shall be 30 June.

3. Annual implementation reports shall set out information on:

(a) implementation of the operational programme in accordance with Article 50(2);

(b) progress in preparation and implementation of major projects and joint action plans.

4. The annual implementation reports submitted in 2017 and 2019 shall set out and assess the information required under Article 50(4) and (5) respectively and the information set out in paragraph 3 of this Article together with the following information:

(a) progress in the implementation of the evaluation plan and the follow-up given to the findings of evaluations;

(b) the results of the information and publicity measures of the Funds carried out under the communication strategy;

(c) the involvement of the partners in the implementation, monitoring and evaluation of the operational programme.

The annual implementation reports submitted in 2017 and 2019 may, depending on the content and objectives of operational programmes, set out information and assess the following:

(a) progress in the implementation of the integrated approach to territorial development, including development of regions facing demographic challenges and permanent or natural handicaps, sustainable urban development, and community-led local development under the operational programme;

(b) progress in the implementation of actions to reinforce the capacity of Member State authorities and beneficiaries to administer and use the Funds;

(c) progress in the implementation of any interregional and transnational actions;

(d) where appropriate, the contribution to macro-regional and sea basin strategies;

(e) the specific actions taken to promote equality between men and women and to prevent discrimination, in particular accessibility for persons with disabilities, and the arrangements implemented to ensure the integration of the gender perspective in the operational programme and operations;

(f) actions taken to promote sustainable development in accordance with Article 8;

(g) progress in the implementation of actions in the field of social innovation, where appropriate;

(h) progress in the implementation of measures to address the specific needs of geographical areas most affected by poverty or of target groups at highest risk of poverty, discrimination or social exclusion, with special regard to marginalised communities and persons with disabilities, long term unemployed and young people not in employment, including, where appropriate, the financial resources used.

By way of derogation from the first and second subparagraphs, and in order to ensure consistency between the Partnership Agreement and the progress report, Member States with no more than one operational programme per Fund may include the information relating to ex ante conditionalities referred to in Article 50(3), the information required by Article 50(4) and the information referred to in points (a), (b), (c) and (h) of the second subparagraph of this paragraph in the progress report instead of the annual implementation reports submitted in 2017 and 2019 respectively and the final implementation report, without prejudice to point (b) of Article 110(2).
5. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts establishing the models for the annual and final implementation reports. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

**Article 112**

**Transmission of financial data**

1. By 31 January, 31 July and 31 October, the Member State shall transmit electronically to the Commission for monitoring purposes, for each operational programme and by priority axis:

   (a) the total and public eligible cost of the operations and the number of operations selected for support;

   (b) the total eligible expenditure declared by beneficiaries to the managing authority.

2. In addition, the transmission made by 31 January shall contain the above data broken down by category of intervention. That transmission shall be considered to fulfil the requirement for the submission of financial data referred to in Article 50(2).

3. A forecast of the amount for which Member States expect to submit payment applications for the current financial year and the subsequent financial year shall accompany the transmissions to be made by 31 January and 31 July.

4. The cut-off date for the data submitted under this Article shall be the end of the month preceding the month of submission.

5. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts establishing the model to be used when submitting the financial data to the Commission for monitoring purposes. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

**Article 113**

**Cohesion Report**

The report of the Commission referred to in Article 175 TFEU shall include:

(a) a record of progress made towards achieving economic, social and territorial cohesion, including the socio-economic situation and development of the regions, as well as the integration of the Union’s priorities;

(b) a record of the role of the Funds, EIB funding and the other instruments in, as well as the effect of other Union and national policies on, the progress made;

(c) where appropriate an indication of future Union measures and policies necessary to strengthen economic, social and territorial cohesion, as well as to deliver the Union’s priorities.

**Article 114**

**Evaluation**

1. An evaluation plan shall be drawn up by the managing authority or Member State for one or more operational programmes. The evaluation plan shall be submitted to the monitoring committee no later than one year after the adoption of the operational programme.

2. By 31 December 2022, managing authorities shall submit to the Commission, for each operational programme, a report summarising the findings of evaluations carried out during the programming period and the main outputs and results of the operational programme, providing comments on the reported information.

3. The Commission shall carry out ex post evaluations in close cooperation with the Member States and managing authorities.

4. Paragraphs 1 and 2 of this Article shall not apply to the dedicated programmes referred to in point (b) of the first subparagraph of Article 39(4).

**CHAPTER II**

**Information and communication**

**Article 115**

**Information and communication**

1. Member States and managing authorities shall be responsible for:

(a) drawing up communication strategies;

(b) ensuring the establishment of a single website or a single website portal providing information on, and access to, all operational programmes in that Member State, including information about the timing of implementation of programming and any related public consultation processes;

(c) informing potential beneficiaries about funding opportunities under operational programmes;

(d) publicising to Union citizens the role and achievements of cohesion policy and of the Funds through information and communication actions on the results and impact of Partnership Agreements, operational programmes and operations.
2. Member States or managing authorities shall, in order to ensure transparency concerning support from the Funds, maintain a list of operations by operational programme and by Fund in a spreadsheet data format, which allows data to be sorted, searched, extracted, compared and easily published on the internet, for instance in CSV or XML format. The list of operations shall be accessible through the single website or the single website portal providing a list and summary of all operational programmes in that Member State.

In order to encourage the use of the list of operations subsequently by the private sector, civil society or national public administration, the website may clearly indicate the applicable licensing rules under which data are published.

The list of operations shall be updated at least every six months.

The minimum information to be set out in the list of operations is laid down in Annex XII.

3. Detailed rules concerning the information and communication measures for the public and information measures for applicants and for beneficiaries are laid down in Annex XII.

4. The Commission shall adopt implementing acts concerning the technical characteristics of information and communication measures for the operation and instructions for creating the emblem and a definition of the standard colours. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

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Article 116

Communication strategy

1. The Member State or the managing authorities shall draw up a communication strategy for each operational programme. A common communication strategy may be drawn up for several operational programmes. The communication strategy shall take into account the size of the operational programme or programmes concerned, in accordance with the principle of proportionality.

The communication strategy shall include the elements set out in Annex XII.

2. The communication strategy shall be submitted to the monitoring committee for approval in accordance with point (d) of Article 110(2) no later than six months after the adoption of the operational programme or programmes concerned.

Where a common communication strategy is drawn up for several operational programmes and concerns several monitoring committees, the Member State may designate one monitoring committee to be responsible, in consultation with the other relevant monitoring committees, for the approval of the common communication strategy and for the approval of any subsequent amendments of that strategy.

Where necessary, the Member State or managing authorities may amend the communication strategy during the programming period. The amended communication strategy shall be submitted by the managing authority to the monitoring committee for approval in accordance with point (d) of Article 110(2).

3. By way of derogation from the third subparagraph of paragraph 2, the managing authority shall inform the monitoring committee or committees responsible at least once a year on the progress in the implementation of the communication strategy as referred to in point (c) of Article 110(1) and on its analysis of the results as well as on the planned information and communication activities to be carried out in the following year. The monitoring committee shall, if it considers it to be appropriate, give an opinion on the planned activities for the following year.

Article 117

Information and communication officers and their networks

1. Each Member State shall designate an information and communication officer to coordinate information and communication actions in relation to one or more Funds, including relevant programmes under the European territorial cooperation goal, and shall inform the Commission accordingly.

2. The information and communication officer shall be responsible for the coordination of the national network of Fund communicators, where such a network exists, the creation and maintenance of the website or website portal referred to in Annex XII and the provision of an overview of communication measures undertaken at Member State level.

3. Each managing authority shall designate one person to be responsible for information and communication at operational programme level and shall inform the Commission of those designated. Where appropriate, one person may be designated for several operational programmes.

4. Union networks comprising the members designated by the Member States shall be set up by the Commission to ensure exchange of information on the results of the implementation of the communication strategies, the exchange of experience in implementing the information and communication measures, and the exchange of good practices.

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TITLE IV

TECHNICAL ASSISTANCE

Article 118

Technical assistance at the initiative of the Commission

The Funds, taking into account the deductions made in accordance with Article 91(3), may support technical assistance up to a ceiling of 0,35 % of their respective annual allocation.
Article 119

Technical assistance of the Member States

1. The amount of the Funds allocated to technical assistance shall be limited to 4 % of the total amount of the Funds allocated to operational programmes in a Member State under each category of region, where applicable, of the Investment for growth and jobs goal.

The specific allocation for YEL may be taken into account by a Member State in the calculation of the limit to the total amount of the Funds allocated to the technical assistance of the Member State.

2. Each Fund may support technical assistance operations eligible under any of the other Funds. Without prejudice to paragraph 1, the allocation for technical assistance from a Fund shall not exceed 10 % of the total allocation of that Fund to operational programmes in a Member State under each category of region, where applicable, of the Investment for growth and jobs goal.

3. By way of derogation from Article 70(1) and (2), technical assistance operations may be implemented outside the programme area, but within the Union, provided that the operations are for the benefit of the operational programme, or, in the case of a technical assistance operational programme, for the other programmes concerned.

4. In the case of the Structural Funds, where the allocations referred to in paragraph 1 are used to support technical assistance operations relating to more than one category of region, the expenditure relating to the operations may be implemented under a priority axis combining different categories of region and attributed on a pro rata basis taking into account the allocation under each category of region as a share of the total allocation to the Member State.

5. By way of derogation from paragraph 1, where the total amount of the Funds allocated to a Member State under the Investment for growth and jobs goal does not exceed EUR 1 000 000 000 the amount allocated to technical assistance may increase up to 6 % of that total amount or EUR 50 000 000, whichever is the lower.

6. Technical assistance shall take the form of a mono-fund priority axis within an operational programme or of a specific operational programme, or both.

TITLE V

FINANCIAL SUPPORT FROM THE FUNDS

Article 120

Determination of co-financing rates

1. The Commission decision adopting an operational programme shall fix the co-financing rate and the maximum amount of support from Funds for each priority axis. Where a priority axis concerns more than one category of regions or more than one Fund, the Commission decision shall, where necessary, fix the co-financing rate by category of region and Fund.

2. For each priority axis, the Commission decision shall set out whether the co-financing rate for the priority axis is to be applied to:

(a) total eligible expenditure, including public and private expenditure; or

(b) eligible public expenditure.

3. The co-financing rate at the level of each priority axis and, where relevant, by category of region and Fund, of operational programmes under the Investment for growth and jobs goal shall be no higher than:

(a) 85 % for the Cohesion Fund;

(b) 85 % for the less developed regions of Member States whose average GDP per capita for the period 2007 - 2009 was below 85 % of the EU-27 average during the same period and for the outermost regions including the additional allocation for outermost regions in accordance with point (e) of Article 92(1) and Article 4(2) of the ETC Regulation;

(c) 80 % for the less developed regions of Member States other than those referred to in point (b), and for all regions whose GDP per capita used as an eligibility criterion for the 2007-2013 programming period was less than 75 % of the average of the EU-25 but whose GDP per capita is above 75 % of the GDP average of the EU-27, as well as for regions defined in Article 8(1) of Regulation (EU) 1083/2006 receiving transitional support for the 2007-2013 programming period;

(d) 60 % for the transition regions other than those referred to in point (c);

(e) 50 % for the more developed regions other than those referred to in point (c).

For the period from 1 January 2014 to 30 June 2017 the co-financing rate at the level of each priority axis for all operational programmes in Cyprus shall be not higher than 85 %.

The Commission shall carry out a review to assess the justification for maintaining the co-financing rate, referred to in the second subparagraph, after 30 June 2017 and shall if necessary make a legislative proposal before 30 June 2016.

The co-financing rate at the level of each priority axis of operational programmes under the European territorial cooperation goal shall be no higher than 85 %.
The maximum co-financing rate under points (b), (c), (d) and (e) of the first subparagraph shall be increased for each priority axis implementing the YEI and where a priority axis is dedicated to social innovation or to transnational cooperation, or a combination of both. That increase shall be determined in accordance with the Fund-specific rules.

4. The co-financing rate of the additional allocation in accordance with point (e) of Article 92(1) shall be no higher than 50 % for NUTS level 2 regions fulfilling the criteria laid down in Protocol No 6 to the 1994 Act of Accession.

5. The maximum co-financing rate under paragraph 3 at the level of a priority axis shall be increased by ten percentage points, where the whole of a priority axis is delivered through financial instruments, or through community-led local development.

6. The contribution from the Funds for each priority axis shall not be less than 20 % of the eligible public expenditure.

7. A separate priority axis with a co-financing rate of up to 100 % may be established within an operational programme to support operations implemented through financial instruments set up at Union level and managed directly or indirectly by the Commission. Where a separate priority axis is established for this purpose, the support under this axis may not be implemented by any other means.

### Article 121

**Modulation of the co-financing rates**

The co-financing rate from the Funds to a priority axis may be modulated to take account of:

1. The importance of the priority axis for the delivery of the Union strategy for smart, sustainable and inclusive growth, having regard to the specific gaps to be addressed;

2. The protection and improvement of the environment, principally through the application of the precautionary principle, the principle of preventive action and the polluter pays principle;

3. The rate of mobilisation of private financing;

4. The coverage of areas with severe and permanent natural or demographic handicaps defined as follows:

   - (a) island Member States eligible under the Cohesion Fund, and other islands except those on which the capital of a Member State is situated or which have a fixed link to the mainland;
   - (b) mountainous areas as defined by the national legislation of the Member State;
   - (c) sparsely (i.e. less than 50 inhabitants per square kilometre) and very sparsely (less than 8 inhabitants per square kilometre) populated areas;
   - (d) the inclusion of the outermost regions as referred to in Article 349 TFEU.

### PART FOUR

**GENERAL PROVISIONS APPLICABLE TO THE FUNDS AND THE EMFF**

**TITLE I**

**MANAGEMENT AND CONTROL**

**CHAPTER I**

**Management and control systems**

Article 122

**Responsibilities of Member States**

1. Member States shall ensure that management and control systems for operational programmes are set up in accordance with Articles 72, 73 and 74.

2. Member States shall prevent, detect and correct irregularities and shall recover amounts unduly paid, together with any interest on late payments. They shall notify the Commission of irregularities that exceed EUR 10 000 in contribution from the Funds and shall keep it informed of significant progress in related administrative and legal proceedings.

The Member States shall not notify the Commission of irregularities in relation to the following:

- (a) cases where the irregularity consists solely of the failure to execute, in whole or in part, an operation included in the co-financed operational programme owing to the bankruptcy of the beneficiary;

- (b) cases brought to the attention of the managing authority or certifying authority by the beneficiary voluntarily and before detection by either authority, whether before or after the payment of the public contribution;

- (c) cases which are detected and corrected by the managing authority or certifying authority before inclusion of the expenditure concerned in a statement of expenditure submitted to the Commission.

In all other cases, in particular those preceding a bankruptcy or in cases of suspected fraud, the detected irregularities and the associated preventive and corrective measures shall be reported to the Commission.

When amounts unduly paid to a beneficiary cannot be recovered and this is as a result of fault or negligence on the part of a Member State, the Member State shall be responsible for reimbursing the amounts concerned to the budget of the Union. Member States may decide not to recover an amount unduly paid if the amount to be recovered from the beneficiary, not including interest, does not exceed EUR 250 in contribution from the Funds.
The Commission shall be empowered to adopt delegated acts in accordance with Article 149 laying down additional detailed rules on the criteria for determining the cases of irregularity to be reported, the data to be provided and on the conditions and procedures to be applied to determine whether amounts which are irrecoverable shall be reimbursed by Member States.

The Commission shall adopt implementing acts setting out the frequency of the reporting of irregularities and the reporting format to be used. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

3. Member States shall ensure that no later than 31 December 2015, all exchanges of information between beneficiaries and a managing authority, a certifying authority, an audit authority and intermediate bodies can be carried out by means of electronic data exchange systems.

The systems referred to in the first subparagraph shall facilitate interoperability with national and Union frameworks and allow for the beneficiaries to submit all information referred to in the first subparagraph only once.

The Commission shall adopt implementing acts laying down detailed rules concerning the exchanges of information under this paragraph. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

4. Paragraph 3 shall not apply to the EMFF.

CHAPTER II
Management and control authorities

Article 123
Designation of authorities

1. Each Member State shall designate, for each operational programme, a national, regional or local public authority or body or a private body as managing authority. The same managing authority may be designated for more than one operational programme.

2. The Member State shall designate, for each operational programme, a national, regional or local public authority or body as a certifying authority, without prejudice to paragraph 3. The same certifying authority may be designated for more than one operational programme.

3. The Member State may designate for an operational programme a managing authority, which is a public authority or body, to carry out, in addition, the functions of the certifying authority.

4. The Member State shall designate, for each operational programme, a national, regional or local public authority or body, functionally independent from the managing authority and the certifying authority, as audit authority. The same audit authority may be designated for more than one operational programme.

5. In the case of the Funds relating to the Investment for growth and jobs goal and in the case of the EMFF, provided that the principle of separation of functions is respected, the managing authority, the certifying authority, where applicable, and the audit authority may be part of the same public authority or body.

Where the total amount of support from the Funds to an operational programme exceeds EUR 250 000 000 or from the EMFF exceeds EUR 100 000 000, the audit authority may be part of the same public authority or body as the managing authority either if, pursuant to the applicable provisions for the previous programming period, the Commission has informed the Member State prior to the date of adoption of the operational programme concerned of its conclusion that it can rely principally on its audit opinion, or if the Commission is satisfied on the basis of the experience of the previous programming period that the institutional organisation and accountability of the audit authority provide adequate guarantees of its functional independence and reliability.

6. The Member State may designate one or more intermediate bodies to carry out certain tasks of the managing or the certifying authority under the responsibility of that authority. The relevant arrangements between the managing authority or certifying authority and the intermediate bodies shall be formally recorded in writing.

7. The Member State or the managing authority may entrust the management of part of an operational programme to an intermediate body by way of an agreement in writing between the intermediate body and the Member State or managing authority (a ‘global grant’). The intermediate body shall provide guarantees of its solvency and competence in the domain concerned, as well as of its administrative and financial management capacity.

8. The Member State may, at its own initiative, designate a coordinating body whose responsibility shall be to liaise with and provide information to the Commission, to coordinate activities of the other relevant designated bodies and to promote the harmonised application of applicable law.

9. The Member State shall lay down in writing rules governing its relationship with the managing authorities, certifying authorities and audit authorities, the relations between such authorities, and the relationship of such authorities with the Commission.

Article 124
Procedure for the designation of the managing authority and the certifying authority

1. The Member State shall notify the Commission of the date and form of the designations, which shall be carried out at an appropriate level, of the managing authority and, where appropriate, of the certifying authority prior to the submission of the first application for interim payment to the Commission.
2. The designations referred to in paragraph 1 shall be based on a report and an opinion of an independent audit body that assesses the fulfilment by the authorities of the criteria relating to the internal control environment, risk management, management and control activities, and monitoring set out in Annex XIII. The independent audit body shall be the audit authority, or another public or private law body with the necessary audit capacity, which is independent of the managing authority and, where applicable, of the certifying authority, and which shall carry out its work taking account of internationally accepted audit standards. Where the independent audit body concludes that the part of the management and control system, concerning the managing authority or the certifying authority, is essentially the same as for the previous programming period, and that there is evidence, on the basis of audit work done in accordance with the relevant provisions of Regulation (EC) No 1083/2006 and Council Regulation (EC) No 1198/2006 (1), of their effective functioning during that period, it may conclude that the relevant criteria are fulfilled without carrying out additional audit work.

3. Where the total amount of support from the Funds to an operational programme exceeds EUR 250 000 000 or from the EMFF exceeds EUR 100 000 000, the Commission may request, within one month of notification of the designations referred to in paragraph 1, the report and the opinion of the independent audit body referred to in paragraph 2 and the description of the functions and procedures in place for the managing authority or, where appropriate, the certifying authority. The Commission shall decide whether to request those documents on the basis of its risk assessment, taking into account information on significant changes in the functions and procedures of the managing authority or, where appropriate, the certifying authority compared to those in place for the previous programming period, and relevant evidence of their effective functioning.

The Commission may make observations within two months of receipt of the documents referred to in the first subparagraph. Without prejudice to Article 83, the examination of those documents shall not interrupt the treatment of applications for interim payments.

4. Where the total amount of support from the Funds to an operational programme exceeds EUR 250 000 000 or from the EMFF exceeds EUR 100 000 000 and there are significant changes in the functions and procedures of the managing authority or, where appropriate, of the certifying authority compared to those in place for the previous programming period, the Member State may, at its own initiative, submit to the Commission, within two months of the notification of the designations referred to in paragraph 1, the documents referred to in paragraph 3. The Commission shall make observations on those documents within three months of their receipt.

5. Where existing audit and control results show that the designated authority no longer fulfils the criteria referred to in paragraph 2, the Member State shall, at an appropriate level, fix, according to the severity of the problem, a period of probation, during which the necessary remedial action shall be taken.

Where the designated authority fails to implement the required remedial action within the period of probation determined by the Member State, the Member State, at an appropriate level, shall end its designation.

The Member State shall notify the Commission without delay when a designated authority is put under probation, providing information on the respective period of probation, when, following implementation of remedial actions, the probation is ended, as well as when the designation of an authority is ended. The notification that a designated body is put on probation by the Member State, without prejudice to the application of Article 83, shall not interrupt the treatment of applications for interim payments.

6. Where the designation of a managing authority or a certifying authority is ended, Member States shall designate, in accordance with the procedure provided for in paragraph 2, a new body, to take over the functions of the managing authority or of the certifying authority, and shall notify the Commission thereof.

7. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts concerning the model for the report and opinion of the independent audit body and the description of the functions and procedures in place for the managing authority and, where appropriate, the certifying authority. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

**Article 125**

**Functions of the managing authority**

1. The managing authority shall be responsible for managing the operational programme in accordance with the principle of sound financial management.

2. As regards the management of the operational programme, the managing authority shall:

   (a) support the work of the monitoring committee referred to in Article 47 and provide it with the information it requires to carry out its tasks, in particular data relating to the progress of the operational programme in achieving its objectives, financial data and data relating to indicators and milestones;

   (b) draw up and, after approval by the monitoring committee, submit to the Commission annual and final implementation reports referred to in Article 50;

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(c) ensure that operations selected for support from the Funds or the EMFF do not include activities which were part of an operation which has been or should have been subject to a procedure of recovery in accordance with Article 71 following the relocation of a productive activity outside the programme area;

(g) determine the categories of intervention or, in the case of the EMFF, the measures to which the expenditure of an operation shall be attributed.

4. As regards the financial management and control of the operational programme, the managing authority shall:

(a) verify that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the operational programme and the conditions for support of the operation;

(b) ensure that beneficiaries involved in the implementation of operations reimbursed on the basis of eligible costs actually incurred maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation;

(c) put in place effective and proportionate anti-fraud measures taking into account the risks identified;

(d) set up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of point (g) of Article 72;

(e) draw up the management declaration and annual summary referred to in points (a) and (b) of Article 59(5) of the Financial Regulation.

By way of derogation from point (a) of the first subparagraph, the ETC Regulation may establish specific rules on verification applicable to cooperation programmes.

5. Verifications pursuant to point (a) of the first subparagraph of paragraph 4 shall include the following procedures:

(a) administrative verifications in respect of each application for reimbursement by beneficiaries;

(b) on-the-spot verifications of operations.

The frequency and coverage of the on-the-spot verifications shall be proportionate to the amount of public support to an operation and to the level of risk identified by such verifications and audits by the audit authority for the management and control system as a whole.

6. On-the-spot verifications of individual operations pursuant to point (b) of the first subparagraph of paragraph 5 may be carried out on a sample basis.

7. Where the managing authority is also a beneficiary under the operational programme, arrangements for the verifications referred to in point (a) of the first subparagraph of paragraph 4 shall ensure adequate separation of functions.
8. The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down rules specifying the information in relation to the data to be recorded and stored in computerised form within the monitoring system established under point (d) of paragraph 2 of this Article.

The Commission shall adopt implementing acts laying down the technical specifications of the system established under point (d) of paragraph 2 of this Article. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

9. The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down the detailed minimum requirements for the audit trail referred to in point (d) of the first subparagraph of paragraph 4 of this Article in respect of the accounting records to be maintained and the supporting documents to be held at the level of the certifying authority, managing authority, intermediate bodies and beneficiaries.

10. The Commission shall, in order to ensure uniform conditions on the implementation of this Article, adopt implementing acts concerning the model for the management declaration referred to in point (e) of the first subparagraph of paragraph 4 of this Article. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

Article 126
Functions of the certifying authority

The certifying authority of an operational programme shall be responsible in particular for:

(a) drawing up and submitting payment applications to the Commission, and certifying that they result from reliable accounting systems, are based on verifiable supporting documents and have been subject to verifications by the managing authority;

(b) drawing up the accounts referred to in point (a) of Article 59(5) of the Financial Regulation;

(c) certifying the completeness, accuracy and veracity of the accounts and that the expenditure entered in the accounts complies with applicable law and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the operational programme and complying with applicable law;

(d) ensuring that there is a system which records and stores, in computerised form, accounting records for each operation, and which supports all the data required for drawing up payment applications and accounts, including records of amounts recoverable, amounts recovered and amounts withdrawn following cancellation of all or part of the contribution for an operation or operational programme;

(e) ensuring, for the purposes of drawing up and submitting payment applications, that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure;

(f) taking account when drawing up and submitting payment applications of the results of all audits carried out by, or under the responsibility of, the audit authority;

(g) maintaining, in a computerised form, accounting records of expenditure declared to the Commission and of the corresponding public contribution paid to beneficiaries;

(h) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the budget of the Union prior to the closure of the operational programme by deducting them from the subsequent statement of expenditure.

Article 127
Functions of the audit authority

1. The audit authority shall ensure that audits are carried out on the proper functioning of the management and control system of the operational programme and on an appropriate sample of operations on the basis of the declared expenditure. The declared expenditure shall be audited based on a representative sample and, as a general rule, on statistical sampling methods.

A non-statistical sampling method may be used on the professional judgement of the audit authority, in duly justified cases, in accordance with internationally accepted audit standards and in any case where the number of operations for an accounting year is insufficient to allow the use of a statistical method.

In such cases, the size of the sample shall be sufficient to enable the audit authority to draw up a valid audit opinion in accordance with the second subparagraph of Article 59(5) of the Financial Regulation.

The non-statistical sample method shall cover a minimum of 5 % of operations for which expenditure has been declared to the Commission during an accounting year and 10 % of the expenditure which has been declared to the Commission during an accounting year.

2. Where audits are carried out by a body other than the audit authority, the audit authority shall ensure that any such body has the necessary functional independence.

3. The audit authority shall ensure that audit work takes account of internationally accepted audit standards.
4. The audit authority shall, within eight months of adoption of an operational programme, prepare an audit strategy for performance of audits. The audit strategy shall set out the audit methodology, the sampling method for audits on operations and the planning of audits in relation to the current accounting year and the two subsequent accounting years. The audit strategy shall be updated annually from 2016 until and including 2024. Where a common management and control system applies to more than one operational programme, a single audit strategy may be prepared for the operational programmes concerned. The audit authority shall submit the audit strategy to the Commission upon request.

5. The audit authority shall draw up:

(a) an audit opinion in accordance with the second subparagraph of Article 59(5) of the Financial Regulation;

(b) a control report setting out the main findings of the audits carried out in accordance with paragraph 1, including findings with regard to deficiencies found in the management and control systems, and the proposed and implemented corrective actions.

Where a common management and control system applies to more than one operational programme, the information required under point (b) of the first subparagraph may be grouped in a single report.

6. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts laying down models for the audit strategy, the audit opinion and the control report. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

7. The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, to set out the scope and content of audits of operations and audits of the accounts and the methodology for the selection of the sample of operations referred to in paragraph 1 of this Article.

8. The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down detailed rules on the use of data collected during audits carried out by Commission officials or authorised Commission representatives.

CHAPTER III
Cooperation with audit authorities

Article 128

Cooperation with audit authorities

1. The Commission shall cooperate with audit authorities to coordinate their audit plans and methods and shall immediately exchange with those authorities the results of audits carried out on management and control systems.

2. To facilitate this cooperation in cases where a Member State designates more than one audit authority, the Member State may designate a coordination body.

3. The Commission, the audit authorities and any coordination body shall meet on a regular basis and, as a general rule, at least once a year, unless otherwise agreed, to examine the annual control report, the audit opinion and the audit strategy, and to exchange views on issues relating to improvement of the management and control systems.

TITLE II
FINANCIAL MANAGEMENT, PREPARATION, EXAMINATION, ACCEPTANCE AND CLOSURE OF ACCOUNTS AND FINANCIAL CORRECTIONS

CHAPTER I
Financial management

Article 129

Common rules for payments

The Member State shall ensure that by the closure of the operational programme, the amount of public expenditure paid to beneficiaries is at least equal to the contribution from the Funds paid by the Commission to the Member State.

Article 130

Common rules for calculating interim payments and payment of the final balance

1. The Commission shall reimburse as interim payments 90 % of the amount resulting from applying the co-financing rate for each priority, laid down in the decision adopting the operational programme, to the eligible expenditure for the priority included in the payment application. The Commission shall determine the remaining amounts to be reimbursed as interim payments or to be recovered in accordance with Article 139.

2. The contribution from the Funds or the EMFF to a priority through the interim payments and payment of the final balance shall not be higher than:

(a) the eligible public expenditure indicated in the payment application for the priority; or

(b) the contribution from the Funds or the EMFF for the priority laid down in the decision of the Commission approving the operational programme.

Article 131

Payment applications

1. Payment applications shall include, for each priority:

(a) the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations, as entered in the accounting system of the certifying authority;
(b) the total amount of public expenditure incurred in implementing operations, as entered in the accounting system of the certifying authority.

2. Eligible expenditure included in a payment application shall be supported by receipted invoices or accounting documents of equivalent probative value, except for forms of support under points (b), (c) and (d) of the first subparagraph of Article 67(1), under Article 68, Article 69(1) and Article 109 of this Regulation and under Article 14 of the ESF Regulation. For those forms of support, the amounts included in a payment application shall be the costs calculated on the applicable basis.

3. In the case of aid schemes under Article 107 TFEU, the public contribution corresponding to the expenditure included in a payment application shall have been paid to the beneficiaries by the body granting the aid.

4. By way of derogation from paragraph 1, in the case of State aid, the payment application may include advances paid to the beneficiary by the body granting the aid under the following cumulative conditions:

(a) those advances are subject to a guarantee provided by a bank or other financial institution established in the Member State or be covered by a facility provided as a guarantee by a public entity or by the Member State;

(b) those advances do not exceed 40% of the total amount of the aid to be granted to a beneficiary for a given operation;

(c) those advances are covered by expenditure paid by beneficiaries in implementing the operation and supported by receipted invoices or accounting documents of equivalent probative value at the latest within three years following the year of the payment of the advance or on 31 December 2023, whichever is earlier, failing which the next payment application shall be corrected accordingly.

5. Each payment application which includes advances of the type referred to in paragraph 4 shall separately disclose the total amount paid from the operational programme as advances, the amount which has been covered by expenditure paid by beneficiaries within three years of the payment of the advance in accordance with point (c) of paragraph 4, and the amount which has not been covered by expenditure paid by beneficiaries and for which the three year period has not yet elapsed.

6. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts laying down the model for payment applications. These implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

Article 132

Payment to beneficiaries

1. Subject to the availability of funding from initial and annual pre-financing and interim payments, the managing authority shall ensure that a beneficiary receives the total amount of eligible public expenditure due in full and no later than 90 days from the date of submission of the payment claim by the beneficiary.

No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce amounts due to beneficiaries.

2. The payment deadline referred to in paragraph 1 may be interrupted by the managing authority in either of the following duly justified cases:

(a) the amount of the payment claim is not due or the appropriate supporting documents, including the documents necessary for management verifications under point (a) of the first subparagraph of Article 125(4), have not been provided;

(b) an investigation has been initiated in relation to a possible irregularity affecting the expenditure concerned.

The beneficiary concerned shall be informed in writing of the interruption and the reasons for it.

Article 133

Use of the euro

1. Member States which have not adopted the euro as their currency on the date of an application for payment shall convert the amounts of expenditure incurred in national currency into euro. Those amounts shall be converted into euro using the monthly accounting exchange rate of the Commission in the month during which the expenditure was registered in the accounts of the certifying authority of the operational programme concerned. The exchange rate shall be published electronically by the Commission each month.

2. By way of derogation from paragraph 1, the ETC Regulation may establish specific rules on the timing for conversion into euro.

3. When the euro becomes the currency of a Member State, the conversion procedure set out in paragraph 1 shall continue to apply to all expenditure recorded in the accounts by the certifying authority before the date of entry into force of the fixed conversion rate between the national currency and the euro.
Article 134

Payment of pre-financing

1. The initial pre-financing amount shall be paid in instalments as follows:

(a) in 2014: 1 % of the amount of support from the Funds and the EMFF for the entire programming period to the operational programme or 1,5 % of the amount of support from the Funds and the EMFF for the entire programming period to the operational programme when a Member State has been receiving financial assistance since 2010, in accordance with Articles 122 and 143 TFEU, or from the European Financial Stability Facility (EFSF), or is receiving financial assistance on 31 December 2013 in accordance with Articles 136 and 143 TFEU:

(b) in 2015: 1 % of the amount of support from the Funds and the EMFF for the entire programming period to the operational programme or 1,5 % of the amount of support from the Funds and the EMFF for the entire programming period to the operational programme when a Member State has been receiving financial assistance since 2010, in accordance with Articles 122 and 143 TFEU, or from the EFSF, or is receiving financial assistance on 31 December 2014 in accordance with Articles 136 and 143 TFEU:

(c) in 2016: 1 % of the amount of support from the Funds and the EMFF for the entire programming period to the operational programme.

If an operational programme is adopted in 2015 or later, the earlier instalments shall be paid in the year of adoption.

2. An annual pre-financing amount shall be paid before 1 July in the years 2016 to 2023. It shall be a percentage of the amount of the support from the Funds and the EMFF for the whole programming period to the operational programme as follows:

   — 2016: 2 %

   — 2017: 2,625 %

   — 2018: 2,75 %

   — 2019: 2,875 %

   — 2020 to 2023: 3 %.

3. When calculating the amount of initial pre-financing referred to in paragraph 1, the amount of support for the entire programming period shall exclude the amounts from the performance reserve which were initially allocated to the operational programme.

When calculating the amount of annual pre-financing referred to in paragraph 2 up to and including 2020, the amount of support for the entire programming period shall exclude the amounts from the performance reserve which were initially allocated to the operational programme.

Article 135

Deadlines for presentation of interim payment applications and for their payment

1. The certifying authority shall submit on a regular basis an application for interim payment in accordance with Article 131(1) covering amounts entered in its accounting system in the accounting year. However, the certifying authority, where it considers it to be necessary, may include such amounts in payment applications submitted in subsequent accounting years.

2. The certifying authority shall submit the final application for an interim payment by 31 July following the end of the previous accounting year and, in any event, before the first application for interim payment for the next accounting year.

3. The first application for interim payment shall not be made before the notification to the Commission of the designation of the managing authorities and certifying authorities in accordance with Article 124.

4. Interim payments shall not be made for an operational programme unless the annual implementation report has been sent to the Commission in accordance with the Fund-specific rules.

5. Subject to available funding, the Commission shall make the interim payment no later than 60 days after the date on which a payment application is registered with the Commission.

Article 136

Decommitment

1. The Commission shall decommit any part of the amount in an operational programme that has not been used for payment of the initial and annual pre-financing and interim payments by 31 December of the third financial year following the year of budget commitment under the operational programme or for which a payment application drawn up in accordance with Article 131 has not been submitted in accordance with Article 135.

2. That part of commitments still open on 31 December 2023 shall be decommitted if any of the documents required under Article 141(1) has not been submitted to the Commission by the deadline set out in Article 141(1).
CHAPTER II
Preparation, examination and acceptance of accounts and closure of operational programmes and suspension of payments

Section I
Preparation, examination and acceptance of accounts

Article 137
Preparation of the accounts

1. The accounts referred to in point (a) of Article 59(5) of the Financial Regulation shall be submitted to the Commission for each operational programme. The accounts shall cover the accounting year and shall include at the level of each priority and, where applicable, fund and category of regions:

(a) the total amount of eligible expenditure entered into the accounting systems of the certifying authority which has been included in payment applications submitted to the Commission in accordance with Article 131 and Article 135(2) by 31 July following the end of the accounting year, the total amount of the corresponding public expenditure incurred in implementing operations, and the total amount of corresponding payments made to beneficiaries under Article 132(1);

(b) the amounts withdrawn and recovered during the accounting year, the amounts to be recovered as at the end of the accounting year, the recoveries effected pursuant to Article 71, and the irrecoverable amounts;

(c) the amounts of programme contributions paid to financial instruments under Article 41(1) and advances of State aid under Article 131(4);

(d) for each priority, a reconciliation between the expenditure stated pursuant to point (a) and the expenditure declared in respect of the same accounting year in payment applications, accompanied by an explanation of any differences.

2. Where expenditure previously included in an application for interim payment for the accounting year is excluded by a Member State from its accounts due to an ongoing assessment of that expenditure’s legality and regularity, any or all of that expenditure subsequently found to be legal and regular may be included in an application for interim payment relating to subsequent accounting years.

3. The Commission shall, in order to lay down uniform conditions for the implementation of this Article, adopt implementing acts setting out the model for the accounts referred to in this Article. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).

Article 138
Submission of information

For each year from 2016 until and including 2025, Member States shall submit, by the deadline set out in Article 59(5) of the Financial Regulation, the documents referred to in that Article namely:

(a) the accounts, referred to in Article 137(1) of this Regulation, for the preceding accounting year;

(b) the management declaration and the annual summary referred to in point (e) of the first subparagraph of Article 125(4) of this Regulation, for the preceding accounting year;

(c) the audit opinion and the control report referred to in points (a) and (b) of the first subparagraph of Article 127(5) of this Regulation, for the preceding accounting year.

Article 139
Examination and acceptance of accounts

1. The Commission shall carry out an examination of the documents submitted by the Member State under Article 138. Upon request by the Commission, the Member State shall provide all necessary additional information to enable the Commission to determine whether the accounts are complete, accurate and true, by the deadline set out in Article 84.

2. The Commission shall accept the accounts where it is able to conclude that the accounts are complete, accurate and true. The Commission shall reach such a conclusion where the audit authority has provided an unqualified audit opinion regarding the completeness, accuracy and veracity of the accounts unless the Commission has specific evidence that the audit opinion on the accounts is unreliable.

3. The Commission shall inform the Member State by the deadline set out in Article 84 as to whether it is able to accept the accounts.

4. If, for reasons attributable to Member State, the Commission is unable to accept the accounts by the deadline set out in Article 84, the Commission shall notify the Member States specifying the reasons in accordance with paragraph 2 of this Article and the actions which are required to be undertaken and the time period for their completion. At the end of the time period for the completion of those actions the Commission shall inform the Member State as to whether it is able to accept the accounts.

5. Issues related to legality and regularity of the underlying transactions concerning expenditure entered in the accounts shall not be taken into account for the purposes of acceptance of the accounts by the Commission. The procedure for examination and acceptance of the accounts shall not interrupt the treatment of applications for interim payments and shall not lead to suspension of payments, without prejudice to Articles 83 and 142.
6. On the basis of the accepted accounts, the Commission shall calculate the amount chargeable to the Funds and to the EMFF for the accounting year and the consequent adjustments in relation to the payments to the Member State. The Commission shall take into account:

(a) the amounts in the accounts referred to in point (a) of Article 137(1) and to which the co-financing rate for each priority is to be applied;

(b) the total amount of payments made by the Commission during that accounting year, consisting of:

(i) the amount of interim payments paid by the Commission in accordance with Article 130(1) and Article 24; and

(ii) the amount of the annual pre-financing paid under Article 134(2).

7. After the calculation carried out under paragraph 6, the Commission shall clear the respective annual pre-financing and pay any additional amount due within 30 days of the acceptance of the accounts. Where there is an amount recoverable from the Member State, it shall be subject to a recovery order issued by the Commission which shall be executed, where possible, by offsetting against amounts due to the Member State under subsequent payments to the same operational programme. Such recovery shall not constitute a financial correction and shall not reduce support from the Funds to the operational programme. The amount recovered shall constitute assigned revenue in accordance with Article 177(3) of the Financial Regulation.

8. Where, after applying the procedure set out in paragraph 4, the Commission is unable to accept the accounts, the Commission shall determine, on the basis of the available information and in accordance with paragraph 6, the amount chargeable to the Funds for the accounting year, and shall inform the Member State. Where the Member State notifies the Commission of its agreement within two months of the transmission by the Commission of the information, paragraph 7 shall apply. In the absence of such agreement, the Commission shall adopt a decision, by means of implementing acts, setting out the amount chargeable to the Funds for the accounting year. Such decision shall not constitute a financial correction and shall not reduce support from the Funds to the operational programme. On the basis of the decision, the Commission shall apply the adjustments to the payments to the Member State in accordance with paragraph 7.

9. The acceptance of the accounts by the Commission, or a decision by the Commission under paragraph 8 of this Article, shall be without prejudice to the application of corrections under Articles 144 and 145.

10. Member States may replace irregular amounts which are detected after the submission of the accounts by making the corresponding adjustments in the accounts for the accounting year in which the irregularity is detected, without prejudice to Articles 144 and 145.

Article 140
Availability of documents

1. Without prejudice to the rules governing State aid, the managing authority shall ensure that all supporting documents regarding expenditure supported by the Funds on operations for which the total eligible expenditure is less than EUR 1 000 000, are made available to the Commission and the European Court of Auditors upon request for a period of three years from 31 December following the submission of the accounts in which the expenditure of the operation is included.

In the case of operations other than those referred to in the first subparagraph, all supporting documents shall be made available for a two year period from 31 December following the submission of the accounts in which the final expenditure of the completed operation is included.

A managing authority may decide to apply to operations for which the total eligible expenditure is less than EUR 1 000 000 the rule referred to in the second subparagraph.

The time period referred to in the first subparagraph shall be interrupted either in the case of legal proceedings or by a duly justified request of the Commission.

2. The managing authority shall inform beneficiaries of the start date of the period referred to in paragraph 1.

3. The documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

4. The documents shall be kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the data were collected or for which they are further processed.

5. The procedure for certification of conformity of documents held on commonly accepted data carriers with the original document shall be laid down by the national authorities and shall ensure that the versions held comply with national legal requirements and can be relied on for audit purposes.

6. Where documents exist in electronic form only, the computer systems used shall meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes.
Section II

Closure of operational programmes

Article 141

Submission of closure documents and payment of the final balance

1. In addition to the documents referred to in Article 138, for the final accounting year from 1 July 2023 to 30 June 2024, Member States shall submit a final implementation report for the operational programme or the last annual implementation report for the operational programme supported by the EMFF.

2. The final balance shall be paid no later than three months after the date of acceptance of accounts of the final accounting year or one month after the date of acceptance of the final implementation report, whichever date is later.

Section III

Suspension of payments

Article 142

Suspension of payments

1. All or part of the interim payments at the level of priorities or operational programmes may be suspended by the Commission if one or more of the following conditions are met:

(a) there is a serious deficiency in the effective functioning of the management and control system of the operational programme, which has put at risk the Union contribution to the operational programme and for which corrective measures have not been taken;

(b) expenditure in a statement of expenditure is linked to an irregularity having serious financial consequences which has not been corrected;

(c) the Member State has failed to take the necessary action to remedy the situation giving rise to an interruption under Article 83;

(d) there is a serious deficiency in the quality and reliability of the monitoring system or of the data on common and specific indicators;

(e) there is a failure to complete actions to fulfil an ex ante conditionality subject to the conditions set out in Article 19;

(f) there is evidence resulting from the performance review for a priority that there has been a serious failure in achieving that priority’s milestones relating to financial and output indicators and key implementation steps set out in the performance framework subject to the conditions set out in Article 22.

The Fund-specific rules for the EMFF may lay down specific bases for suspension of payments linked to non-compliance with rules applicable under the Common Fisheries Policy, which shall be proportionate, having regard to the nature, gravity, duration and recurrence of the non-compliance.

2. The Commission may decide, by means of implementing acts, to suspend all or part of interim payments, after having given the Member State the opportunity to present its observations.

3. The Commission shall end suspension of all or part of interim payments where the Member State has taken the necessary measures to enable the suspension to be lifted.

CHAPTER III

Financial corrections

Section I

Financial corrections by Member States

Article 143

Financial corrections by Member States

1. The Member States shall in the first instance be responsible for investigating irregularities and for making the financial corrections required and pursuing recoveries. In the case of a systemic irregularity, the Member State shall extend its investigation to cover all operations potentially affected.

2. Member States shall make the financial corrections required in connection with individual or systemic irregularities detected in operations or operational programmes. Financial corrections shall consist of cancelling all or part of the public contribution to an operation or operational programme. The Member States shall take into account the nature and gravity of the irregularities and the financial loss to the Funds or the EMFF and shall apply a proportionate correction. Financial corrections shall be recorded in the accounts by the managing authority for the accounting year in which the cancellation is decided.

3. The contribution from the Funds or the EMFF cancelled in accordance with paragraph 2 may be reused by the Member State within the operational programme concerned, subject to paragraph 4.

4. The contribution cancelled in accordance with paragraph 2 may not be reused for any operation that was the subject of the correction or, where a financial correction is made for a systemic irregularity, for any operation affected by the systemic irregularity.

5. The Fund-specific rules for the EMFF may lay down specific bases for financial corrections by the Member States linked to non-compliance with rules applicable under the Common Fisheries Policy, which shall be proportionate, having regard to the nature, gravity, duration and recurrence of the non-compliance.
Section II
Financial corrections by the Commission

Article 144
Criteria for financial corrections

1. The Commission shall make financial corrections, by means of implementing acts, by cancelling all or part of the Union contribution to an operational programme in accordance with Article 85, where, after carrying out the necessary examination, it concludes that:

(a) there is a serious deficiency in the effective functioning of the management and control system of the operational programme which has put at risk the Union contribution already paid to the operational programme;

(b) the Member State has not complied with its obligations under Article 143 prior to the opening of the correction procedure under this paragraph;

(c) expenditure contained in a payment application is irregular and has not been corrected by the Member State prior to the opening of the correction procedure under this paragraph.

The Commission shall base its financial corrections on individual cases of identified irregularity and shall take account of whether an irregularity is systemic. Where it is not possible to quantify precisely the amount of irregular expenditure charged to the Funds or the EMFF, the Commission shall apply a flat rate or extrapolated financial correction.

2. The Commission shall, when deciding on a correction under paragraph 1, respect the principle of proportionality by taking account of the nature and gravity of the irregularity and the extent and financial implications of the deficiencies in management and control systems found in the operational programme.

3. Where the Commission bases its position on reports of auditors other than those of its own services, it shall draw its own conclusions regarding the financial consequences after examining the measures taken by the Member State concerned under Article 143(2), the notifications sent under Article 122(2), and any replies from the Member State.

4. In accordance with Article 22(7), where the Commission, based on the examination of the final implementation report of the operational programme for the Funds or the last annual implementation report for the EMFF, establishes a serious failure to achieve the targets set out in the performance framework, it may apply financial corrections in respect of the priorities concerned, by means of implementing acts.

5. When a Member State does not comply with its obligations under Article 95, the Commission may, in relation to the degree of non-compliance with those obligations, make a financial correction by cancelling all or part of the Structural Funds contribution to the Member State concerned.

6. The Commission shall be empowered to adopt delegated acts in accordance with Article 149, laying down detailed rules concerning the criteria for determining serious deficiencies in the effective functioning of management and control systems, including the main types of such deficiencies, the criteria for establishing the level of financial correction to be applied and the criteria for applying flat rates or extrapolated financial corrections.

7. The Fund-specific rules for the EMFF may lay down specific bases for financial corrections by the Commission linked to non-compliance with rules applicable under the Common Fisheries Policy which shall be proportionate having regard to the nature, gravity, duration and recurrence of the non-compliance.

Article 145
Procedure

1. Before taking a decision on a financial correction, the Commission shall launch the procedure by informing the Member State of the provisional conclusions of its examination and requesting the Member State to submit its comments within two months.

2. Where the Commission proposes a financial correction on the basis of extrapolation or a flat rate, the Member State shall be given the opportunity to demonstrate, through an examination of the documentation concerned, that the actual extent of irregularity is less than the Commission's assessment. In agreement with the Commission, the Member State may limit the scope of this examination to an appropriate proportion or sample of the documentation concerned. Except in duly justified cases, the time allowed for that examination shall not exceed a further period of two months after the two-month period referred to in paragraph 1.

3. The Commission shall take account of any evidence provided by the Member State within the time limits set out in paragraphs 1 and 2.

4. Where the Commission does not accept the provisional conclusions of the Commission, the Member State shall be invited to a hearing by the Commission, in order to ensure that all relevant information and observations are available as a basis for conclusions by the Commission on the application of the financial correction.

5. In the event of an agreement, and without prejudice to paragraph 6 of this Article, the Member State may reuse the Funds concerned in accordance with Article 143(3).

6. In order to apply financial corrections the Commission shall take a decision, by means of implementing acts, within six months of the date of the hearing, or of the date of receipt of additional information where the Member State agrees to submit such additional information following the hearing. The Commission shall take account of all information and observations submitted during the course of the procedure. If no hearing takes place, the six month period shall begin to run two months after the date of the letter of invitation to the hearing sent by the Commission.
7. Where the Commission in carrying out its responsibilities under Article 75, or the European Court of Auditors, detects irregularities demonstrating a serious deficiency in the effective functioning of the management and control systems, the resulting financial correction shall reduce support from the Funds to the operational programme.

The first subparagraph shall not apply in the case of a serious deficiency in the effective functioning of a management and control system which, prior to the date of detection by the Commission or the European Court of Auditors:

(a) had been identified in the management declaration, annual control report or the audit opinion submitted to the Commission in accordance with Article 59(5) of the Financial Regulation, or in other audit reports of the audit authority submitted to the Commission and appropriate measures taken; or

(b) had been the subject of appropriate remedial measures by the Member State.

The assessment of serious deficiencies in the effective functioning of management and control systems shall be based on the applicable law when the relevant management declarations, annual control reports and audit opinions were submitted.

When deciding on a financial correction the Commission shall:

(a) respect the principle of proportionality by taking account of the nature and gravity of the serious deficiency in the effective functioning of a management and control system and its financial implications for the budget of the Union;

(b) for the purpose of applying a flat rate or extrapolated correction, exclude irregular expenditure previously detected by the Member State which has been the subject of an adjustment in the accounts in accordance with Article 139(10), and expenditure subject to an ongoing assessment of its legality and regularity under Article 137(2);

(c) take into account flat rate or extrapolated corrections applied to the expenditure by the Member State for other serious deficiencies detected by the Member State when determining the residual risk for the budget of the Union.

8. The Fund-specific rules for the EMFF may lay down additional rules of procedure for financial corrections referred to in Article 144(7).

**Article 147**

**Repayment**

1. Any repayment due to be made to the budget of the Union shall be effected before the due date indicated in the order for recovery drawn up in accordance with Article 73 of the Financial Regulation. The due date shall be the last day of the second month following the issuing of the order.

2. Any delay in effecting repayment shall give rise to interest on account of late payment, starting on the due date and ending on the date of actual payment. The rate of such interest shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing operations on the first working day of the month in which the due date falls.

**TITLE III**

**PROPORTIONAL CONTROL OF OPERATIONAL PROGRAMMES**

**Article 148**

Proportional control of operational programmes

1. Operations for which the total eligible expenditure does not exceed EUR 200 000 for the ERDF and the Cohesion Fund, EUR 150 000 for the ESF or EUR 100 000 for the EMFF shall not be subject to more than one audit by either the audit authority or the Commission prior to the submission of the accounts for the accounting year in which the operation is completed. Other operations shall not be subject to more than one audit per accounting year by either the audit authority or the Commission prior to the submission of the accounts for the accounting year in which the operation is completed. Operations shall not be subject to an audit by the Commission or the audit authority in any year if there has already been an audit in that year by the European Court of Auditors, provided that the results of the audit work performed by the European Court of Auditors for such operations can be used by the audit authority or the Commission for the purpose of fulfilling their respective tasks.

2. For operational programmes for which the most recent audit opinion indicates that there are no significant deficiencies, the Commission may agree with the audit authority or the Commission prior to the submission of the accounts for the accounting year in which the operation is completed. Other operations shall not be subject to more than one audit by the Commission or the audit authority in any year if there has already been an audit in that year by the European Court of Auditors, provided that the results of the audit work performed by the European Court of Auditors for such operations can be used by the audit authority or the Commission for the purpose of fulfilling their respective tasks. For operational programmes for which no recent audit opinion indicates that there are no significant deficiencies, the Commission may agree with the audit authority or the Commission prior to the submission of the accounts for the accounting year in which the operation is completed. Other operations shall not be subject to more than one audit by the Commission or the audit authority in any year if there has already been an audit in that year by the European Court of Auditors, provided that the results of the audit work performed by the European Court of Auditors for such operations can be used by the audit authority or the Commission for the purpose of fulfilling their respective tasks.

**Article 146**

**Obligations of Member States**

A financial correction by the Commission shall not prejudice the Member State’s obligation to pursue recoveries under Article 143(2) of this Regulation and to recover State aid within the meaning of Article 107(1) TFEU and under Article 14 of Council Regulation (EC) No 659/1999 (1).

3. For operational programmes for which the Commission concludes that the opinion of the audit authority is reliable, it may agree with the audit authority to limit the Commission’s own on-the-spot audits to audit the work of the audit authority unless there is evidence of deficiencies in the work of the audit authority for an accounting year for which the accounts have been accepted by the Commission.

4. Notwithstanding paragraph 1, the audit authority and the Commission may carry out audits of operations in the event that a risk assessment or an audit by the European Court of Auditors establishes a specific risk of irregularity or fraud, in the case of evidence of serious deficiencies in the effective functioning of the management and control system of the operational programme concerned, and, during the period referred to in Article 140(1). The Commission may, for the purpose of assessing the work of an audit authority, review the audit trail of the audit authority or take part in the on-the-spot audits of the audit authority and, where, in accordance with internationally accepted audit standards, it is necessary for the purpose of obtaining assurance as to the effective functioning of the audit authority, the Commission may carry out audits of operations.

**PART FIVE**

**DELEGATIONS OF POWER, IMPLEMENTING, TRANSITIONAL AND FINAL PROVISIONS**

**CHAPTER I**

**Delegations of power and implementing provisions**

**Article 149**

**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 5(3), the second paragraph of Article 12, the fourth subparagraph of Article 22(7), Article 37(13), the third subparagraph of Article 38(4), Article 40(4), Article 41(3), the second subparagraph of Article 42(1), Article 42(6), the second, third, fourth and seventh subparagraphs of Article 61(3), Articles 63(4) and 64(4), the second subparagraph of Article 68(1), the fourth paragraph of Article 101, the fifth subparagraph of Article 122(2), the first subparagraph of Article 125(8), Article 125(9), Article 127(7) and (8) and Article 144(6) shall be conferred on the Commission from 21 December 2013 until 31 December 2020.

3. The delegation of power referred to in Article 5(3), the second paragraph of Article 12, the fourth subparagraph of Article 22(7), Article 37(13), the third subparagraph of Article 38(4), Article 40(4), Article 41(3), the second subparagraph of Article 42(1), Article 42(6), the second, third, fourth and seventh subparagraphs of Article 61(3), Articles 63(4) and 64(4), the second subparagraph of Article 68(1), the fourth paragraph of Article 101, the fifth subparagraph of Article 122(2), the first subparagraph of Article 125(8), Article 125(9), Article 127(7) and (8) and Article 144(6) 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 5(3), the second paragraph of Article 12, the fourth subparagraph of Article 22(7), Article 37(13), the third subparagraph of Article 38(4), Article 40(4), Article 41(3), the second subparagraph of Article 42(1), Article 42(6), the second, third, fourth and seventh subparagraphs of Article 61(3), Articles 63(4) and 64(4), the second subparagraph of Article 68(1), the fourth paragraph of Article 101, the fifth subparagraph of Article 122(2), the first subparagraph of Article 125(8), Article 125(9), Article 127(7) and (8) and Article 144(6) 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 of the Council.

**Article 150**

**Committee Procedure**

1. In the application of this Regulation, the ERDF Regulation, the ETC Regulation, the ESF Regulation and the CF Regulation, the Commission shall be assisted by a Coordination Committee for the European Structural and Investment 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.

3. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Where the committee delivers no opinion, the Commission shall not adopt the draft implementing act in respect of the implementing powers referred to in the third paragraph of Article 8, the fifth subparagraph of Article 22(7), the second subparagraph of Article 38(3), Article 38(10), the second subparagraph of Article 39(4), Article 46(3), the second subparagraph of Article 96(2), Article 115(4) and the second subparagraph of Article 125(8), and the third subparagraph of Article 5(4) of Regulation (EU) No 182/2011 shall apply.
CHAPTER II

Transitional and final provisions

Article 151

Review
The European Parliament and the Council shall review this Regulation by 31 December 2020 in accordance with Article 177 TFEU.

Article 152

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 1083/2006 or any other legislation applying to that assistance on 31 December 2013. That Regulation or such other applicable legislation shall consequently continue to apply after 31 December 2013 to that assistance or the operations concerned until their closure. For the purposes of this paragraph assistance shall cover operational programmes and major projects.

2. Applications to receive assistance made or approved under Regulation (EC) No 1083/2006 shall remain valid.

3. Where a Member State makes use of the option set out in Article 123(3), it may submit a request to the Commission for the managing authority to carry out the functions of the certifying authority by way of derogation from point (b) of Article 59(1) of Regulation (EC) No 1083/2006 for the corresponding operational programmes implemented on the basis of Regulation (EC) No 1083/2006. The request shall be accompanied by an assessment made by the audit authority. Where the Commission is satisfied on the basis of information made available from the audit authority and from its own audits that the management and control systems of those operational programmes function effectively and that their functioning will not be prejudiced by the managing authority carrying out the functions of the certifying authority, it shall inform the Member State of its agreement within two months of the date of receipt of the request.

Article 153

Repeal

1. Without prejudice to the provisions laid down in Article 152, Regulation (EC) No 1083/2006 is hereby repealed with effect from 1 January 2014.

2. References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table set out in Annex XIV.

Article 154

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.

Articles 20 to 24, Article 29(3), point (a) of Article 38(1), Articles 58, 60, 76 to 92, 118, 120, 121 and Articles 129 to 147 shall apply with effect from 1 January 2014.

The second sentence of the seventh subparagraph of Article 39(2) and the fifth paragraph of Article 76 shall apply with effect from the date on which the amendment to the Financial Regulation relating to the decommitment of appropriations has entered into force.

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

Done at Brussels, 17 December 2013.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
R. ŠADŽIUS
1. INTRODUCTION

In order to promote the harmonious, balanced and sustainable development of the Union and to maximise the contribution of the ESI Funds to the Union strategy for smart, sustainable and inclusive growth as well as the Fund-specific missions of the ESI Funds, including economic, social and territorial cohesion, it is necessary to ensure that policy commitments made in the context of the Union strategy for smart, sustainable and inclusive growth are underpinned by investment through the ESI Funds and other Union instruments. The Common Strategic Framework (CSF) shall therefore, in accordance with Article 10, and in compliance with the priorities and objectives laid down in the Fund-specific Regulations, provide strategic guiding principles in order to achieve an integrated development approach using the ESI Funds coordinated with other Union instruments and policies, in line with the policy objectives and headline targets of the Union strategy for smart, sustainable and inclusive growth and, where appropriate, the flagship initiatives, while taking into account the key territorial challenges and specific national, regional and local contexts.

2. CONTRIBUTION OF ESI FUNDS TO THE UNION STRATEGY FOR SMART, SUSTAINABLE AND INCLUSIVE GROWTH AND COHERENCE WITH THE UNION'S ECONOMIC GOVERNANCE

1. To support effective targeting of smart, sustainable and inclusive growth in the Partnership Agreements and programmes this Regulation identifies eleven thematic objectives, set out in the first paragraph of Article 9, corresponding to the priorities of the Union strategy for smart, sustainable and inclusive growth which shall receive support from the ESI Funds.

2. In line with the thematic objectives set out in the first paragraph of Article 9, Member States shall, in order to ensure critical mass necessary to deliver growth and jobs, concentrate support in accordance with Article 18 of this Regulation and with the Fund-specific rules on thematic concentration, and shall ensure the effectiveness of spending. Member States shall give particular attention to prioritising growth-friendly expenditure, including spending on education, research, innovation and energy efficiency and expenditure to facilitate the access of SMEs to finance, and to ensure environmental sustainability, and the management of natural resources and climate action as well as to modernise public administration. They shall also take account of maintaining or reinforcing the coverage and effectiveness of employment services and active labour market policies in order to combat unemployment, with a focus on youth and tackle the social consequences of the crisis, and promote social inclusion.

3. To ensure consistency with priorities established in the context of the European Semester, in preparing their Partnership Agreements, Member States shall plan the use of the ESI Funds taking into account the National Reform Programmes, where appropriate, and the most recent relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and relevant Council recommendations adopted in accordance with Article 148(4) TFEU in accordance with their respective roles and obligations. Member States, where necessary, shall also take into account relevant Council recommendations based on the Stability and Growth Pact and the economic adjustment programmes.

4. In order to determine the way in which the ESI Funds can most effectively contribute to the Union strategy for smart, sustainable and inclusive growth, and to take account of the Treaty objectives, including economic, social and territorial cohesion, Member States shall select the thematic objectives for the planned use of the ESI Funds within the appropriate national, regional and local contexts.

3. INTEGRATED APPROACH TO AND ARRANGEMENTS FOR THE USE OF THE ESI FUNDS

3.1 Introduction

1. In accordance with point (a) of Article 15(2) the Partnership Agreement shall indicate an integrated approach to territorial development. Member States shall ensure that the selection of thematic objectives and investment and Union priorities addresses development needs and territorial challenges in an integrated manner in line with the analysis set out in section 6.4. Member States shall seek to make maximum use of the possibilities for ensuring coordinated and integrated delivery of the ESI funds.

2. Member States and, where appropriate in accordance with Article 4(4), regions shall ensure that the interventions supported through the ESI Funds are complementary and are implemented in a coordinated manner with a view to creating synergies, in order to reduce the administrative cost and burden for managing bodies and beneficiaries in accordance with Articles 4, 15 and 27.
3.2 Coordination and complementarity

1. Member States and managing authorities responsible for the implementation of the ESI Funds shall work closely together in the preparation, implementation, monitoring and evaluation of the Partnership Agreement and programmes. In particular, they shall ensure that the following actions are carried out:

(a) identify areas of intervention where the ESI Funds can be combined in a complementary manner to achieve the thematic objectives set out in this Regulation;

(b) ensure in accordance with Article 4(6), the existence of arrangements for the effective coordination of the ESI Funds in order to increase the impact and effectiveness of the Funds including, where appropriate, through the use of multi-fund programmes for the Funds;

(c) promote the involvement of managing authorities responsible for other ESI Funds and relevant ministries in the development of support schemes to ensure coordination and synergies and to avoid overlaps;

(d) establish, where appropriate, joint monitoring committees for programmes implementing the ESI Funds, and the development of other joint management and control arrangements to facilitate coordination between authorities responsible for the implementation of the ESI Funds;

(e) make use of available joint eGovernance solutions, which may assist applicants and beneficiaries, and make the widest possible use of "one-stop shops", including for advice on the opportunities of support available through each of the ESI Funds;

(f) establish mechanisms to coordinate cooperation activities financed by the ERDF and the ESF with investments supported by the programmes under the Investment for growth and jobs goal;

(g) promote common approaches between ESI Funds with regard to guidance for the development of operations, calls for proposals and selection processes or other mechanisms to facilitate access to Funds for integrated projects;

(h) encourage cooperation between managing authorities of different ESI Funds in the areas of monitoring, evaluation, management and control, and audit.

3.3 Encouraging integrated approaches

1. Member States shall, where appropriate, combine the ESI Funds into integrated packages at local, regional or national level, which are tailor-made to address specific territorial challenges in order to support the achievement of the objectives set out in the Partnership Agreement and programmes. This can be done using ITIs, Integrated operations, Joint Action Plans and community-led local development.

2. In accordance with Article 36 to achieve integrated use of thematic objectives, funding from different priority axes or operational programmes supported by the ESF, ERDF and Cohesion Fund may be combined under an ITI. Actions carried out under an ITI may be complemented with financial support from the programmes under the EAFRD or the EMFF respectively.

3. In accordance with the relevant provisions of the Fund-specific rules, to increase impact and effectiveness in a thematically coherent integrated approach a priority axis may concern more than one category of region, combine one or more complementary investment priorities from the ERDF, Cohesion Fund and ESF under one thematic objective and, in duly justified cases combine one or more complementary investment priorities from different thematic objectives in order to achieve the maximum contribution to that priority axis.

4. Member States shall promote, in accordance with their institutional and legal framework and with Article 32 the development of local and sub-regional approaches. Community-led local development shall be implemented in the context of a strategic approach to ensure that the 'bottom-up' definition of local needs takes account of priorities set at a higher level. Member States shall therefore define the approach to community-led local development in the EAFRD and, where appropriate, in the ERDF, the ESF or the EMFF in accordance with Article 15(2) and shall indicate in the Partnership Agreement the main challenges to be tackled in this way, the main objectives and priorities for community-led local development, the types of territories to be covered, the specific role to be attributed to local action groups in the delivery of strategies and the role envisaged for the EAFRD and where appropriate for the ERDF, the ESF or the EMFF in implementing community-led local development strategies in different types of territories such as rural, urban and coastal areas and the corresponding co-ordination mechanisms.
4. COORDINATION AND SYNERGIES BETWEEN ESI FUNDS AND OTHER UNION POLICIES AND INSTRUMENTS

Coordination by Member States as envisaged under this section shall apply in so far as a Member State intends to make use of support from the ESI Funds and other Union instruments in the relevant policy area. The Union programmes set out in this section do not constitute an exhaustive list.

4.1 Introduction

1. Member States and the Commission shall, in accordance with their respective responsibilities, take into consideration the impact of Union policies at national and regional level, and on social, economic and territorial cohesion with a view to fostering synergies and effective coordination and to identifying and promoting the most suitable means of using Union funds to support local, regional and national investment. Member States shall also ensure complementarity between Union policies and instruments and national, regional and local interventions.

2. Member States and the Commission shall, in accordance with Article 4(6) and with their respective responsibilities, ensure coordination between the ESI Funds and other relevant Union instruments at Union and Member State level. They shall take appropriate steps to ensure consistency, at programming and implementation stages, between interventions supported by the ESI Funds and the objectives of other Union policies. To this end, they shall seek to take into account the following aspects:

(a) enhancing complementarities and synergies between different Union instruments at Union, national and regional level, both in the planning phase and during implementation;

(b) optimise existing structures and where necessary, establish new structures that facilitate the strategic identification of priorities for the different instruments and structures for coordination at Union and national level that avoid duplication of effort and identify areas where additional financial support is needed;

(c) make use of the potential to combine support from different instruments to support individual operations and work closely with those responsible for implementation at Union and national level to deliver coherent and streamlined funding opportunities for beneficiaries.

4.2 Coordination with the Common Agricultural Policy and the Common Fisheries Policy

1. The EAFRD is an integral part of the Common Agricultural Policy and complements the measures under the European Agricultural Guarantee Fund which provide direct support to farmers and support market measures. Member States shall therefore manage those interventions together so as to maximise synergies and the added value of Union support.

2. The EMFF aims to achieve the objectives of the reformed Common Fisheries Policy and of the Integrated Maritime Policy. Member States shall therefore make use of the EMFF to support efforts to improve data collection and strengthen control, and ensure that synergies are also sought in support of the priorities of Integrated Maritime Policy, such as marine knowledge, maritime spatial planning, integrated coastal zone management, integrated maritime surveillance, the protection of the marine environment and of biodiversity, and the adaptation to the adverse effects of climate change on coastal areas.

4.3 Horizon 2020 and other centrally managed Union programmes in the areas of research and innovation

1. Member States and the Commission shall have due regard to strengthening coordination, synergies and complementarities between the ESI Funds and Horizon 2020, the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) in accordance with Regulation (EU) No 1287/2013 of the European Parliament and of the Council (1), and other relevant centrally managed Union funding programmes while also establishing a clear division of areas of intervention between them.

2. Member States shall develop national and/or regional ‘smart specialisation’ strategies in line with the National Reform Programme, where appropriate. Such strategies may take the form of or be included in a national or a regional research and innovation strategic policy framework for ‘smart specialisation’. Smart specialisation strategies shall be developed through involving national or regional managing authorities and stakeholders such as universities and other higher education institutions, industry and social partners in an entrepreneurial discovery process. The authorities directly concerned by Horizon 2020 shall be closely associated with that process. Smart specialisation strategies shall include:

(a) "Upstream actions" to prepare regional R&I players to participate in Horizon 2020 ("stairways to excellence") to be developed, where necessary, through capacity-building. Communication and cooperation between Horizon 2020 national contact points and managing authorities of the ESI Funds shall be strengthened.

(b) "Downstream actions" to provide the means to exploit and diffuse R&I results, stemming from Horizon 2020 and preceding programmes, into the market with particular emphasis on creating an innovation-friendly environment for business and industry, including SMEs and in line with the priorities identified for the territories in the relevant smart specialisation strategy.

3. Member States shall encourage the use of the provisions in this Regulation that allow the ESI Funds to be combined with resources under Horizon 2020 in the relevant programmes used to implement parts of the strategies referred to in point 2. Joint support shall be provided to national and regional authorities for the design and implementation of such strategies, to identify opportunities for joint financing of R&I infrastructures of European interest, the promotion of international collaboration, methodological support through peer reviews, exchange of good practice, and training throughout regions.

4. Member States and, where appropriate under Article 4(4), regions, shall consider additional measures aimed at unlocking their potential for excellence in R&I, in a manner that is complementary to and creates synergies with Horizon 2020, in particular through joint funding. Those measures shall consist of:

(a) linking excellent research institutions and less developed regions as well as low-performing Research, Development and Innovation (RDI) Member States and regions to create new or upgrade existing centres of excellence in less developed regions as well as in low-performing RDI Member States and regions;

(b) building links in less developed regions as well as in low-performing RDI Member States and regions between innovative clusters of recognised excellence;

(c) establishing "ERA Chairs" to attract outstanding academics, in particular to less developed regions and low-performing RDI Member States and regions;

(d) supporting access to international networks for researchers and innovators who lack sufficient involvement in the European Research Area (ERA) or are from less developed regions or low-performing RDI Member States and regions;

(e) contributing as appropriate to the European Innovation Partnerships;

(f) preparing national institutions and/or clusters of excellence for participation in the Knowledge and Innovation Communities (KICs) of the European Institute of Innovation and Technology (EIT); and

(g) hosting high-quality international researcher mobility programmes with co-funding from the "Marie Skłodowska-Curie Actions".

Member States shall endeavour to use where appropriate, and in accordance with Article 70, the flexibility to support operations outside the programme area, with a level of investment sufficient to attain a critical mass, in order to implement the measures referred to in the first subparagraph as effectively as possible.

4.4 New Entrants Reserve (NER) 300 demonstration funding (1)

Member States shall ensure that financing from the ESI Funds is coordinated with support from the NER 300 Programme, which uses the revenues from auctioning 300 million allowances reserved under the new entrants reserve of the European Emissions Trading Scheme.

4.5 Programme for the Environment and Climate Action (LIFE) (1) and the environmental acquis

1. Member States and the Commission shall, through a stronger thematic focus in programmes and the application of the principle of sustainable development in accordance with Article 8, seek to exploit synergies with Union policy instruments (both funding and non-funding instruments) serving climate change mitigation and adaptation, environmental protection and resource efficiency.

2. Member States shall promote and, where appropriate and in accordance with Article 4, ensure complementarity and coordination with LIFE, in particular with integrated projects in the areas of nature, biodiversity, water, waste, air, climate change mitigation and adaptation. Such coordination shall be achieved through measures such as promoting the funding of activities through the ESI Funds that complement integrated projects under LIFE as well as by promoting the use of solutions, methods and approaches validated under LIFE, inter alia, including investments in green infrastructure, energy efficiency, eco-innovation, ecosystem-based solutions, and the adoption of related innovative technologies.

3. The relevant sectoral plans, programmes or strategies (including the Prioritised Action Framework, the River Basin Management Plan, the Waste Management Plan, the mitigation plan or adaptation strategy) may serve as the coordination framework, where support is envisaged for the areas concerned.

4.6 ERASMUS + (2)

1. Member States shall seek to use ESI Funds to mainstream tools and methods developed and tested successfully under "Erasmus +" in order to maximise the social and economic impact of investment in people and, inter alia, give impetus to youth initiatives and citizens actions.

2. Member States shall promote and ensure in accordance with Article 4, effective coordination between ESI Funds and "Erasmus +" at national level through a clear distinction in the types of investment and target groups supported. Member States shall seek complementarity with regard to the funding of mobility actions.

3. Coordination shall be achieved by putting in place appropriate cooperation mechanisms between managing authorities and the national agencies established under the "Erasmus +" programme, which can foster transparent and accessible communication towards citizens at Union, national and regional level.

4.7 European Union Programme for Employment and Social Innovation (EaSI) (3)

1. Member States shall promote and ensure in accordance with Article 4(6) effective coordination between the European Union Programme for Employment and Social Innovation (EaSI) and the support provided by the ESI Funds under the employment and social inclusion thematic objectives. That effective coordination includes coordination of support provided under the EURES axis of the EaSI with actions to enhance transnational labour mobility supported by the ESF in order to promote workers' geographical mobility and boost employment opportunities, as well as coordination between the ESI Funds' support for self-employment, entrepreneurship, business creation and social enterprises and the EaSI support under the microfinance and social entrepreneurship axis.

2. Member States shall seek to scale-up the most successful measures developed under the Progress axis of the EaSI, notably on social innovation and social policy experimentation with the support of the ESF.

4.8 Connecting Europe Facility (CEF) (4)

1. To maximise European added value in the fields of transport, telecommunication and energy, Member States and the Commission shall ensure that ERDF and Cohesion Fund interventions are planned in close cooperation with the support provided from the CEF, so as to ensure complementarity, avoid duplication of efforts and ensure the optimal linkage of different types of infrastructure at local, regional and national levels, and across the Union.

Maximum leverage of the different funding instruments shall be ensured for projects with a Union and Internal Market dimension, which deliver the highest European added-value, and promote social economic and territorial cohesion, in particular those projects implementing the priority transport, energy and digital infrastructure networks as identified in the respective trans-European network policy frameworks, in order to build new infrastructure and substantially upgrade existing infrastructure.

2. In the field of transport, investment planning shall be based on real and projected transport demand and identify missing links and bottlenecks, taking into account, in a coherent approach, the development of Union cross border links, and developing links across regions within a Member State. Investments in regional connectivity to the comprehensive trans-European transport network (TEN-T) and to the core TEN-T network shall ensure that urban and rural areas benefit from the opportunities created by major networks.

3. Prioritisation of investments which have an impact beyond a certain Member State, particularly those which are part of the core TEN-T network corridors, shall be coordinated with TEN-T planning and core network corridors implementation plans, so that investments by the ERDF and the Cohesion Fund in transport infrastructure are fully in line with the TEN-T Guidelines.

4. Member States shall focus on sustainable forms of transport and sustainable urban mobility and on investing in areas that offer the greatest European added value, taking into account the need to improve the quality, accessibility and reliability of transport services to promote public transport. Once identified, investments shall be prioritised according to their contribution to mobility, sustainability, to reducing greenhouse gas emissions, and to the Single European Transport Area, in accordance with the vision set out in the White Paper entitled "Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system”, highlighting that a significant reduction in greenhouse gases is required in the transport sector. The contribution of projects to sustainable European freight transport networks through the development of inland waterways should be promoted on the basis of a prior assessment of their environmental impact.

5. The ESI Funds shall deliver the local and regional infrastructures and their linkages to the priority Union networks in the energy and telecommunication areas.

6. Member States and the Commission shall put in place appropriate coordination and technical support mechanisms to ensure the complementarity and effective planning of ICT measures to make full use of the different Union instruments (ESI Funds, CEF, Trans-European networks, Horizon 2020) for the financing of broadband networks and the digital service infrastructures. The selection of the most appropriate financing instrument shall take into account the revenue generating potential of the operation and its level of risk in order to make the most effective use of public funds. In the context of their evaluation of applications for support from the ESI Funds, Member States should have regard to the evaluations of operations relating to those that have been submitted for CEF but not selected, without prejudice to the final selection decision by the managing authority.

4.9 Instrument for Pre-accession Assistance, European Neighbourhood Instrument and European Development Fund

1. Member States and the Commission shall, in accordance with their respective responsibilities, seek to increase coordination between external instruments and the ESI Funds to improve effectiveness in achieving multiple Union policy objectives. Coordination and complementarities with the European Development Fund, the Pre Accession Instrument and the European Neighbourhood Instrument is particularly important.

2. To support deeper territorial integration, Member States shall seek to capitalise on synergies between territorial cooperation activities under cohesion policy and the European Neighbourhood Instruments, in particular with regard to cross border cooperation activities, taking account of the potential offered by EGTCs.

5. HORIZONTAL PRINCIPLES REFERRED TO IN ARTICLES 5, 7 AND 8 AND CROSS-CUTTING POLICY OBJECTIVES

5.1 Partnership and multi-level governance

1. In accordance with Article 5, the principle of partnership and multi-level governance shall be respected by Member States in order to facilitate achieving social, economic and territorial cohesion and delivery of the Union's priorities of smart, sustainable and inclusive growth. In order to respect those principles coordinated action is required, in particular between the different levels of governance, carried out in accordance with the principles of subsidiarity and proportionality, including by means of operational and institutional cooperation, with regard to the preparation and implementation of the Partnership Agreement and programmes.
2 Member States shall examine the need for strengthening the institutional capacity of partners in order to develop their potential in contributing to the effectiveness of the partnership.

5.2 Sustainable development

1. Member States and managing authorities shall, in all phases of implementation, ensure the full mainstreaming of sustainable development into the ESI Funds, respecting the principle of sustainable development as laid down in Article 3(3) TEU, as well as complying with the obligation to integrate environmental protection requirements pursuant to Article 11 TFEU and the polluter pays principle as set out in Article 191(2) TFEU.

Managing authorities shall undertake actions throughout the programme lifecycle, to avoid or reduce environmentally harmful effects of interventions and ensure results in net social, environmental and climate benefits. Actions to be undertaken may include the following:

(a) directing investments towards the most resource-efficient and sustainable options;

(b) avoiding investments that may have a significant negative environmental or climate impact, and supporting actions to mitigate any remaining impacts;

(c) taking a long-term perspective when 'life-cycle' costs of alternative options for investment are compared;

(d) increasing the use of green public procurement.

2. Member States shall take into consideration the climate change mitigation and adaptation potential of investments made with the support of the ESI Funds, in accordance with Article 8, and ensure that they are resilient to the impact of climate change and natural disasters such as increased risks of flooding, droughts, heat waves, forest fires and extreme weather events.

3. Investments shall be consistent with the water management hierarchy, in line with Directive 2000/60/EC of the European Parliament and of the Council (\(^1\)), with a focus on demand management options. Alternative supply options shall only be considered when the potential for water savings and efficiency has been exhausted. Public intervention in the waste management sector shall complement efforts by the private sector, in particular in relation to producer responsibility. Investments shall encourage innovative approaches that promote high levels of recycling. Investments shall be consistent with the waste hierarchy established under Directive 2008/98/EC of the European Parliament and of the Council (\(^2\)). Expenditure related to biodiversity and the protection of natural resources shall be consistent with Council Directive 92/43/EEC (\(^3\)).

5.3 Promotion of equality between men and women and non-discrimination

1. In accordance with Article 7, Member States and the Commission shall pursue the objective of equality between men and women and shall take appropriate steps to prevent any discrimination during the preparation, implementation, monitoring and evaluation of operations in the programmes co-financed by the ESI Funds. When pursuing the objectives of Article 7, Member States shall describe actions to be taken, in particular with regard to selection of operations, setting of objectives for interventions, and arrangements for monitoring and reporting. Member States shall also carry out gender analyses where appropriate. In particular, specific targeted actions shall be supported through the ESF.

2. Member States shall ensure, in accordance with Articles 5 and 7, the participation of the relevant bodies responsible for promoting gender equality and non-discrimination in the partnership, and ensure adequate structures in accordance with national practices to advise on gender equality, non-discrimination and accessibility in order to provide the necessary expertise in the preparation, monitoring and evaluation of the ESI Funds.

3. Managing authorities shall undertake evaluations or self-assessment exercises, in coordination with the monitoring committees, focusing on the application of the gender mainstreaming principle.

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4. Member States shall address, in an appropriate manner, the needs of disadvantaged groups in order to allow them to better integrate into the labour market, and thereby facilitate their full participation in society.

5.4 Accessibility

1. Member States and the Commission shall, in accordance with Article 7, take appropriate steps to prevent any discrimination based on disability. Managing authorities shall ensure by means of action throughout programme lifecycles that all products, goods, services and infrastructures that are open or provided to the public and are co-financed by the ESI Funds are accessible to all citizens including those with disabilities in accordance with applicable law, thereby contributing to a barrier-free environment for persons with disabilities and the elderly. In particular, accessibility to the physical environment, transport, ICT in order to promote inclusion of disadvantaged groups, including persons with disabilities, shall be ensured. Actions to be undertaken may include directing investments towards accessibility in existing buildings and established services.

5.5 Addressing demographic change

1. The challenges resulting from demographic change, including in particular those related to a shrinking working population, an increasing proportion of retired people in the overall population and to depopulation, shall be taken into account at all levels. Member States shall make use of the ESI Funds, in line with relevant national or regional strategies, where such strategies are in place, to tackle demographic problems and to create growth linked to an ageing society.

2. Member States shall use the ESI Funds, in line with relevant national or regional strategies to facilitate inclusion of all age groups, including through improved access to education and social support structures with a view to enhancing job opportunities for the elderly and young people and with a focus on regions with high rates of youth unemployment in comparison to the Union average rate. Investments in health infrastructures shall be aimed at ensuring a long and healthy working life for all of the Union's citizens.

3. To address challenges in the regions most affected by demographic change, Member States shall in particular identify measures to:

   (a) support demographic renewal through better conditions for families and an improved balance between working and family life;

   (b) boost employment, raise productivity and economic performance through investing in education, ICT and research and innovation;

   (c) focus on the adequacy and quality of education, training and social support structures as well as where appropriate, on the efficiency of social protection systems;

   (d) promote cost-effective provision of health care and long-term care including investment in e-health, e-care and infrastructure.

5.6 Climate change mitigation and adaptation

In accordance with Article 8, climate change mitigation and adaptation, and risk prevention shall be integrated in the preparation and implementation of Partnership Agreements and programmes.

6. ARRANGEMENTS FOR ADDRESSING KEY TERRITORIAL CHALLENGES

6.1 Member States shall take account of geographic or demographic features and take steps to address the specific territorial challenges of each region to unlock their specific development potential, thereby also helping them to achieve smart, sustainable and inclusive growth in the most efficient way.

6.2 The choice and combination of thematic objectives, as well as the selection of corresponding investment and Union priorities and the specific objectives set shall reflect the needs and potential for smart, sustainable and inclusive growth of each Member State and region.
6.3 When preparing Partnership Agreements and programmes Member States shall therefore take into consideration that
the major societal challenges faced by the Union today – globalisation, demographic change, environmental degra-
dation, migration, climate change, energy use, the economic and social consequences of the crisis – may have
different impacts in different regions.

6.4 With a view to an integrated territorial approach to addressing territorial challenges Member States shall ensure that
programmes under the ESI Funds reflect the diversity of European regions, in terms of employment and labour
market characteristics, interdependencies between different sectors, commuting patterns, population ageing and
demographic shifts, cultural, landscape and heritage features, climate change vulnerabilities and impacts, land use
and resource constraints, potential for more sustainable use of natural resources including renewables, institutional
and governance arrangements, connectivity and accessibility, and linkages between rural and urban areas. In
accordance with point (a) of Article 13(1), Member States and regions shall therefore undertake the following
steps for the purpose of preparation of their Partnership Agreements and programmes:

(a) An analysis of the Member State’s or region’s characteristics, development potential and capacity, particularly in
relation to the key challenges identified in the Union strategy for smart, sustainable and inclusive growth, the
National Reform Programmes, where appropriate, relevant country-specific recommendations adopted in
accordance with Article 121(2) TFEU and in relevant Council recommendations adopted in accordance with
Article 148(4)TFEU;

(b) An assessment of the major challenges to be addressed by the region or Member State, the identification of the
bottlenecks and missing links, innovation gaps, including the lack of planning and implementation capacity that
inhibit the long-term potential for growth and jobs. This shall form the basis for the identification of the possible
fields and activities for policy prioritisation, intervention and concentration;

(c) An assessment of the cross-sectoral, cross-jurisdictional or cross-border coordination challenges, particularly in
the context of macro-regional and sea-basin strategies;

(d) Identification of steps to achieve improved coordination across different territorial levels, taking account of the
appropriate territorial scale and context for policy design as well as Member States’ institutional and legal
framework, and sources of funding to deliver an integrated approach linking the Union strategy for smart,
sustainable and inclusive growth with regional and local actors.

6.5 In order to take into account the objective of territorial cohesion, the Member States and regions shall, in particular,
ensure that the overall approach to promoting smart, sustainable and inclusive growth in the areas concerned:

(a) reflects the role of cities, urban and rural areas, fisheries and coastal areas, and areas facing specific geographical
or demographic handicaps;

(b) takes account of the specific challenges of the outermost regions, the northernmost regions with a very low
population density and of island, cross-border or mountain regions;

(c) addresses urban-rural linkages, in terms of access to affordable, high quality infrastructure and services, and
problems in regions with a high concentration of socially marginalised communities.

7. COOPERATION ACTIVITIES
7.1 Coordination and complementarity

1. Member States shall seek complementarity between cooperation activities and other actions supported by the ESI
Funds.

2. Member States shall ensure that cooperation activities make an effective contribution to the objectives of the
Union strategy for smart, sustainable and inclusive growth and that cooperation is organised in support of wider
policy goals. To achieve this Member States and the Commission shall, in accordance with their respective
responsibilities, ensure complementarity and coordination with other Union-funded programmes or instruments.
3. To reinforce the effectiveness of cohesion policy Member States shall seek coordination and complementarity between programmes under the European territorial cooperation goal and the Investment for growth and jobs goal, in particular to ensure coherent planning and facilitate the implementation of large-scale investment.

4. Member States shall, where appropriate, ensure that the objectives of macro-regional and sea-basin strategies form part of the overall strategic planning, in Partnership Agreements, in accordance with Article 15(2) of this Regulation, and in programmes in the regions and Member States concerned in accordance with the relevant provisions of the Fund-specific rules. Member States shall seek also to ensure that where macro-regional and sea basin strategies have been put in place, the ESI Funds support their implementation in accordance with Article 15(2) of this Regulation and the relevant provisions of the Fund-specific rules and in line with the needs of the programme area identified by the Member States. To ensure efficient implementation there shall also be coordination with other Union-funded instruments and other relevant instruments.

5. Member States shall, where appropriate, ensure that the objectives of macro-regional and sea-basin strategies form part of the overall strategic planning, in Partnership Agreements, in accordance with Article 15(2) of this Regulation, and in programmes in the regions and Member States concerned in accordance with the relevant provisions of the Fund-specific rules. Member States shall seek also to ensure that where macro-regional and sea basin strategies have been put in place, the ESI Funds support their implementation in accordance with Article 15(2) of this Regulation and the relevant provisions of the Fund-specific rules and in line with the needs of the programme area identified by the Member States. To ensure efficient implementation there shall also be coordination with other Union-funded instruments and other relevant instruments.

6. Member States shall make the best use of territorial cooperation programmes in overcoming barriers to cooperation beyond administrative borders, while contributing to the Union strategy for smart, sustainable and inclusive growth as well as strengthening economic, social and territorial cohesion. In this context, particular attention shall be paid to the regions covered by Article 349 TFEU.

7. Cross-border, transnational and interregional cooperation under the ERDF

1. Member States and regions shall seek to make use of cooperation to achieve critical mass, in particular in the field of ICT and research and innovation, and also to promote the development of joint smart specialisation approaches and partnerships among educational institutions. Interregional cooperation shall, where appropriate, include fostering cooperation between innovative research-intensive clusters and exchanges between research institutions taking into consideration the experience of "Regions of Knowledge" and "Research Potential in Convergence and Outermost Regions" under the Seventh Framework Programme for Research.

2. Member States and regions shall, in the areas concerned, seek to draw on cross-border and transnational cooperation to:

   (a) ensure that areas that share major geographical features (islands, lakes, rivers, sea basins or mountain ranges) support the joint management and promotion of their natural resources;

   (b) exploit the economies of scale that can be achieved, in particular with regard to investment related to the shared use of common public services;

   (c) promote coherent planning and development of cross-border network infrastructure, in particular missing cross-border links, and environmentally friendly and interoperable transport modes in larger geographical areas;

   (d) achieve critical mass, particularly in the field of research and innovation and ICT, education and in relation to measures improving the competitiveness of SMEs;

   (e) strengthen cross-border labour market services to foster the mobility of workers across borders;

   (f) improve cross-border governance.

3. Member States and regions shall seek to make use of interregional cooperation to reinforce the effectiveness of Cohesion Policy by encouraging exchange of experience between regions and cities to enhance design and implementation of programmes under the Investment for growth and jobs goal and the European territorial cooperation goal.
7.3 Contribution of mainstream programmes to macro-regional and sea-basin strategies

1. In accordance with point (a)(ii) of Article 15(2) of this Regulation and the relevant provisions of the Fund-specific rules Member States shall seek to ensure successful mobilisation of Union funding for macro-regional and sea-basin strategies in line with the needs of the programme area identified by the Member States. Ensuring successful mobilisation may be done, among other actions, by prioritising operations deriving from macro-regional and sea-basin strategies by organising specific calls for them or giving priority to these operations in the selection process through identification of operations which can be jointly financed from different programmes.

2. Member States shall consider making use of relevant transnational programmes as frameworks to support the range of policies and funds needed to implement macro-regional and sea-basin strategies.

3. Member States shall promote, where appropriate, the use of ESI Funds in the context of macro-regional strategies, for the creation of European transport corridors, including supporting modernisation of customs, the prevention, preparedness and response to natural disasters, water management at river basin level, green infrastructure, integrated maritime cooperation across borders and sectors, R&I and ICT networks and management of shared marine resources in the sea basin and protection of marine biodiversity.

7.4 Transnational cooperation under the ESF

1. Member States shall seek to address policy areas identified in the relevant Council recommendations in order to maximise mutual learning.

2. Member States shall, where appropriate, select the themes for transnational activities and establish appropriate implementation mechanisms in accordance with their specific needs.
METHOD FOR ESTABLISHING THE PERFORMANCE FRAMEWORK

1. The performance framework shall consist of milestones established for each priority, with the exception of priorities dedicated to technical assistance and programmes dedicated to financial instruments in accordance with Article 39, for the year 2018 and targets established for 2023. The milestones and targets shall be presented in accordance with the format set out in table 1.

Table 1: Standard format for the performance framework

<table>
<thead>
<tr>
<th>Priority</th>
<th>Indicator and measurement unit, where appropriate</th>
<th>Milestone for 2018</th>
<th>Target for 2023</th>
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2. Milestones are intermediate targets, directly linked to the achievement of the specific objective of a priority, where appropriate, expressing the intended progress towards the targets set for the end of the period. Milestones established for 2018 shall include financial indicators, output indicators and, where appropriate result indicators, which are closely linked to the supported policy interventions. Result indicators shall not be taken into account for the purposes of Article 22(6) and (7). Milestones may also be established for key implementation steps.

3. Milestones and targets shall be:
   
   (a) realistic, achievable, relevant, capturing essential information on the progress of a priority;
   
   (b) consistent with the nature and character of the specific objectives of the priority;
   
   (c) transparent, with objectively verifiable targets and the source data identified and, where possible, publicly available;
   
   (d) verifiable, without imposing a disproportionate administrative burden;
   
   (e) consistent across programmes, where appropriate.

4. The targets for 2023 for a given priority shall be established taking into account the amount of performance reserve related to the priority.

5. In duly justified cases, such as a significant change in the economic, environmental and labour market conditions in a Member State or region, and in addition to amendments resulting from changes in allocations for a given priority, that Member State may propose the revision of milestones and targets in accordance with Article 30.
ANNEX III

PROVISIONS FOR DETERMINING THE SCOPE AND THE LEVEL OF SUSPENSION OF COMMITMENTS OR PAYMENTS REFERRED TO IN ARTICLE 23(11)

1. DETERMINING THE LEVEL OF SUSPENSION OF COMMITMENTS

The maximum level of suspension applied to a Member State shall in the first instance be determined taking into account the ceilings set out in points (a) to (c) of the third subparagraph of Article 23(11). That level shall be reduced if one or more of the following apply:

(a) where the unemployment rate in the Member State for the year preceding the trigger event referred to in Article 23(9) exceeds the average rate for the Union by more than two percentage points, the maximum level of suspension shall be reduced by 15 %;

(b) where the unemployment rate in the Member State for the year preceding the trigger event referred to in Article 23(9) exceeds the average rate for the Union by more than five percentage points, the maximum level of suspension shall be reduced by 25 %;

(c) where the unemployment rate in the Member State for the year preceding the trigger event referred to in Article 23(9) exceeds the average rate for the Union by more than eight percentage points, the maximum level of suspension shall be reduced by 50 %;

(d) where the proportion of people at risk of poverty or social exclusion in the Member State exceeds the average for the Union by more than 10 percentage points for the year preceding the trigger event referred to in Article 23(9), the maximum level of suspension shall be reduced by 20 %;

(e) where the Member State experiences a contraction of real GDP for two or more consecutive years preceding the trigger event referred to in Article 23(9), the maximum level of suspension shall be reduced by 20 %;

(f) where the suspension concerns commitments for the years 2018, 2019 or 2020, a reduction shall be applied to the level resulting from the application of Article 23(11) as follows:

(i) for the year 2018, the level of suspension shall be reduced by 15 %;

(ii) for the year 2019, the level of suspension shall be reduced by 25 %;

(iii) for the year 2020, the level of suspension shall be reduced by 50 %.

The reduction in the level of suspension resulting from the application of points (a) to (f) shall not exceed in total 50 %.

In the event that the situation described in point (b) or (c) occurs simultaneously with both points (d) and (e), the effect of the suspension shall be postponed by one year.

2. DETERMINING THE SCOPE OF SUSPENSION OF COMMITMENTS ACROSS PROGRAMMES AND PRIORITIES

A suspension of commitments applied to a Member State shall in the first instance proportionally affect all programmes and priorities.

However, the following programmes and priorities shall be excluded from the scope of the suspension:

(i) programmes or priorities which are already subject to a suspension decision adopted in accordance with Article 23(6);

(ii) programmes or priorities whose resources are to be increased as a result of a reprogramming request addressed by the Commission in accordance with Article 23(1) in the year of the trigger event referred to in Article 23(9);

(iii) programmes or priorities whose resources have been increased within the two years preceding the trigger event referred to in Article 23(9) as a result of a decision adopted in accordance with Article 23(5);
(iv) programmes or priorities which are of critical importance to addressing adverse economic or social conditions. Such programmes or priorities shall cover programmes or priorities supporting investments of particular importance to the Union related to the YEI. Programmes or priorities may be considered of such critical importance when they support investments related to the implementation of recommendations addressed to the Member State concerned in the framework of the European Semester and aimed at structural reforms, or related to priorities supporting poverty reduction or to financial instruments for the competitiveness of SMEs.

3. DETERMINING THE FINAL LEVEL OF SUSPENSION OF COMMITMENTS FOR THE PROGRAMMES FALLING WITHIN THE SCOPE OF THE SUSPENSION

The exclusion of a priority within a programme shall be carried out by reducing the commitment of the programme pro rata to the allocation to the priority.

The level of suspension to be applied to the commitments of the programmes shall be that which is necessary to reach the aggregate level of suspension determined under point 1.

4. DETERMINING THE SCOPE AND THE LEVEL OF SUSPENSION OF PAYMENTS

The programmes and priorities referred to under point 2(i) to (iv) shall also be excluded from the scope of suspension of payments.

The level of suspension to be applied shall not exceed 50 % of the payments of programmes and priorities.
ANNEX IV

IMPLEMENTATION OF FINANCIAL INSTRUMENTS: FUNDING AGREEMENTS

1. Where a financial instrument is implemented under points (a) and (b) of Article 38(4), the funding agreement shall include the terms and conditions for making contributions from the programme to the financial instrument and shall include at least the following elements:

(a) the investment strategy or policy including implementation arrangements, financial products to be offered, final recipients targeted, and envisaged combination with grant support (as appropriate);

(b) a business plan or equivalent documents for the financial instrument to be implemented, including the expected leverage effect referred to in Article 37(2);

(c) the target results that the financial instrument concerned is expected to achieve to contribute to the specific objectives and results of the relevant priority;

(d) provisions for monitoring of the implementation of investments and of deal flows including reporting by the financial instrument to the fund of funds and/or the managing authority to ensure compliance with Article 46;

(e) audit requirements, such as minimum requirements for documentation to be kept at the level of the financial instrument (and at the level of the fund of funds where appropriate), and requirements in relation to the maintenance of separate records for the different forms of support in compliance with Article 37(7) and (8) (where applicable), including provisions and requirements regarding access to documents by audit authorities of Member States, Commission auditors and the European Court of Auditors in order to ensure a clear audit trail, in accordance with Article 46;

(f) requirements and procedures for managing the phased contribution provided by the programme in accordance with Article 41 and for the forecast of deal flows, including requirements for fiduciary/separate accounting as set out in Article 38(6);

(g) requirements and procedures for managing interest and other gains generated as referred to in Article 43, including acceptable treasury operations/investments, and the responsibilities and liabilities of the parties concerned;

(h) provisions regarding the calculation and payment of management costs incurred or of the management fees of the financial instrument;

(i) provisions regarding the re-utilisation of resources attributable to the support from the ESI Funds until the end of the eligibility period in compliance with Article 44;

(j) provisions regarding the use of resources attributable to the support of the ESI Funds after the end of the eligibility period in compliance with Article 45 and an exit policy for the contribution from the ESI Funds out of the financial instrument;

(k) conditions for a possible total or partial withdrawal of programme contributions from programmes to financial instruments, including the fund of funds where applicable;

(l) provisions to ensure that bodies implementing financial instruments manage financial instruments with independence and in accordance with the relevant professional standards, and act in the exclusive interest of the parties providing contributions to the financial instrument;

(m) provisions for the winding-up of the financial instrument.

In addition, where financial instruments are organised through a fund of funds, the funding agreement between the managing authority and the body that implements the fund of funds must also provide for the appraisal and selection of bodies implementing the financial instruments, including calls for expression of interest or public procurement procedures.

2. Strategy documents referred to under Article 38(8) for financial instruments implemented under point (c) of Article 38(4) shall include at least the following elements:

(a) the investment strategy or policy of the financial instrument, general terms and conditions of envisaged debt products, target recipients and actions to be supported;
(b) a business plan or equivalent documents for the financial instrument to be implemented, including the expected leverage effect referred to in Article 37(2);

(c) the use and re-use of resources attributable to the support of the ESI Funds in accordance with Articles 43, 44 and 45;

(d) monitoring and reporting of the implementation of the financial instrument to ensure compliance with Article 46.
ANNEX V

DEFINITION OF FLAT-RATES FOR NET-REVENUE GENERATING PROJECTS

<table>
<thead>
<tr>
<th>Sector</th>
<th>Flat rates</th>
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<tbody>
<tr>
<td>1 ROAD</td>
<td>30 %</td>
</tr>
<tr>
<td>2 RAIL</td>
<td>20 %</td>
</tr>
<tr>
<td>3 URBAN TRANSPORT</td>
<td>20 %</td>
</tr>
<tr>
<td>4 WATER</td>
<td>25 %</td>
</tr>
<tr>
<td>5 SOLID WASTE</td>
<td>20 %</td>
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</tbody>
</table>
## ANNEX VI

### ANNUAL BREAKDOWN OF COMMITMENT APPROPRIATIONS FOR 2014 TO 2020

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>EUR</td>
<td>44,677,337,485</td>
<td>45,405,321,660</td>
<td>46,044,910,729</td>
<td>46,544,721,007</td>
<td>47,037,288,589</td>
<td>47,513,211,563</td>
<td>47,924,907,446</td>
<td>325,145,694,739</td>
</tr>
</tbody>
</table>

**(Adjusted annual profile (including YEI top-up))**
ANNEX VII

ALLOCATION METHODOLOGY

Allocation method for the less developed regions eligible under the Investment for growth and jobs goal, referred to in point (a) of the first subparagraph of Article 90(2)

1. Each Member State's allocation shall be the sum of the allocations for its individual eligible NUTS level 2 regions, calculated in accordance with the following steps:

(a) determination of an absolute amount (in EUR) obtained by multiplying the population of the region concerned by the difference between that region's GDP per capita, measured in PPS, and the EU-27 average GDP per capita (in PPS);

(b) application of a percentage to the above absolute amount in order to determine that region's financial envelope; this percentage shall be graduated to reflect the relative prosperity, measured in PPS, as compared to the EU-27 average, of the Member State in which the eligible region is situated, i.e.:

(i) for regions in Member States whose level of GNI per capita is below 82 % of the EU-27 average: 3,15 %;

(ii) for regions in Member States whose level of GNI per capita is between 82 % and 99 % of the EU-27 average: 2,70 %;

(iii) for regions in Member States whose level of GNI per capita is over 99 % of the EU-27 average: 1,65 %;

(c) to the amount obtained in accordance with point (b) is added, if applicable, an amount resulting from the allocation of a premium of EUR 1 300 per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied.

Allocation method for transition regions eligible under the Investment for growth and jobs goal, referred to in point (b) of the first subparagraph of Article 90(2)

2. Each Member State's allocation shall be the sum of the allocations for its individual eligible NUTS level 2 regions, calculated in accordance with the following steps:

(a) determination of the minimum and maximum theoretical aid intensity for each eligible transition region. The minimum level of support is determined by the average per capita aid intensity per Member State before the application of the regional safety net, allocated to the more developed regions of that Member State. If the Member State has no more developed regions, the minimum level of support will correspond to the initial average per capita aid intensity of all more developed regions, i.e. EUR 19,80 per head and per year. The maximum level of support refers to a theoretical region with a GDP per head of 75 % of the EU-27 average and is calculated using the method defined in points (a) and (b) of paragraph 1. Of the amount obtained by this method, 40 % is taken into account;

(b) calculation of initial regional allocations, taking into account regional GDP per capita (in PPS) through a linear interpolation of the region's relative GDP per capita compared to EU-27;

(c) to the amount obtained in accordance with point (b) is added, if applicable, an amount resulting from the allocation of a premium of EUR 1 100 per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the less developed regions applied.

Allocation method for the more developed regions eligible under the Investment for growth and jobs goal, referred to in point (c) of the first subparagraph of Article 90(2)

3. The total initial theoretical financial envelope shall be obtained by multiplying an aid intensity per head and per year of EUR 19,80 by the eligible population.

4. The share of each Member State concerned shall be the sum of the shares of its eligible NUTS level 2 regions, which are determined on the basis of the following criteria, weighted as indicated:

(a) total regional population (weighting 25 %);
(b) number of unemployed people in NUTS level 2 regions with an unemployment rate above the average of all more developed regions (weighting 20 %);

(c) employment to be added to reach the Union strategy for smart, sustainable and inclusive growth target for regional employment rate (ages 20 to 64) of 75 % (weighting 20 %);

(d) number of persons aged 30 to 34 with tertiary educational attainment to be added to reach the Union strategy for smart, sustainable and inclusive growth target of 40 % (weighting 12.5 %);

(e) number of early leavers from education and training (aged 18 to 24) to be subtracted to reach the Union strategy for smart, sustainable and inclusive growth target of 10 % (weighting 12.5 %);

(f) difference between the observed GDP of the region (measured in PPS), and the theoretical regional GDP if the region were to have the same GDP per head as the most prosperous NUTS level 2 region (weighting 7.5 %);

(g) population of NUTS level 3 regions with a population density below 12.5 inhabitants/km² (weighting 2.5 %).

**Allocation method for the Member States eligible for the Cohesion Fund under Article 90(3)**

5. The total theoretical financial envelope shall be obtained by multiplying the average aid intensity per head and per year of EUR 48 by the eligible population. Each eligible Member State's a priori allocation of this theoretical financial envelope corresponds to a percentage based on its population, surface area and national prosperity, and shall be obtained by applying the following steps:

   (a) calculation of the arithmetical average of that Member State's population and surface area shares of the total population and surface area of all the eligible Member States. If, however, a Member State's share of total population exceeds its share of total surface area by a factor of five or more, reflecting an extremely high population density, only the share of total population will be used for this step;

   (b) adjustment of the percentage figures so obtained by a coefficient representing one third of the percentage by which that Member State's GNI per capita (measured in purchasing power parities) for the period 2008-2010 exceeds or falls below the average GNI per capita of all the eligible Member States (average expressed as 100 %).

6. In order to reflect the significant needs of Member States, which acceded to the Union on or after 1 May 2004, in terms of transport and environment, their share of the Cohesion Fund will be set at a minimum of one third of their total final financial allocation after capping as defined in paragraphs 10 to 13 received on average over the period.

7. The allocation from the Cohesion Fund for the Member States defined in the second subparagraph of Article 90(3) shall be digressive over seven years. This transitional support will be of EUR 48 per capita in 2014, applied to the total population of the Member State. The amounts in the following years will be expressed as a percentage of the amount defined for 2014, the percentages being 71 % in 2015, 42 % in 2016, 21 % in 2017, 17 % in 2018, 13 % in 2019 and 8 % in 2020.

**Allocation method for the European territorial cooperation goal referred to in Article 4 of the ETC Regulation**

8. The allocation of resources by Member State, covering cross-border and transnational cooperation, and including the contribution from the ERDF to the European Neighbourhood Instrument and the Instrument for Pre-Accession Assistance, is determined as the weighted sum of the share of the population of border regions and of the share of the total population of each Member State. The weight is determined by the respective shares of the cross-border and transnational strands. The shares of the cross border and transnational cooperation components are 77.9 % and 22.1 %.

**Allocation method of the additional funding for regions referred to in point (e) of Article 92(1)**

9. An additional special allocation corresponding to an aid intensity of EUR 30 per inhabitant per year will be allocated to the outermost NUTS level 2 regions and the northern sparsely populated NUTS level 2 regions. That allocation will be distributed per region and Member State in a manner proportional to the total population of those regions.
Maximum level of transfers from funds supporting cohesion

10. In order to contribute to achieving adequate concentration of cohesion funding on the least developed regions and Member States and to the reduction of disparities in average per capita aid intensities, the maximum level of transfer (capping) from the Funds to each individual Member State will be 2.35% of the GDP of the Member State. The capping will be applied on an annual basis, subject to adjustments necessary to accommodate the frontloading of the YEI, and will - if applicable - proportionally reduce all transfers (except for the more developed regions and European territorial cooperation goal) to the Member State concerned in order to obtain the maximum level of transfer. For Member States which acceded to the Union before 2013 and whose average real GDP growth 2008-2010 was lower than -1%, the maximum level of transfer will be 2.59%.

11. The ceilings referred to in paragraph 10 above include the contributions from the ERDF to the financing of the cross-border strand of the European Neighbourhood Instrument and of the Instrument for Pre-Accession Assistance. Those ceilings do not include the specific allocation of EUR 3 000 000 000 for the YEI.

12. Calculations of GDP by the Commission will be based on the statistics available in May 2012. Individual national growth rates of GDP for 2014 to 2020, as projected by the Commission in May 2012, will be applied for each Member State separately.

13. The rules described in paragraph 10 shall not result in allocations per Member State higher than 110% of their level in real terms for the 2007-2013 programming period.

Additional provisions

14. For all regions whose GDP per capita (in PPS) was used as an eligibility criterion for the 2007-2013 programming period and was less than 75% of the EU-25 average, but whose GDP per capita is above 75% of the EU-27 average, the minimum level of support in 2014-2020 under the Investment for growth and jobs goal will correspond every year to 60% of their former indicative average annual allocation under the Convergence allocation, calculated by the Commission within the multiannual financial framework 2007-2013.

15. No transition region shall receive less than what it would have received if it had been a more developed region. In order to determine the level of this minimum allocation, the allocation distribution method for more developed regions will be applied to all regions having a GDP per capita of at least 75% of the EU-27 average.

16. The minimum total allocation from the Funds for a Member State shall correspond to 55% of its individual 2007-2013 total allocation. The adjustments needed to fulfil this requirement shall be applied proportionally to the allocations from the Funds, excluding the allocations under the European territorial cooperation goal.

17. To address the effects of the economic crisis on Member States within the euro area on their level of prosperity, and in order to boost growth and job creation in these Member States, the Structural Funds will provide the following additional allocations:

(a) EUR 1 375 000 000 for the more developed regions of Greece;

(b) EUR 1 000 000 000 for Portugal, distributed as follows: EUR 450 000 000 for more developed regions, of which EUR 1 500 000 000 for Madeira, EUR 75 000 000 for the transition region and EUR 475 000 000 for the less developed regions;

(c) EUR 100 000 000 for the Border, Midland and Western region of Ireland;

(d) EUR 1 824 000 000 for Spain, of which EUR 500 000 000 for Extremadura, EUR 1 051 000 000 for the transition regions and EUR 273 000 000 for the more developed regions;

(e) EUR 1 500 000 000 for the less developed regions of Italy, out of which EUR 500 000 000 for non-urban areas.

18. In order to recognise the challenges posed by the situation of island Member States and the remoteness of certain parts of the Union, Malta and Cyprus shall receive, after applying the method of calculation referred to in paragraph 16, an additional envelope of EUR 200 000 000 and EUR 150 000 000 respectively under the Investment for growth and jobs goal and distributed as follows: one third for the Cohesion Fund and two thirds for the Structural Funds.

The Spanish regions of Ceuta and Melilla shall be allocated an additional total envelope of EUR 50 000 000 under the Structural Funds.
The outermost region of Mayotte shall be allocated a total envelope of EUR 200 000 000 under the Structural Funds.

19. To facilitate the adjustment of certain regions either to changes in their eligibility status or to the long-lasting effects of recent developments in their economy the following additional allocations are made:

(a) for Belgium EUR 133 000 000, out of which EUR 66 500 000 for Limburg and EUR 66 500 000 for the transition regions of the Region of Wallonia;

(b) for Germany EUR 710 000 000, out of which EUR 510 000 000 for the former Convergence regions in the transition regions' category and EUR 200 000 000 for the Leipzig region;

(c) notwithstanding paragraph 10, the less developed regions of Hungary will be allocated an additional envelope of EUR 1 560 000 000, the less developed regions of the Czech Republic an additional envelope of EUR 900 000 000 and the less developed region of Slovenia an additional envelope of EUR 75 000 000, under the Structural Funds.

20. A total of EUR 150 000 000 will be allocated for the PEACE programme, of which EUR 106 500 000 for the United Kingdom and EUR 43 500 000 for Ireland. That programme will be implemented as a cross-border cooperation programme involving Northern Ireland and Ireland.

Additional adjustments in accordance with Article 92(2)

21. In addition to the amounts set out in Articles 91 and 92, Cyprus shall benefit from an additional allocation of EUR 94 200 000 in 2014 and EUR 92 400 000 in 2015 to be added to its Structural Funds allocation.
METHODOLOGY CONCERNING THE SPECIFIC ALLOCATION FOR THE YEI REFERRED TO IN ARTICLE 91

I. The breakdown of the specific allocation for the YEI shall be determined in accordance with the following steps:

1. The number of young unemployed persons between the ages of 15-24 shall be identified in the eligible NUTS level 2 regions as defined in Article 16 of the ESF Regulation, namely NUTS level 2 regions that have youth unemployment rates for young persons aged 15 to 24 of more than 25 % in 2012 and, for Member States where the youth unemployment rate has increased by more than 30 % in 2012, regions that have youth unemployment rates of more than 20 % in 2012 (the 'eligible regions').

2. The allocation corresponding to each eligible region shall be calculated on the basis of the ratio between the number of young unemployed persons in the eligible region and the total number of young unemployed persons referred to in point 1 in all eligible regions.

3. The allocation for each Member State shall be the sum of the allocations for each of its eligible regions.

II. The specific allocation for the YEI shall not be taken into account for the purpose of applying the capping rules set out in Annex VII in relation to the allocation of the global resources.

III. For the determination of the specific allocation from the YEI to Mayotte, the youth unemployment rate and number of young unemployed persons shall be determined on the basis of the latest available data at national level as long as Eurostat data at NUTS level 2 are not available.

IV. The resources for the YEI may be revised upwards for the years 2016 to 2020 in the framework of the budgetary procedure in accordance with Article 14 of Regulation (UE, Euratom) No 1311/2013. The breakdown by Member State of the additional resources shall follow the same steps as applied for the initial allocation but shall refer to the latest available annual data.
ANNEX IX

METHODOLOGY FOR DETERMINING MINIMUM SHARE OF THE ESF

The additional percentage share to be added to the share of Structural Funds resources referred to in Article 92(4) allocated in a Member State to the ESF which corresponds to the share of that Member State for the 2007-2013 programming period shall be determined as follows, based on employment rates (for persons between the ages of 20-64) of reference year 2012:

— where the employment rate is 65 % or less the share shall be increased by 1.7 percentage points;

— where the employment rate is above 65 % but not higher than 70 % the share shall be increased by 1.2 percentage points;

— where the employment rate is above 70 % but not higher than 75 % the share shall be increased by 0.7 percentage points;

— where the employment rate is above 75 %, no increase shall be required.

The total percentage share of a Member State after the addition shall not exceed 52 % of Structural Funds resources referred to in Article 92(4).

For Croatia the share of Structural Funds resources, excluding the European Territorial Cooperation goal, allocated to the ESF for the 2007-2013 programming period shall be the average share of convergence regions of those Member States which acceded to the Union on or after 1 January 2004.
ANNEX IX

ADDITIONALITY

1. PUBLIC OR EQUIVALENT STRUCTURAL EXPENDITURE

In Member States in which less developed regions cover at least 65% of the population, the figure on gross fixed capital formation reported in the Stability and Convergence Programmes, prepared by Member States in accordance with Regulation (EC) No 1466/97 to present their medium term budgetary strategy, will be used to determine public or equivalent structural expenditure. The figure to be used shall be that reported in the context of the general government balance and debt and related to general government budgetary prospects and shall be presented as a percentage of GDP.

In those Member States in which less developed regions cover more than 15% and less than 65% of the population, the total figure on gross fixed capital formation in the less developed regions will be used to determine public or equivalent structural expenditure. It shall be reported in the same format as laid down in the first subparagraph.

2. VERIFICATION

Verifications of additionality in accordance with Article 95(5) are subject to the following rules:

2.1 Ex ante verification

(a) When a Member State submits a Partnership Agreement, it shall provide information on the planned profile of expenditure in the format of Table 1.

Table 1

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(b) Member States, in which less developed regions cover more than 15% and less than 65% of the population, shall also provide information on the planned profile of expenditure in those less developed regions in the format of Table 2.

Table 2

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</table>

(c) Member States shall provide to the Commission information on the main macroeconomic indicators and forecasts underlying the level of public or equivalent structural expenditure.

(d) Member States, in which less developed regions cover more than 15% and less than 65% of the population, shall also provide to the Commission information on the method used to estimate gross fixed capital formation in those regions. For this purpose, Member States shall use regional level public investment data where available. In the event that such data is not available, or in other duly justified cases, including where a Member State for the period 2014-2020 has significantly changed the regional breakdown as defined in Regulation (EC) No 1059/2003, gross fixed capital formation can be estimated by applying regional public expenditure indicators or regional population to national level public investment data.

(e) Once there is agreement by the Commission and the Member State, Table 1 and, where applicable, Table 2 will be included in the Partnership Agreement of the Member State concerned as the reference level of the public or equivalent structural expenditure to be maintained in the years 2014-2020.
2.2 Mid-term verification

(a) At the time of the mid-term verification, a Member State shall be deemed to have maintained the level of public or equivalent structural expenditure if the annual average of expenditure in the years 2014-2017 is equal to or higher than the reference level of expenditure set in the Partnership Agreement.

(b) Following the mid-term verification, the Commission may revise, in consultation with a Member State, the reference level of public or equivalent structural expenditure in the Partnership Agreement if the economic situation of the Member State has significantly changed from that estimated at the time of adoption of the Partnership Agreement.

2.3 Ex post verification

At the time of the ex post verification, a Member State shall be deemed to have maintained the level of public or equivalent structural expenditure if the annual average of expenditure in the years 2014-2020 is equal to or higher than the reference level of expenditure set in the Partnership Agreement.

3. FINANCIAL CORRECTION RATES FOLLOWING EX POST VERIFICATION

Where the Commission decides to carry out a financial correction in accordance with Article 95(6), the rate of financial correction shall be obtained by subtracting 3 % from the difference between the reference level in the Partnership Agreement and the level achieved, expressed as a percentage of the reference level, and then dividing the result by 10. The financial correction shall be determined by applying that rate of financial correction to the Funds' contribution to the Member State concerned for the less developed regions for the full programming period.

If the difference between the reference level in the Partnership Agreement and the level achieved, expressed as a percentage of the reference level in the Partnership Agreement, is 3 % or less, no financial correction shall be made.

The financial correction shall not exceed 5 % of the Funds' allocation to the Member State concerned for the less developed regions for the full programming period.
### PART I: Thematic ex ante conditionalities

<table>
<thead>
<tr>
<th>Thematic objectives</th>
<th>Investment priorities</th>
<th>Ex ante conditionality</th>
<th>Criteria for fulfilment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strengthening research, technological development and innovation (R&amp;D target)</td>
<td>ERDF:</td>
<td>1.1. Research and innovation: The existence of a national or regional smart specialisation strategy in line with the National Reform Program, to leverage private research and innovation expenditure, which complies with the features of well-performing national or regional R&amp;I systems.</td>
<td>— A national or regional smart specialisation strategy is in place that: &lt;br&gt;— is based on a SWOT or similar analysis to concentrate resources on a limited set of research and innovation priorities; &lt;br&gt;— outlines measures to stimulate private RTD investment; &lt;br&gt;— contains a monitoring mechanism.</td>
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<td></td>
<td>— All investment priorities under thematic objective no. 1.</td>
<td></td>
<td>— A framework outlining available budgetary resources for research and innovation has been adopted.</td>
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<tr>
<td>2. Enhancing access to, and use and quality of, information and communication technologies (ICT) (Broadband target)</td>
<td>ERDF:</td>
<td>1.2 Research and Innovation infrastructure. The existence of a multi-annual plan for budgeting and prioritisation of investments.</td>
<td>— An indicative multi-annual plan for budgeting and prioritisation of investments linked to Union priorities, and, where appropriate, the European Strategy Forum on Research Infrastructures (ESFRI) has been adopted.</td>
</tr>
<tr>
<td></td>
<td>— Enhancing research and innovation (R&amp;I) infrastructure and capacities to develop R&amp;I excellence, and promoting centres of competence, in particular those of European interest.</td>
<td></td>
<td>— A strategic policy framework for digital growth, for instance, within the national or regional smart specialisation strategy is in place that contains: &lt;br&gt;— budgeting and prioritisation of actions through a SWOT or similar analysis consistent with the Scoreboard of the Digital Agenda for Europe; &lt;br&gt;— an analysis of balancing support for demand and supply of ICT should have been conducted;</td>
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<tr>
<td></td>
<td>— Developing ICT products and services, e-commerce, and enhancing demand for ICT.</td>
<td></td>
<td>— A strategic policy framework for digital growth, for instance, within the national or regional smart specialisation strategy is in place that contains: &lt;br&gt;— an analysis of balancing support for demand and supply of ICT should have been conducted;</td>
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<td></td>
<td>— Strengthening ICT applications for e-government, e-learning, e-inclusion, e-culture and e-health.</td>
<td></td>
<td>— An indicative multi-annual plan for budgeting and prioritisation of investments linked to Union priorities, and, where appropriate, the European Strategy Forum on Research Infrastructures (ESFRI) has been adopted.</td>
</tr>
<tr>
<td>Thematic objectives</td>
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<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
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<td>— indicators to measure progress of interventions in areas such as digital literacy, e-inclusion, e-accessibility, and progress of e-health within the limits of Article 168 TFEU which are aligned, where appropriate, with existing relevant sectoral Union, national or regional strategies;</td>
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<td></td>
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<td>— assessment of needs to reinforce ICT capacity-building.</td>
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<td>ERDF:</td>
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<tr>
<td>— Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy.</td>
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<tr>
<td>2.2. Next Generation Network (NGN) Infrastructure: The existence of national or regional NGN Plans which take account of regional actions in order to reach the Union high-speed Internet access targets, focusing on areas where the market fails to provide an open infrastructure at an affordable cost and of a quality in line with the Union competition and State aid rules, and to provide accessible services to vulnerable groups.</td>
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<tr>
<td>— A national or regional NGN Plan is in place that contains:</td>
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<td>— a plan of infrastructure investments based on an economic analysis taking account of existing private and public infrastructures and planned investments;</td>
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<td>— sustainable investment models that enhance competition and provide access to open, affordable, quality and future-proof infrastructure and services;</td>
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<td>— measures to stimulate private investment.</td>
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<tr>
<td>3. Enhancing the competitiveness of small and medium-sized enterprises (SMEs)</td>
<td>ERDF:</td>
<td>3.1. Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).</td>
<td>— The specific actions are:</td>
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<tr>
<td>(referred to in point (3) of the first paragraph of Article 9)</td>
<td>— Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.</td>
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<td>— Supporting the capacity of SMEs to grow in regional, national and international market, and to engage in innovation processes.</td>
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<td>— measures have been put in place with the objective of reducing the time and cost involved in setting-up a business taking account of the targets of the SBA;</td>
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<td>— measures have been put in place with the objective of reducing the time needed to get licenses and permits to take up and perform the specific activity of an enterprise taking account of the targets of the SBA;</td>
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<tr>
<td>Thematic objectives</td>
<td>Investment priorities</td>
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<tr>
<td>4. Supporting the shift towards a low-carbon economy in all sectors</td>
<td>ERDF + Cohesion Fund:</td>
<td>4.1. Actions have been carried out to promote cost-effective improvements of energy end use efficiency and cost-effective investment in energy efficiency when constructing or renovating buildings.</td>
<td>— a mechanism is in place to monitor the implementation of the measures of the SBA which have been put in place and assess the impact on SMEs.</td>
</tr>
<tr>
<td>(referred to in point (4) of the first paragraph of Article 9)</td>
<td>— Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector.</td>
<td></td>
<td>— The actions are:</td>
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<td></td>
<td>ERDF + Cohesion Fund:</td>
<td>4.2. Actions have been carried out to promote high-efficiency co-generation of heat and power.</td>
<td>— measures to ensure minimum requirements are in place related to the energy performance of buildings consistent with Article 3, Article 4 and Article 5 of Directive 2010/31/EU of the European Parliament and of the Council (1);</td>
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<td></td>
<td>— Promoting the use of high-efficiency co-generation of heat and power based on useful demand.</td>
<td></td>
<td>— measures necessary to establish a system of certification of the energy performance of buildings consistent with Article 11 of Directive 2010/31/EU:</td>
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<td>— measures to ensure strategic planning on energy efficiency, consistent with Article 3 of Directive 2012/27/EU of the European Parliament and of the Council (2);</td>
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<td>— measures consistent with Article 13 of Directive 2006/32/EC of the European Parliament and of the Council (3) on energy end-use efficiency and energy services to ensure the provision to final customers of individual meters in so far as it is technically possible, financially reasonable and proportionate in relation to the potential energy savings.</td>
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<td>— Support for co-generation is based on useful heat demand and primary energy savings consistent with Article 7(1) and points (a) and (b) of Article 9(1) of Directive 2004/8/EC. Member States or their competent bodies have evaluated the existing legislative and regulatory framework with regard to authorisation procedures or other procedures in order to:</td>
</tr>
<tr>
<td>Thematic objectives</td>
<td>Investment priorities</td>
<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
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<tr>
<td>(a) encourage the design of co-generation units to match economically justifiable demands for useful heat output and avoid production of more heat than useful heat; and</td>
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<td>(b) reduce the regulatory and non-regulatory barriers to an increase in co-generation.</td>
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ERDF + Cohesion Fund:

— Promoting the production and distribution of energy derived from renewable sources.

4.3. Actions have been carried out to promote the production and distribution of renewable energy sources (4).

— Transparent support schemes, priority in grid access or guaranteed access and priority in dispatching, as well as standard rules relating to the bearing and sharing of costs of technical adaptations which have been made public are in place consistent with Article 14(1), Article 16(2) and 16(3) of Directive 2009/28/EC of the European Parliament and of the Council (4).

— A Member State has adopted a national renewable energy action plan consistent with Article 4 of Directive 2009/28/EC.

5. Promoting climate change adaptation, risk prevention and management (Climate change target) (referred to in point (5) of the first paragraph of Article 9)

ERDF + Cohesion Fund:

— Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems.

5.1. Risk prevention and risk management: the existence of national or regional risk assessments for disaster management, taking into account climate change adaptation

— A national or regional risk assessment with the following elements shall be in place:

— a description of the process, methodology, methods, and non-sensitive data used for risk assessment as well as of the risk-based criteria for the prioritisation of investment;

— a description of single-risk and multi-risk scenarios;

— taking into account, where appropriate, national climate change adaptation strategies.
6. Preserving and protecting the environment and promoting resource efficiency

(Referred to in point (6) of the first paragraph of Article 9)

<table>
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<tr>
<th>Thematic objectives</th>
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<th>Ex ante conditionality</th>
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<tr>
<td>ERDF + Cohesion Fund</td>
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<tr>
<td>— Investing in the water sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements.</td>
<td>6.1. Water sector: The existence of a) a water pricing policy which provides adequate incentives for users to use water resources efficiently and b) an adequate contribution of the different water uses to the recovery of the costs of water services at a rate determined in the approved river basin management plan for investment supported by the programmes.</td>
<td>— In sectors supported by the ERDF and the Cohesion Fund, a Member State has ensured a contribution of the different water uses to the recovery of the costs of water services by sector consistent with the first indent of Article 9(1) of Directive 2000/60/EC having regard, where appropriate, to the social, environmental and economic effects of the recovery as well as the geographic and climatic conditions of the region or regions affected.</td>
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<tr>
<td>ERDF + Cohesion Fund</td>
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<tr>
<td>— Investing in the waste sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements.</td>
<td>6.2. Waste sector: Promoting economically and environmentally sustainable investments in the waste sector particularly through the development of waste management plans consistent with Directive 2008/98/EC, and with the waste hierarchy.</td>
<td>— The adoption of a river basin management plan for the river basin district consistent with Article 13 of Directive 2000/60/EC</td>
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<td>— An implementation report as requested by Article 11(5) of Directive 2008/98/EC has been submitted to the Commission on progress towards meeting the targets set out in Article 11 of Directive 2008/98/EC.</td>
<td>— The existence of one or more waste management plans as required under Article 28 of Directive 2008/98/EC;</td>
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<td>— The existence of waste prevention programmes, as required under Article 29 of Directive 2008/98/EC;</td>
<td>— Necessary measures to achieve the targets on preparation for re-use and recycling by 2020 consistent with Article 11(2) of Directive 2008/98/EC have been adopted.</td>
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<td>Thematic objectives</td>
<td>Investment priorities</td>
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<tr>
<td>7. Promoting sustainable transport and removing bottlenecks in key network infrastructures (referred to in point (7) of the first paragraph of Article 9)</td>
<td>ERDF + Cohesion Fund:</td>
<td>7.1. Transport: The existence of a comprehensive plan or plans or framework or frameworks for transport investment in accordance with the Member States’ institutional set-up (including public transport at regional and local level) which supports infrastructure development and improves connectivity to the TEN-T comprehensive and core networks.</td>
<td>— The existence of a comprehensive transport plan or plans or framework or frameworks for transport investment which complies with legal requirements for strategic environmental assessment and sets out:</td>
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<td></td>
<td>— Supporting a multimodal Single European Transport Area by investing in the TEN-T.</td>
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<td>— the contribution to the single European Transport Area consistent with Article 10 of Regulation (EU) No 1315/2013 of the European Parliament and of the Council (5), including priorities for investments in:</td>
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<td></td>
<td>— Developing and rehabilitating comprehensive, high quality and interoperable railway systems, and promoting noise-reduction measures.</td>
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<td>— the core TEN-T network and the comprehensive network where investment from the ERDF and the Cohesion Fund is envisaged; and</td>
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<td>— Developing and improving environmentally-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility.</td>
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<td>— secondary connectivity;</td>
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<td></td>
<td>ERDF:</td>
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<td>— a realistic and mature pipeline for projects for which support from the ERDF and the Cohesion Fund is envisaged:</td>
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<td></td>
<td>— Enhancing regional mobility by connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal nodes.</td>
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<td>— Measures to ensure the capacity of intermediary bodies and beneficiaries to deliver the project pipeline.</td>
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<td></td>
<td>ERDF + Cohesion Fund:</td>
<td>7.2. Railway: The existence within the comprehensive transport plan or plans or framework or frameworks of a specific section on railway development in accordance with the Member States’ institutional set-up (including concerning public transport at regional and local level) which supports infrastructure development and improves connectivity to the TEN-T comprehensive and core networks. The investments cover mobile assets, interoperability and capacity building.</td>
<td>— The existence of a section on railway development within the transport plan or plans or framework or frameworks as set out above which complies with legal requirements for strategic environmental assessment (SEA) and sets out a realistic and mature project pipeline (including a timetable and budgetary framework);</td>
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<td></td>
<td>— Supporting a multimodal Single European Transport Area by investing in the TEN-T.</td>
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<td>— Measures to ensure the capacity of intermediary bodies and beneficiaries to deliver the project pipeline.</td>
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<td></td>
<td>— Developing and rehabilitating comprehensive, high quality and interoperable railway systems, and promoting noise-reduction measures.</td>
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<tr>
<td>— Developing and improving environmentally-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility.</td>
<td>7.3. Other modes of transport, including inland-waterways and maritime transport, ports, multimodal links and airport infrastructure: the existence within the comprehensive transport plan or plans or framework or frameworks of a specific section on inland-waterways and maritime transport, ports, multimodal links and airport infrastructure, which contribute to improving connectivity to the TEN-T comprehensive and core networks and to promoting sustainable regional and local mobility.</td>
<td>— The existence of a section on inland-waterways and maritime transport, ports, multimodal links and airport infrastructure within the transport plan or plans or framework or frameworks which:</td>
<td>— The existence of a section on inland-waterways and maritime transport, ports, multimodal links and airport infrastructure within the transport plan or plans or framework or frameworks which:</td>
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<tr>
<td>— Enhancing regional mobility by connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal nodes.</td>
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<td>— complies with legal requirements for strategic environmental assessment;</td>
<td>— complies with legal requirements for strategic environmental assessment;</td>
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<tr>
<td>ERDF + Cohesion Fund:</td>
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<td>— sets out a realistic and mature project pipeline (including a timetable and budgetary framework);</td>
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<tr>
<td>— Supporting a multimodal Single European Transport Area by investing in the TEN-T.</td>
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<td>— Measures to ensure the capacity of intermediary bodies and beneficiaries to deliver the project pipeline.</td>
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<td>— Developing and rehabilitating comprehensive, high quality and interoperable railway systems, and promoting noise-reduction measures.</td>
<td>— Developing and improving environmentally-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility.</td>
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<tr>
<td>— Developing and improving environmentally-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility.</td>
<td>— The existence of a section on inland-waterways and maritime transport, ports, multimodal links and airport infrastructure within the transport plan or plans or framework or frameworks which:</td>
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<tr>
<td>ERDF:</td>
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<tr>
<td>— Enhancing regional mobility through connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal nodes.</td>
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<td>ERDF:</td>
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<td>— Improving energy efficiency and security of supply through the development of smart energy distribution, storage and transmission systems and through the integration of distributed generation from renewable sources.</td>
<td>7.4 Development of smart energy distribution, storage and transmission systems.</td>
<td>The existence of comprehensive plans for investments in smart energy infrastructure, and of regulatory measures, which contribute to improving energy efficiency and security of supply</td>
<td>Comprehensive plans describing the national energy infrastructure priorities are in place that are:</td>
</tr>
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— consistent with the relevant regional investment plans under Article 12 and with the Union-wide ten-year network development plan in accordance with point (b) of Article 8(3) of Regulation (EC) No 714/2009 of the European Parliament and of the Council (6) and with Regulation (EC) No 715/2009 of the European Parliament and of the Council (7), and


— Those plans shall contain:

— a realistic and mature project pipeline for projects for which support from the ERDF is envisaged;

— measures to achieve the objectives of social and economic cohesion and environmental protection, in line with Article 3(10) of Directive 2009/72/EC and Article 3(7) of Directive 2009/73/EC;

— measures to optimise the use of energy and promote energy efficiency, in line with Article 3(11) of Directive 2009/72/EC and Article 3(8) of Directive 2009/73/EC.

8. Promoting sustainable and quality employment and supporting labour mobility

(Employment target)

(referred to in point (8) of the first paragraph of Article 9)

ESF:

— Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility.

8.1. Active labour market policies are designed and delivered in the light of the Employment guidelines.

— Employment services have the capacity to, and do, deliver:

— personalised services and active and preventive labour market measures at an early stage, which are open to all jobseekers while focusing on people at highest risk of social exclusion, including people from marginalised communities;
<table>
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<tbody>
<tr>
<td>ESF:</td>
<td></td>
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<td>— comprehensive and transparent information on new job vacancies and employment opportunities taking into account the changing needs of the labour market.</td>
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<tr>
<td>ERDF:</td>
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<td>— Employment services have set up formal or informal cooperation arrangements with relevant stakeholders.</td>
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<tr>
<td>ESF:</td>
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<td>— A strategic policy framework for inclusive start-up support is in place with the following elements:</td>
</tr>
<tr>
<td>ERDF:</td>
<td></td>
<td></td>
<td>— measures have been put in place with the objective of reducing the time and cost involved in setting up a business, taking account of the targets of the SBA;</td>
</tr>
<tr>
<td>ERDF:</td>
<td></td>
<td></td>
<td>— actions linking suitable business development services and financial services (access to capital), including reaching out to disadvantaged groups, areas, or both, where needed.</td>
</tr>
<tr>
<td>ESF:</td>
<td>8.2. Self-employment, entrepreneurship and business creation: the existence of a strategic policy framework for inclusive start-up.</td>
<td></td>
<td>— Actions to reform employment services, aiming at providing them with the capacity to deliver:</td>
</tr>
<tr>
<td>ERDF:</td>
<td>8.3. Labour market institutions are modernised and strengthened in the light of the Employment Guidelines;</td>
<td></td>
<td>— personalised services and active and preventive labour market measures at an early stage, which are open to all jobseekers while focusing on people at highest risk of social exclusion, including people from marginalised communities;</td>
</tr>
<tr>
<td></td>
<td>Reforms of labour market institutions will be preceded by a clear strategic policy framework and ex ante assessment including with regard to the gender dimension</td>
<td></td>
<td>— comprehensive and transparent information on new job vacancies and employment opportunities taking into account the changing needs of the labour market.</td>
</tr>
<tr>
<td>Thematic objectives</td>
<td>Investment priorities</td>
<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
</tr>
<tr>
<td>---------------------</td>
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<td>------------------------</td>
</tr>
<tr>
<td>Reform of employe...</td>
<td>Reform of employment...</td>
<td>— Reform of employment services will include the creation of formal or informal cooperation networks with relevant stakeholders.</td>
<td></td>
</tr>
<tr>
<td>ESF:</td>
<td>ESF:</td>
<td>— Relevant stakeholders are involved in the design and follow-up of active ageing policies with a view to retaining elderly workers on the labour market and promoting their employment;</td>
<td></td>
</tr>
<tr>
<td>Active and healthy...</td>
<td>Active and healthy ageing.</td>
<td>— A Member State has measures in place to promote active ageing.</td>
<td></td>
</tr>
<tr>
<td>ESF:</td>
<td>ESF:</td>
<td>— Instruments are in place to support social partners and public authorities to develop and monitor proactive approaches towards change and restructuring which include measures:</td>
<td></td>
</tr>
<tr>
<td>Adaptation of works...</td>
<td>Adaptation of workers, enterprises and entrepreneurs to change.</td>
<td>— to promote anticipation of change;</td>
<td></td>
</tr>
<tr>
<td>ESF:</td>
<td>ESF:</td>
<td>— to promote the preparation and management of the restructuring process.</td>
<td></td>
</tr>
<tr>
<td>Sustainable integration...</td>
<td>Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee.</td>
<td>— A strategic policy framework for promoting youth employment is in place that:</td>
<td></td>
</tr>
<tr>
<td>8.6. The existence of a strategic policy framework for promoting youth employment including through the implementation of the Youth Guarantee.</td>
<td>8.6. The existence of a strategic policy framework for promoting youth employment including through the implementation of the Youth Guarantee.</td>
<td>— is based on evidence that measures the results for young people not in employment, education or training and that represents a base to develop targeted policies and monitor developments;</td>
<td></td>
</tr>
<tr>
<td>This ex ante conditionality applies only for implementation of the YEI</td>
<td>This ex ante conditionality applies only for implementation of the YEI</td>
<td>— identifies the relevant public authority in charge of managing youth employment measures and coordinating partnerships across all levels and sectors;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>— involves stakeholders that are relevant for addressing youth unemployment;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>— allows early intervention and activation;</td>
<td></td>
</tr>
<tr>
<td>Thematic objectives</td>
<td>Investment priorities</td>
<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
</tr>
<tr>
<td>---------------------</td>
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<td>-----------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>9. Promoting social inclusion, combating poverty and any discrimination</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(poverty target)</td>
<td></td>
<td></td>
<td>— comprises supportive measures for access to employment, enhancing skills, labour mobility and sustainable integration of young people not in employment, education or training into the labour market.</td>
</tr>
<tr>
<td>(referred to in point (9) of the first paragraph of Article 9)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESF:</td>
<td></td>
<td></td>
<td>— A national strategic policy framework for poverty reduction, aiming at active inclusion, is in place that:</td>
</tr>
<tr>
<td>ERDF:</td>
<td></td>
<td></td>
<td>— provides a sufficient evidence base to develop policies for poverty reduction and monitor developments;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— contains measures supporting the achievement of the national poverty and social exclusion target (as defined in the National Reform Programme), which includes the promotion of sustainable and quality employment opportunities for people at the highest risk of social exclusion, including people from marginalised communities;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— involves relevant stakeholders in combating poverty;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— depending on the identified needs, includes measures for the shift from institutional to community based care;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— Upon request and where justified, relevant stakeholders will be provided with support for submitting project applications and for implementing and managing the selected projects.</td>
</tr>
</tbody>
</table>

— Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability.

— Investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services.

— Providing support for physical, economic and social regeneration of deprived communities in urban and rural areas.

9.1. The existence and the implementation of a national strategic policy framework for poverty reduction aiming at the active inclusion of people excluded from the labour market in the light of the Employment guidelines.

— ensures the implementation of a national strategic policy framework for poverty reduction and promotes the active inclusion of people excluded from the labour market, in the light of the Employment guidelines.
<table>
<thead>
<tr>
<th>Thematic objectives</th>
<th>Investment priorities</th>
<th>Ex ante conditionality</th>
<th>Criteria for fulfilment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESF:</strong></td>
<td></td>
<td>9.2. A national Roma inclusion strategic policy framework is in place</td>
<td>— A national Roma inclusion strategic policy framework is in place that:</td>
</tr>
<tr>
<td>— Socio-economic integration of marginalised communities such as the Roma.</td>
<td></td>
<td></td>
<td>— sets achievable national goals for Roma integration to bridge the gap with the general population. These targets should address the four EU Roma integration goals relating to access to education, employment, healthcare and housing;</td>
</tr>
<tr>
<td><strong>ERDF:</strong></td>
<td></td>
<td></td>
<td>— identifies where relevant those disadvantaged micro-regions or segregated neighbourhoods, where communities are most deprived, using already available socio-economic and territorial indicators (i.e. very low educational level, long-term unemployment, etc);</td>
</tr>
<tr>
<td>— Investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services.</td>
<td></td>
<td></td>
<td>— includes strong monitoring methods to evaluate the impact of Roma integration actions and a review mechanism for the adaptation of the strategy;</td>
</tr>
<tr>
<td>— Providing support for physical, economic and social regeneration of deprived communities in urban and rural areas.</td>
<td></td>
<td></td>
<td>— is designed, implemented and monitored in close cooperation and continuous dialogue with Roma civil society, regional and local authorities.</td>
</tr>
<tr>
<td>— Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure.</td>
<td></td>
<td></td>
<td>— Upon request and where justified, relevant stakeholders will be provided with support for submitting project applications and for implementing and managing the selected projects.</td>
</tr>
<tr>
<td><strong>ESF:</strong></td>
<td></td>
<td>9.3. Health: The existence of a national or regional strategic policy framework for health within the limits of Article 168 TFEU ensuring economic sustainability.</td>
<td>— A national or regional strategic policy framework for health is in place that contains:</td>
</tr>
<tr>
<td>— Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest.</td>
<td></td>
<td></td>
<td>— coordinated measures to improve access to health services;</td>
</tr>
<tr>
<td>Thematic objectives</td>
<td>Investment priorities</td>
<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
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<td>------------------------</td>
</tr>
<tr>
<td>ERDF:</td>
<td></td>
<td></td>
<td>— measures to stimulate efficiency in the health sector, through deployment of service delivery models and infrastructure;</td>
</tr>
<tr>
<td>— Investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESF:</td>
<td></td>
<td></td>
<td>— a monitoring and review system.</td>
</tr>
<tr>
<td>— Reducing and preventing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education, including formal, non-formal and informal learning pathways for reintegrating into education and training.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERDF:</td>
<td></td>
<td></td>
<td>— A Member State or region has adopted a framework outlining available budgetary resources on an indicative basis and a cost-effective concentration of resources on prioritised needs for health care.</td>
</tr>
<tr>
<td>— Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Investing in education, training and vocational training for skills and lifelong learning</td>
<td>10.1. Early school leaving: The existence of a strategic policy framework to reduce early school leaving (ESL) within the limits of Article 165 TFEU.</td>
<td></td>
<td>— A system for collecting and analysing data and information on ESL at relevant levels is in place that:</td>
</tr>
<tr>
<td>(Education target)</td>
<td></td>
<td></td>
<td>— provides a sufficient evidence-base to develop targeted policies and monitors developments.</td>
</tr>
<tr>
<td>(referred to in point (10) of the first paragraph of Article 9)</td>
<td></td>
<td></td>
<td>— A strategic policy framework on ESL is in place that:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— is based on evidence;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— covers relevant educational sectors including early childhood development, targets in particular vulnerable groups that are most at risk of ESL including people from marginalised communities, and addresses prevention, intervention and compensation measures;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— involves all policy sectors and stakeholders that are relevant to addressing ESL.</td>
</tr>
<tr>
<td>Thematic objectives</td>
<td>Investment priorities</td>
<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
</tr>
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</tr>
<tr>
<td><strong>ESF:</strong></td>
<td></td>
<td></td>
<td>— Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences.</td>
</tr>
<tr>
<td>— Improving the quality and efficiency of, and access to, tertiary and equivalent education with a view to increasing participation and attainment levels, especially for disadvantaged groups.</td>
<td>10.2. Higher education: the existence of a national or regional strategic policy framework for increasing tertiary education attainment, quality and efficiency within the limits of Article 165 TFEU.</td>
<td>— A national or regional strategic policy framework for tertiary education is in place with the following elements:</td>
<td></td>
</tr>
<tr>
<td>ERDF:</td>
<td></td>
<td></td>
<td>— where necessary, measures to increase participation and attainment that:</td>
</tr>
<tr>
<td>— Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure.</td>
<td>10.3. Lifelong learning (LL): The existence of a national and/or regional strategic policy framework for lifelong learning within the limits of Article 165 TFEU.</td>
<td>— increase higher education participation among low income groups and other under-represented groups with special regard to disadvantaged people, including people from marginalised communities;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— reduce drop-out rates/improve completion rates;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— encourage innovative content and programme design;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— measures to increase employability and entrepreneurship that:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— encourage the development of &quot;transversal skills&quot;, including entrepreneurship in relevant higher education programmes;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— reduce gender differences in terms of academic and vocational choices.</td>
</tr>
<tr>
<td>Thematic objectives</td>
<td>Investment priorities</td>
<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>ERDF:</strong></td>
<td></td>
<td></td>
<td>— for the provision of skills development for various target groups where these are identified as priorities in national or regional strategic policy frameworks (for example young people in vocational training, adults, parents returning to the labour market, low skilled and older workers, migrants and other disadvantaged groups, in particular people with disabilities);</td>
</tr>
<tr>
<td>— Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure.</td>
<td><strong>ESF:</strong></td>
<td></td>
<td>— to widen access to LL including through efforts to effectively implement transparency tools (for example the European Qualifications Framework, National Qualifications Framework, European Credit system for Vocational Education and Training, European Quality Assurance in Vocational Education and Training);</td>
</tr>
<tr>
<td><strong>ESF:</strong></td>
<td></td>
<td></td>
<td>— to improve the labour market relevance of education and training and to adapt it to the needs of identified target groups (for example young people in vocational training, adults, parents returning to the labour market, low-skilled and older workers, migrants and other disadvantaged groups, in particular people with disabilities);</td>
</tr>
<tr>
<td>— Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training (VET) systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes.</td>
<td><strong>10.4.</strong> The existence of a national or regional strategic policy framework for increasing the quality and efficiency of VET systems within the limits of Article 165 TFEU.</td>
<td></td>
<td>— A national or regional strategic policy framework is in place for increasing the quality and efficiency of VET systems within the limits of Article 165 TFEU which includes measures for the following:</td>
</tr>
</tbody>
</table>

10.4. The existence of a national or regional strategic policy framework for increasing the quality and efficiency of VET systems within the limits of Article 165 TFEU.
<table>
<thead>
<tr>
<th>Thematic objectives</th>
<th>Investment priorities</th>
<th>Ex ante conditionality</th>
<th>Criteria for fulfilment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF:</td>
<td></td>
<td></td>
<td>— to improve the labour market relevance of VET systems in close cooperation with relevant stakeholders including through mechanisms for skills anticipation, adaptation of curricula and the strengthening of work-based learning provision in its different forms;</td>
</tr>
<tr>
<td></td>
<td>— Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure</td>
<td></td>
<td>— to increase the quality and attractiveness of VET including through establishing a national approach for quality assurance for VET (for example in line with the European Quality Assurance Reference Framework for Vocational Education and Training) and implementing the transparency and recognition tools, for example European Credit system for Vocational Education and Training (ECVET).</td>
</tr>
<tr>
<td>11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration (referred to in point (11) of the first paragraph of Article 9)</td>
<td>ESF:</td>
<td>— The existence of a strategic policy framework for reinforcing the Member States’ administrative efficiency including public administration reform</td>
<td>— A strategic policy framework for reinforcing a Member State’s public authorities’ administrative efficiency and their skills with the following elements are in place and in the process of being implemented:</td>
</tr>
<tr>
<td></td>
<td>— Investment in institutional capacity and in the efficiency of public administrations and public services at the national, regional and local levels with a view to reforms, better regulation and good governance.</td>
<td></td>
<td>— an analysis and strategic planning of legal, organisational and/or procedural reform actions;</td>
</tr>
<tr>
<td>ERDF:</td>
<td></td>
<td></td>
<td>— the development of quality management systems;</td>
</tr>
<tr>
<td></td>
<td>— Enhancing institutional capacity of public authorities and stakeholders and efficient public administration through actions to strengthen the institutional capacity and the efficiency of public administrations and public services related to the implementation of the ERDF, and in support of actions under the ESF to strengthen the institutional capacity and the efficiency of public administration.</td>
<td></td>
<td>— integrated actions for simplification and rationalisation of administrative procedures;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— the development and implementation of human resources strategies and policies covering the main gaps identified in this field;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— the development of skills at all levels of the professional hierarchy within public authorities;</td>
</tr>
<tr>
<td>Thematic objectives</td>
<td>Investment priorities</td>
<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
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</tr>
<tr>
<td>Cohesion Fund:</td>
<td></td>
<td>— Enhancing institutional capacity of public authorities and stakeholders through actions to strengthen the institutional capacity and the efficiency of public administrations and public services related to the implementation of the Cohesion Fund.</td>
<td>— the development of procedures and tools for monitoring and evaluation.</td>
</tr>
</tbody>
</table>


PART II: General ex ante conditionalties

<table>
<thead>
<tr>
<th>Area</th>
<th>Ex ante conditionality</th>
<th>Criteria for fulfilment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Anti-discrimination</td>
<td>The existence of administrative capacity for the implementation and application of Union anti-discrimination law and policy in the field of ESI Funds</td>
<td>— Arrangements in accordance with the institutional and legal framework of Member States for the involvement of bodies responsible for the promotion of equal treatment of all persons throughout the preparation and implementation of programmes, including the provision of advice on equality in ESI fund-related activities;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the fields of Union anti-discrimination law and policy.</td>
</tr>
<tr>
<td>2. Gender</td>
<td>The existence of administrative capacity for the implementation and application of Union gender equality law and policy in the field of ESI Funds</td>
<td>— Arrangements in accordance with the institutional and legal framework of Member States for the involvement of bodies responsible for gender equality throughout the preparation and implementation of programmes, including the provision of advice on gender equality in ESI Fund-related activities;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the fields of Union gender equality law and policy as well as on gender mainstreaming.</td>
</tr>
<tr>
<td>Area</td>
<td>Ex ante conditionality</td>
<td>Criteria for fulfilment</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| 3. Disability                             | The existence of administrative capacity for the implementation and application of the United Nations Convention on the rights of persons with disabilities (UNCRPD) in the field of ESI Funds in accordance with Council Decision 2010/48/EC (1) | — Arrangements in accordance with the institutional and legal framework of Member States for the consultation and involvement of bodies in charge of protection of rights of persons with disabilities or representative organisations of persons with disabilities and other relevant stakeholders throughout the preparation and implementation of programmes;  
   — Arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the fields of applicable Union and national disability law and policy, including accessibility and the practical application of the UNCRPD as reflected in Union and national legislation, as appropriate;  
   — Arrangements to ensure monitoring of the implementation of Article 9 of the UNCRPD in relation to the ESI Funds throughout the preparation and the implementation of the programmes. |
| 4. Public procurement                      | The existence of arrangements for the effective application of Union public procurement law in the field of the ESI Funds.                                              | — Arrangements for the effective application of Union public procurement rules through appropriate mechanisms;  
   — Arrangements which ensure transparent contract award procedures;  
   — Arrangements for training and dissemination of information for staff involved in the implementation of the ESI funds;  
   — Arrangements to ensure administrative capacity for implementation and application of Union public procurement rules. |
| 5. State aid                               | The existence of arrangements for the effective application of Union State aid rules in the field of the ESI Funds.                                                | — Arrangements for the effective application of Union State aid rules;  
   — Arrangements for training and dissemination of information for staff involved in the implementation of the ESI funds;  
   — Arrangements to ensure administrative capacity for implementation and application of Union State aid rules. |
| 6. Environmental legislation relating to Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) | The existence of arrangements for the effective application of Union environmental legislation related to EIA and SEA.                                                                 | — Arrangements for the effective application of Directive 2011/92/EU of the European Parliament and of the Council (2) (EIA) and of Directive 2001/42/EC of the European Parliament and of the Council (3) (SEA);  
   — Arrangements for training and dissemination of information for staff involved in the implementation of the EIA and SEA Directives;  
   — Arrangements to ensure sufficient administrative capacity.                                                                                                  |
<table>
<thead>
<tr>
<th>Area</th>
<th>Ex ante conditionality</th>
<th>Criteria for fulfilment</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Statistical systems and result indicators</td>
<td>The existence of a statistical basis necessary to undertake evaluations to assess the effectiveness and impact of the programmes.</td>
<td>— Arrangements for timely collection and aggregation of statistical data with the following elements are in place:</td>
</tr>
<tr>
<td></td>
<td>The existence of a system of result indicators necessary to select actions, which most effectively contribute to desired results, to monitor progress towards results and to undertake impact evaluation.</td>
<td>— the identification of sources and mechanisms to ensure statistical validation;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— arrangements for publication and public availability of aggregated data;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— An effective system of result indicators including:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— the selection of result indicators for each programme providing information on what motivates the selection of policy actions financed by the programme;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— the establishment of targets for these indicators;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— the consistency of each indicator with the following requisites: robustness and statistical validation, clarity of normative interpretation, responsiveness to policy, timely collection of data;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Procedures in place to ensure that all operations financed by the programme adopt an effective system of indicators.</td>
</tr>
</tbody>
</table>

ANNEX XII

INFORMATION AND COMMUNICATION ON SUPPORT FROM THE FUNDS

1. LIST OF OPERATIONS

The list of operations referred to in Article 115(2) shall contain, in at least one of the official languages of the Member State, the following data fields:

- beneficiary name (only of legal entities; no natural persons shall be named);
- operation name;
- operation summary;
- operation start date;
- operation end date (expected date for physical completion or full implementation of the operation);
- total eligible expenditure allocated to the operation;
- Union co-financing rate, as per priority axis;
- operation postcode; or other appropriate location indicator;
- country;
- name of category of intervention for the operation in accordance with point (b) (vi) of the first subparagraph of Article 96(2);
- date of last update of the list of operations.

The headings of the data fields shall be also provided in at least one other official language of the Union.

2. INFORMATION AND COMMUNICATION MEASURES FOR THE PUBLIC

The Member State, the managing authority and the beneficiaries shall take the steps necessary to provide information to, and communicate with, the public on operations supported by an operational programme in accordance with this Regulation.

2.1. Responsibilities of the Member State and the managing authority

1. The Member State and the managing authority shall ensure that the information and communication measures are implemented in accordance with the communication strategy and that those measures aim for the widest possible media coverage using various forms and methods of communication at the appropriate level.

2. The Member State or the managing authority shall be responsible for at least the following information and communication measures:

(a) organising a major information activity publicising the launch of the operational programme or programmes, even prior to the approval of the relevant communication strategies;

(b) organising one major information activity a year which promotes the funding opportunities and the strategies pursued and presents the achievements of the operational programme or programmes, including, where relevant, major projects, joint action plans and other project examples;

(c) displaying the Union emblem at the premises of each managing authority;
2.1. Responsibilities of the Member State and the managing authority

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(b) organising one major information activity a year which promotes the funding opportunities and the strategies possible media coverage using various forms and methods of communication at the appropriate level.

(c) displaying the Union emblem at the premises of each managing authority;

(d) providing on the beneficiary's website, where such a website exists, a short description of the operation, proportionate to the level of support, including its aims and results, and highlighting the financial support from the Union;

(e) giving examples of operations, by operational programme, on the single website or on the operational programme's website that is accessible through the single website portal; the examples should be in a widely spoken official language of the Union other than the official language or languages of the Member State concerned;

(f) updating information about the operational programme's implementation, including, when appropriate, its main achievements, on the single website or on the operational programme's website that is accessible through the single website portal.

3. The managing authority shall involve in information and communication measures, in accordance with national laws and practices, the following bodies where appropriate:

(a) the partners referred to in Article 5;

(b) information centres on Europe, as well as Commission representation offices, and information offices of the European Parliament in the Member States;

(c) educational and research institutions.

These bodies shall widely disseminate the information described in Article 115(1).

2.2. Responsibilities of the beneficiaries

1. All information and communication measures provided by the beneficiary shall acknowledge support from the Funds to the operation by displaying:

(a) the Union emblem in accordance with the technical characteristics laid down in the implementing act adopted by the Commission under Article 115(4), together with a reference to the Union;

(b) a reference to the Fund or Funds supporting the operation.

Where an information or communication measure relates to an operation or to several operations co-financed by more than one Fund, the reference provided for in point (b) may be replaced by a reference to the ESI Funds.

2. During implementation of an operation, the beneficiary shall inform the public about the support obtained from the Funds by:

(a) providing on the beneficiary's website, where such a website exists, a short description of the operation, proportionate to the level of support, including its aims and results, and highlighting the financial support from the Union;

(b) placing, for operations not falling under points 4 and 5, at least one poster with information about the project (minimum size A3), including the financial support from the Union, at a location readily visible to the public, such as the entrance area of a building.

3. For operations supported by the ESF, and in appropriate cases for operations supported by the ERDF or Cohesion Fund, the beneficiary shall ensure that those taking part in an operation have been informed of this funding.

Any document, relating to the implementation of an operation which is used for the public or for participants, including any attendance or other certificate, shall include a statement to the effect that the operational programme was supported by the Funds.

4. During implementation of an ERDF or Cohesion Fund operation, the beneficiary shall put up, at a location readily visible to the public, a temporary billboard of a significant size for each operation consisting of the financing of infrastructure or construction operations for which the total public support to the operation exceeds EUR 500 000.
5. No later than three months after completion of an operation, the beneficiary shall put up a permanent plaque or billboard of significant size at a location readily visible to the public for each operation that fulfils the following criteria:

(a) the total public support to the operation exceeds EUR 500,000;

(b) the operation consists of the purchase of a physical object or of the financing of infrastructure or of construction operations.

The plaque or billboard shall state the name and the main objective of the operation. It shall be prepared in accordance with the technical characteristics adopted by the Commission in accordance with Article 115(4).

3. INFORMATION MEASURES FOR POTENTIAL BENEFICIARIES AND BENEFICIARIES

3.1. Information measures for potential beneficiaries

1. The managing authority shall ensure, in accordance with the communication strategy, that the operational programme’s strategy and objectives, and the funding opportunities offered through joint support from the Union and the Member State, are disseminated widely to potential beneficiaries and all interested parties, with details of the financial support from the Funds concerned.

2. The managing authority shall ensure that potential beneficiaries have access to the relevant information, including updated information where necessary, and taking into account the accessibility of electronic or other communication services for certain potential beneficiaries, on at least the following:

(a) the funding opportunities and the launching of application calls;

(b) the eligibility of expenditure conditions to be met in order to qualify for support under an operational programme;

(c) a description of the procedures for examining applications for funding and of the time periods involved;

(d) the criteria for selecting the operations to be supported;

(e) the contacts at national, regional or local level that are able to provide information on the operational programmes;

(f) the responsibility of potential beneficiaries to inform the public about the aim of the operation and the support from the Funds to the operation in accordance with point 2.2. The managing authority may request potential beneficiaries to propose indicative communication activities, proportional to the size of the operation, in the applications.

3.2. Information measures for beneficiaries

1. The managing authority shall inform beneficiaries that acceptance of funding constitutes an acceptance of their inclusion in the list of operations published in accordance with Article 115(2).

2. The managing authority shall provide information and communication tools, including templates in electronic format, to help beneficiaries to meet their obligations set out in point 2.2, where appropriate.

4. ELEMENTS OF THE COMMUNICATION STRATEGY

The communication strategy drawn up by the managing authority and, where appropriate, by the Member State shall include the following elements:

(a) a description of the approach taken, including the main information and communication measures to be taken by the Member State or the managing authority and aimed at potential beneficiaries, beneficiaries, multipliers and the wider public, having regard to the aims described in Article 115;

(b) a description of materials that will be made available in formats accessible for people with disabilities;

(c) a description of how beneficiaries will be supported in their communication activities;

(d) the indicative budget for implementation of the strategy;
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(a) the total public support to the operation exceeds EUR 500 000;
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(b) a description of materials that will be made available in formats accessible for people with disabilities;
(c) a description of how beneficiaries will be supported in their communication activities;
(d) the indicative budget for implementation of the strategy;
(e) a description of the administrative bodies, including the staff resources, responsible for implementing the information and communication measures;
(f) the arrangements for the information and communication measures referred to in point 2, including the website or website portal at which such data may be found;
(g) an indication of how the information and communication measures shall be assessed in terms of visibility and awareness of policy, operational programmes and operations, and of the role played by the Funds and the Union;
(h) where appropriate, a description of the use of the main results of the previous operational programme;
(i) an annual update setting out the information and communication activities to be carried out in the following year.
ANNEX XIII

DESIGNATION CRITERIA FOR THE MANAGING AUTHORITY AND THE CERTIFYING AUTHORITY

1. INTERNAL CONTROL ENVIRONMENT

   (i) Existence of an organisational structure covering the functions of managing and certifying authorities and the allocation of functions within each of those authorities, ensuring that the principle of separation of functions, where appropriate, is respected.

   (ii) Framework for ensuring, in the event of delegation of tasks to intermediate bodies, the definition of their respective responsibilities and obligations, the verification of their capacities to carry out delegated tasks and the existence of reporting procedures.

   (iii) Reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.

   (iv) Plan for allocation of appropriate human resources with necessary technical skills, at different levels and for different functions in the organisation.

2. RISK MANAGEMENT

   Taking into account the principle of proportionality, a framework for ensuring that an appropriate risk management exercise is conducted when necessary, and in particular, in the event of major modifications to the activities.

3. MANAGEMENT AND CONTROL ACTIVITIES

   A. Managing authority

      (i) Procedures regarding grant applications, appraisal of applications, selection for funding, including instructions and guidance ensuring the contribution of operations, in accordance with point (a)(i) of Article 125(3), to achieving the specific objectives and results of the relevant priority.

      (ii) Procedures for management verifications including administrative verifications in respect of each application for reimbursement by beneficiaries and the on-the-spot verifications of operations.

      (iii) Procedures for treatment of applications for reimbursement by beneficiaries and authorisation of payments.

      (iv) Procedures for a system to collect, record and store in computerised form data on each operation, including, where appropriate, data on individual participants and a breakdown of data on indicators by gender where required, and to ensure that systems security is in line with internationally accepted standards.

      (v) Procedures established by the managing authority to ensure that beneficiaries maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation.

      (vi) Procedures for putting in place effective and proportionate anti-fraud measures.

      (vii) Procedures to ensure an adequate audit trail and archiving system.

      (viii) Procedures to draw up the management declaration of assurance, report on the controls carried out and weaknesses identified, and the annual summary of final audits and controls.

      (ix) Procedures to ensure the provision to the beneficiary of a document setting out the conditions for support for each operation.
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(ix) Procedures to ensure the provision to the beneficiary of a document setting out the conditions for support for each operation.

B. Certifying authority

(i) Procedures for certifying interim payment applications to the Commission.

(ii) Procedures for drawing up the accounts and certifying that they are true, complete and accurate and that the expenditure complies with applicable law taking into account the results of all audits.

(iii) Procedures for ensuring an adequate audit trail by maintaining accounting records including amounts recoverable, recovered and withdrawn for each operation, in computerised form.

(iv) Procedures, where appropriate, to ensure that the certifying authority receives adequate information from the managing authority on the verifications carried out, and the results of the audits carried out by or under the responsibility of the audit authority.

4. MONITORING

A. Managing authority

(i) Procedures to support the work of the monitoring committee.

(ii) Procedures to draw up and submit to the Commission annual and final implementation reports.

B. Certifying authority

Procedures on the fulfilment of the responsibilities of the certifying authority for monitoring the results of the management verifications and the results of the audits carried out by or under the responsibility of the audit authority before submitting payment applications to the Commission.
### ANNEX XIV

**CORRELATION TABLE**

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Joint Statement by the Council and the Commission on Article 67

The Council and the Commission agree that Article 67 (4) which excludes the application of simplified costs set out in Article 67 (1) (b)-(d) in cases where an operation or a project forming part of an operation is implemented exclusively through public procurement procedures does not preclude the implementation of an operation through public procurement procedures which result in payments by the beneficiary to the contractor based on pre-defined unit costs. The Council and the Commission agree that the costs determined and paid by the beneficiary based on these unit costs established through public procurement procedures shall constitute real costs actually incurred and paid by the beneficiary under Article 67 (1) (a).
Joint Statement by the European Parliament, the Council and the Commission on the revision of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council linked with the reconstitution of appropriations

The European Parliament, the Council and the Commission agree to include in the revision of the Financial Regulation, aligning Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council to the Multiannual Financial Framework 2014-20, provisions necessary for the application of the arrangements for the allocation of the performance reserve and in relation to the implementation of financial instruments under Article 39 (SME initiative) under the Regulation laying down common provisions for the European Structural and Investment Funds concerning the reconstitution of:

i. appropriations which had been committed to programmes in relation to the performance reserve and which had to be decommitted as a result of priorities under these programmes not having attained their milestones and;

ii. appropriations which had been committed in relation to dedicated programmes referred to under Article 39(4)b and which had to be de-committed because the participation of a Member State in the financial instrument had to be discontinued.
Joint Statement by the European Parliament, the Council and the Commission on Article 1

If further justified derogations to the common rules are needed to take into account specificities of the EMFF and of the EAFRD, the European Parliament, the Council and the European Commission commit to allow for these derogations by proceeding with due diligence to the necessary modifications to Regulation laying down common provisions for the European Structural and Investment Funds.
Joint Statement by the European Parliament and the Council on the exclusion of any retroactivity with regard to the application of article 5(3)

The European Parliament and the Council agree that:

— concerning the application of Articles 14(2), 15(1)(c), and 26 (2) of Regulation laying down common provisions for the European Structural and Investment Funds, the actions taken by the Member States to involve the partners referred to in Article 5(1) in the preparation of the Partnership Agreement and the programmes referred to in Article 5 (2) include all actions taken on a practical level by the Member States irrespective of their timing as well as actions taken by them before the entry into force of that and before the day of the entry into force of the delegated act for a European code of conduct adopted in accordance with Article 5(3) of the same Regulation, during the preparatory phases of a Member State programming procedure, provided that the objectives of the partnership principle, laid down in that Regulation, are achieved. In this context, Member States, in accordance with their national and regional competences, will decide on the content of both, the proposed Partnership Agreement and proposed draft programmes, in accordance with the relevant provisions of that Regulation and the fund specific rules;

— the delegated act laying down a European code of conduct, adopted in accordance with Article 5(3), will under no circumstances and neither directly nor indirectly have any retroactive effect, especially concerning the approval procedure of the Partnership Agreement and the programmes, since it is not the intention of the EU legislature to confer any powers on the Commission to the effect that it could reject the approval of the Partnership Agreement and programmes solely and exclusively based on any kind of non-compliance with the European code of conduct, adopted in accordance with Article 5(3);

— the European Parliament and the Council invite the Commission to make available for them the draft text of the delegated act to be adopted under article 5(3) as early as possible, but not later than the date when the political agreement on the Regulation laying down common provisions for the European Structural and Investment Funds is adopted by the Council or the date when the draft report on that Regulation is voted at the plenary of the European Parliament, whichever date is the earliest.
Joint Statement by the European Parliament and the Council on the exclusion of any retroactivity with regard to the application of article 5(3)

The European Parliament and the Council agree that:

— concerning the application of Articles 14(2), 15(1)(c), and 26 (2) of Regulation laying down common provisions for the European Structural and Investment Funds, the actions taken by the Member States to involve the partners referred to in Article 5(1) in the preparation of the Partnership Agreement and the programmes referred to in Article 5 (2) include all actions taken on a practical level by the Member States irrespective of their timing as well as actions taken by them before the entry into force of that and before the day of the entry into force of the delegated act for a European code of conduct adopted in accordance with Article 5(3) of the same Regulation, during the preparatory phases of a Member State programming procedure, provided that the objectives of the partnership principle, laid down in that Regulation, are achieved. In this context, Member States, in accordance with their national and regional competences, will decide on the content of both, the proposed Partnership Agreement and proposed draft programmes, in accordance with the relevant provisions of that Regulation and the fund specific rules;

— the delegated act laying down a European code of conduct, adopted in accordance with Article 5(3), will under no circumstances and neither directly nor indirectly have any retroactive effect, especially concerning the approval procedure of the Partnership Agreement and the programmes, since it is not the intention of the EU legislature to confer any powers on the Commission to the effect that it could reject the approval of the Partnership Agreement and programmes solely and exclusively based on any kind of non-compliance with the European code of conduct, adopted in accordance with Article 5(3);

— the European Parliament and the Council invite the Commission to make available for them the draft text of the delegated act to be adopted under article 5(3) as early as possible, but not later than the date when the political agreement on the Regulation laying down common provisions for the European Structural and Investment Funds is adopted by the Council or the date when the draft report on that Regulation is voted at the plenary of the European Parliament, whichever date is the earliest.
EUROPEAN REGIONAL DEVELOPMENT FUND

The whole of the CPR applies to the ERDF. Additionally, Regulation (EU) N° 1301/2013 lays down specific provisions concerning the activities that can be supported by the ERDF and provides a list of common output indicators.

The role of the ERDF is to reinforce economic, social and territorial cohesion by addressing the main regional imbalances in the Union. Priority financing is aimed at research, ICT, SMEs and the low-carbon-economy. Infrastructure continues to play a role, most notably in less developed regions.

1. **Scope and investment priorities**

Investments supported by ERDF must fall within the scope of Article 3 of the ERDF Regulation, which defines the activities that can be financed by the ERDF. These investments must also fall within the priorities listed under Article 5 for each of the 11 thematic objectives.

2. **Thematic concentration**

Article 4 concentrates ERDF funding on certain investment priorities depending on the level of development of each region. This is achieved by defining minimum financial allocations to specific thematic objectives:

- The allocation of resources at the national level will be at least 80% in more developed regions, at least 60% in transition regions and at least 50% in less developed regions for two or more of the following thematic objectives: 1 (‘strengthening research, technological development and innovation’); 2 (‘enhancing access to, and use and quality of, ICT’); 3 (‘enhancing the competitiveness of SMEs’); and 4 (‘supporting the shift towards a low-carbon economy in all sectors’);
- The allocation of resources at the national level will be at least 20% in more developed regions, at least 15% in transition regions and at least 12% in less developed regions for thematic objective 4 (‘supporting the shift towards a low-carbon economy in all sectors’).

By way of derogation, compensation between these three categories of regions is allowed, provided that the overall amounts at the national level are consistent with the minimum requirements.

3. **Particular territorial features**

Chapter II of the ERDF provides specific provisions on the treatment of particular territorial features namely urban development, areas with natural or demographic handicap, northernmost regions with very low population density and outermost regions.

In particular it provides for the allocation of at least 5% of ERDF resources (at the national level) to integrated actions for sustainable urban development.
REGULATION (EU) No 1301/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 17 December 2013
on the European Regional Development Fund and on specific provisions concerning 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 Articles 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 Committee (1),

Having regard to the opinion of the Committee of the Regions (2),

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Article 176 of the Treaty on the Functioning of the European Union (TFEU) provides that the European Regional Development Fund (ERDF) is intended to help to redress the main regional imbalances in the Union. Under that Article and the second and third paragraphs of Article 174 TFEU, the ERDF is to contribute to reducing disparities between the levels of development of the various regions and to reducing the backwardness of the least favoured regions, among which particular attention is to be paid to 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.

(2) Regulation (EU) No 1303/2013 of the European Parliament and of the Council (3) sets out the provisions common to the ERDF, the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund.

(3) Specific provisions concerning the type of activities which can be supported by the ERDF, in order to contribute to the investment priorities within the thematic objectives set out in Regulation (EU) No 1303/2013, should be laid down. At the same time, activities outside the scope of the ERDF should be defined and clarified, including investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC of the European Parliament and of the Council (4). In order to avoid excessive financing, such investment should not be eligible for support from the ERDF as it already benefits financially from the application of Directive 2003/87/EC. That exclusion should not restrict the possibility of using the ERDF to support activities that are not listed in Annex I to Directive 2003/87/EC even if those activities are implemented by the same economic operators, and include activities such as energy efficiency investments in district heating networks, smart energy distribution, storage and transmission systems and measures aimed at reducing air pollution, even if one of the indirect effects of such activities is the reduction of greenhouse gas emissions, or if they are listed in the national plan referred to in Directive 2003/87/EC.

(4) It is necessary to specify what additional activities can be supported by the ERDF under the European territorial cooperation goal.

(5) The ERDF should contribute to the Union strategy for smart, sustainable and inclusive growth, thus ensuring greater concentration of ERDF support on the priorities of the Union. Depending on which category of regions is supported, the support from the ERDF under the Investment for growth and jobs goal should be concentrated on research and innovation, information and communication technologies (ICT), small and medium-sized enterprises (SMEs) and promoting a low-carbon economy. That thematic concentration should be attained at national level while allowing for flexibility at the level of operational programmes and between different categories of regions. The thematic concentration should be adjusted, where appropriate, to take

(1) OJ C 191, 29.6.2012, p. 44.
into account Cohesion Fund resources allocated to supporting the investment priorities relating to the shift towards a low-carbon economy and referred to in Regulation (EU) No 1300/2013 of the European Parliament and of the Council (1). The degree of thematic concentration should take into account the level of development of the region, the contribution of Cohesion Fund resources where applicable, as well as the specific needs of regions whose GDP per capita used as an eligibility criterion for the 2007-2013 programming period was less than 75 % of the average GDP of the EU-25 for the reference period, regions designated with phasing-out status in the 2007-2013 programming period and certain NUTS level 2 regions consisting solely of island Member States or of islands.

(6) It should be possible for support from the ERDF under the investment priority ‘community-led local development’ to contribute to all of the thematic objectives referred to in this Regulation.

(7) In order to address the specific needs of the ERDF, and in line with the Union strategy for smart, sustainable and inclusive growth, it is necessary to set out within each thematic objective laid down in Regulation (EU) No 1303/2013, the ERDF-specific actions as ‘investment priorities’. Those investment priorities should set out detailed objectives, which are not mutually exclusive, to which the ERDF is to contribute. Such investment priorities should form the basis for the definition of specific objectives within programmes that take into account the needs and characteristics of the programme area.

(8) It is necessary to promote innovation and the development of SMEs, in emerging fields linked to European and regional challenges such as creative and cultural industries and innovative services, reflecting new societal demands, or to products and services linked to an ageing population, care and health, eco-innovation, the low-carbon economy and resource efficiency.

(9) In accordance with Regulation (EU) No 1303/2013, in order to optimise the added value from investments funded wholly or in part through the Union budget in the field of research and innovation, synergies will be sought in particular between the operation of the ERDF and Horizon 2020 - the Framework Programme for Research and Innovation whilst respecting their distinct objectives.

(10) It is important to ensure that, in promoting risk management investments, specific risks at regional, cross-border and transnational level are taken into account.

(11) In order to maximise their contribution to the objective of supporting employment-friendly growth, activities supporting sustainable tourism, culture and natural heritage should be part of a territorial strategy for specific areas, including the conversion of declining industrial regions. Support for such activities should also contribute to strengthening innovation and the use of ICT, SMEs, environment and resource efficiency or the promotion of social inclusion.

(12) In order to promote sustainable regional or local mobility or to reduce air and noise pollution, it is necessary to promote healthy, sustainable and safe modes of transport. Investments in airport infrastructure supported by the ERDF should promote environmentally sustainable air transport when, inter alia, enhancing regional mobility by connecting secondary and tertiary nodes to trans-European transport network (TEN-T) infrastructure, including through multimodal nodes.

(13) In order to promote the achievement of the energy and climate targets set by the Union as part of the Union strategy for smart, sustainable and inclusive growth, the ERDF should support investment to promote energy efficiency and security of supply in Member States through, inter alia, the development of smart energy distribution, storage and transmission systems, including through the integration of distributed generation from renewable sources. In order to meet their security of supply requirements in a manner that is consistent with their targets under the Union strategy for smart, sustainable and inclusive growth, Member States should be able to invest in energy infrastructure that is consistent with their chosen energy mix.

(14) SMEs, which can include social economy enterprises, should be understood, in accordance with the definition laid down in Regulation (EU) No 1303/2013, as covering micro, small and medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC (2).

(15) In order to promote social inclusion and combat poverty, particularly among marginalised communities, it is necessary to improve access to social, cultural and


Community-based services should cover all forms of in-home, family-based, residential and other community services which support the right of all persons to live in the community, with an equality of choices, and which seek to prevent isolation or segregation from the community.

In order to increase flexibility and reduce the administrative burden through joint implementation, the ERDF and the Cohesion Fund investment priorities under the corresponding thematic objectives should be aligned.

A common set of output indicators to assess the aggregated progress at Union level of the implementation of programmes should be set out in an Annex to this Regulation. Those indicators should correspond to the investment priority and type of action supported in accordance with this Regulation and the relevant provisions of Regulation (EU) No 1303/2013. The common output indicators should be complemented by programme-specific result indicators and, where relevant, by programme-specific output indicators.

Within the framework of sustainable urban development, it is considered necessary to support integrated actions to tackle the economic, environmental, climate, demographic and social challenges affecting urban areas, including functional urban areas, while taking into account the need to promote urban-rural linkages. The principles for selecting the urban areas where integrated actions for sustainable urban development are to be implemented, and the indicative amounts for those actions, should be set out in the Partnership Agreement with a minimum of 5 % of the ERDF resources allocated at national level for that purpose. The scope of any delegation of tasks to urban authorities should be decided upon by the managing authority in consultation with the urban authority.

In order to identify or test new solutions which address issues that are related to sustainable urban development and are of relevance at Union level, the ERDF should support innovative actions in the area of sustainable urban development.

In order to reinforce capacity-building, networking and exchange of experience between programmes and bodies responsible for implementing sustainable urban development strategies and innovative actions in the area of sustainable urban development and to complement existing programmes and bodies, it is necessary to establish an urban development network at Union level.

The ERDF should address the problems of accessibility to, and remoteness from, large markets, faced by 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, border regions, mountain regions and sparsely populated areas, the geographical situation of which slows down their development, with a view to supporting their sustainable development.

Specific attention should be paid to the outermost regions, namely by adopting measures under Article 349 TFEU extending, on an exceptional basis, the scope of support from the ERDF to the financing of operating aid linked to the offsetting of the additional costs resulting from the specific economic and social situation of those regions which is compounded by the handicaps resulting from the factors referred to in Article 349 TFEU, namely remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products, the permanence and combination of which severely restrain their development. Operating aid granted by Member States in that context is exempt from the notification obligation laid down in Article 108(3) TFEU, if, at the time it is granted, it fulfils the conditions laid down by a Regulation declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU, and adopted pursuant to Council Regulation (EC) No 994/98 (1).

In line with the conclusions of the European Council of 7-8 February 2013, and taking into account the special objectives laid down in the TFEU concerning the outermost regions referred to in Article 349 TFEU, the status of Mayotte was changed as a result of European Council Decision 2012/419/EU (2) to become a new outermost region from 1 January 2014. In order to facilitate and to promote focused and rapid infrastructural development of Mayotte, it should be possible on an exceptional basis that at least 50 % of the ERDF part of Mayotte’s envelope be allocated to five of the thematic objectives laid down in Regulation (EU) No 1303/2013.


In order to supplement this Regulation with certain non-essential elements, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of detailed rules for the criteria for the selection and management of innovative actions. Such power should also be delegated to the Commission in respect of amendments to Annex I to this Regulation where justified to ensure the effective assessment of progress in implementation of operational programmes. It is of particular importance that the Commission carry 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.

Since the objective of this Regulation, namely to reinforce economic, social and territorial cohesion by redressing the main regional imbalances in the Union, cannot be sufficiently achieved by the Member States but can rather, by reason of the extent of the disparities between the levels of development of the various regions and the backwardness of the least favoured regions and the limit on the financial resources of the Member States and regions, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

This Regulation replaces Regulation (EC) No 1080/2006 of the European Parliament and the Council (1). In the interests of clarity, Regulation (EC) No 1080/2006 should therefore be repealed. However, this Regulation should not affect either the continuation or modification 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. That Regulation or such other applicable legislation should consequently continue to apply after 31 December 2013 to that assistance or the operations concerned until their closure. Applications to receive assistance made or approved under Regulation (EC) No 1080/2006 should remain valid.

In order to allow for the prompt application of the measures provided for in this Regulation, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union.

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 goal and the European territorial cooperation goal 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 in the Union through the sustainable development and structural adjustment of regional economies, including the conversion of declining industrial regions and regions whose development is lagging behind.

Article 3

Scope of support from the ERDF

1. The ERDF shall support the following activities in order to contribute to the investment priorities set out in Article 5:

(a) productive investment which contributes to creating and safeguarding sustainable jobs, through direct aid for investment in SMEs;

(b) productive investment, irrespective of the size of the enterprise concerned, which contributes to the investment priorities set out in points (1) and (4) of Article 5, and, where that investment involves cooperation between large enterprises and SMEs, in point (2) of Article 5;

(c) investment in infrastructure providing basic services to citizens in the areas of energy, environment, transport and ICT;

(d) investment in social, health, research, innovation, business and educational infrastructure;

(e) investment in the development of endogenous potential through fixed investment in equipment and small-scale infrastructure, including small-scale cultural and sustainable tourism infrastructure, services to enterprises, support to research and innovation bodies and investment in technology and applied research in enterprises;

(f) networking, cooperation and exchange of experience between competent regional, local, urban and other public authorities, economic and social partners and relevant bodies representing civil society, referred to in Article 5(1) of Regulation (EU) No 1303/2013, studies, preparatory actions and capacity-building.

2. Under the European territorial cooperation goal, the ERDF may also support the sharing of facilities and human resources, and all types of infrastructure across borders in all regions.

3. The ERDF shall not support:
   (a) the decommissioning or the construction of nuclear power stations;
   (b) investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC;
   (c) the manufacturing, processing and marketing of tobacco and tobacco products;
   (d) undertakings in difficulty, as defined under Union State aid rules;
   (e) investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.

Article 4

Thematic concentration

1. The thematic objectives set out in the first paragraph of Article 9 of Regulation (EU) No 1303/2013 and the corresponding investment priorities set out in Article 5 of this Regulation to which the ERDF may contribute under the Investment for growth and jobs goal, shall be concentrated as follows:

(a) in more developed regions:
   (i) at least 80 % of the total ERDF resources at national level shall be allocated to two or more of the thematic objectives set out in points 1, 2, 3 and 4 of the first paragraph of Article 9 of Regulation (EU) No 1303/2013; and
   (ii) at least 15 % of the total ERDF resources at national level shall be allocated to the thematic objective set out in point 4 of the first paragraph of Article 9 of Regulation (EU) No 1303/2013;

(b) in transition regions:
   (i) at least 60 % of the total ERDF resources at national level shall be allocated to two or more of the thematic objectives set out in points 1, 2, 3 and 4 of the first paragraph of Article 9 of Regulation (EU) No 1303/2013; and
   (c) in less developed regions:
      (i) at least 50 % of the total ERDF resources at national level shall be allocated to two or more of the thematic objectives set out in out in points 1, 2, 3 and 4 of the first paragraph of Article 9 of Regulation (EU) No 1303/2013; and
      (ii) at least 12 % of the total ERDF resources at national level shall be allocated to the thematic objective set out in point 4 of the first paragraph of Article 9 of Regulation (EU) No 1303/2013.

For the purpose of this Article, regions whose GDP per capita used as an eligibility criterion for the 2007-2013 programming period was less than 75 % of the average GDP of the EU-25 for the reference period, and regions designated with phasing-out status in the 2007-2013 programming period, but which are eligible under the category of more developed regions as referred to in point (c) of the first subparagraph of Article 90(2) of Regulation (EU) No 1303/2013 in the 2014-2020 programming period, shall be considered as transition regions.

For the purpose of this Article, all NUTS level 2 regions consisting solely of island Member States or of islands which form part of Member States which receive support from the Cohesion Fund, and all outermost regions, shall be considered as less developed regions.

2. By way of derogation from paragraph 1 of this Article, the minimum ERDF share allocated to a category of region may be lower than that set out in that paragraph, provided that such a decrease is compensated by an increase in the share allocated to other categories of regions. The resulting sum at national level of the amounts for all categories of region respectively for the thematic objectives set out in points 1, 2, 3 and 4 of the first paragraph of Article 9 of Regulation (EU) No 1300/2013 and those set out in point 4 of the first paragraph of Article 9 of Regulation (EU) No 1303/2013 shall accordingly not be less than the sum at national level resulting from applying the minimum ERDF shares set out in paragraph 1 of this Article.

3. By way of derogation from paragraph 1 of this Article, Cohesion Fund resources allocated to supporting the investment priorities set out in point (a) of Article 4 of Regulation (EU) No 1300/2013 may be counted towards achieving the minimum shares set out in points (a)(ii), (b)(ii) and (c)(ii) of the first subparagraph of paragraph 1 of this Article. In such a case, the share referred to in point (c)(iii) of the first subparagraph of paragraph 1 of this Article shall be increased to 13 %. Where applicable, those resources shall be allocated pro rata to the different categories of region based on their relative shares of the total population of the Member State concerned.
Article 5

Investment priorities

The ERDF shall support the following investment priorities within the thematic objectives set out in the first paragraph of Article 9 of Regulation (EU) No 1303/2013, in accordance with the development needs and growth potential referred to in point (a)(i) of Article 15(1) of that Regulation and set out in the Partnership Agreement:

(1) strengthening research, technological development and innovation by:

(a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest;

(b) promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies;

(2) enhancing access to, and use and quality of, ICT by:

(a) extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy;

(b) developing ICT products and services, e-commerce, and enhancing demand for ICT;

(c) strengthening ICT applications for e-government, e-learning, e-inclusion, e-culture and e-health;

(3) enhancing the competitiveness of SMEs by:

(a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;

(b) developing and implementing new business models for SMEs, in particular with regard to internationalisation;

(c) supporting the creation and the extension of advanced capacities for product and service development;

(d) supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes;

(4) supporting the shift towards a low-carbon economy in all sectors by:

(a) promoting the production and distribution of energy derived from renewable sources;

(b) promoting energy efficiency and renewable energy use in enterprises;

(c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;

(d) developing and implementing smart distribution systems that operate at low and medium voltage levels;

(e) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures;

(f) promoting research and innovation in, and adoption of, low-carbon technologies;

(g) promoting the use of high-efficiency co-generation of heat and power based on useful heat demand;

(5) promoting climate change adaptation, risk prevention and management by:

(a) supporting investment for adaptation to climate change, including ecosystem-based approaches;

(b) promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems;

(6) preserving and protecting the environment and promoting resource efficiency by:


(a) investing in the waste sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;

(b) investing in the water sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;

(c) conserving, protecting, promoting and developing natural and cultural heritage;

(d) protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure;

(e) taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites (including conversion areas), reduce air pollution and promote noise-reduction measures;

(f) promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector and with regard to soil, or to reduce air pollution;

(g) supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors;

(7) promoting sustainable transport and removing bottlenecks in key network infrastructures by:

(a) supporting a multimodal Single European Transport Area by investing in the TEN-T;

(b) enhancing regional mobility by connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal nodes;

(c) developing and improving environmentally-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility;

(d) developing and rehabilitating comprehensive, high quality and interoperable railway systems, and promoting noise-reduction measures;

(e) improving energy efficiency and security of supply through the development of smart energy distribution, storage and transmission systems and through the integration of distributed generation from renewable sources;

(8) promoting sustainable and quality employment and supporting labour mobility by:

(a) supporting the development of business incubators and investment support for self-employment, micro-enterprises and business creation;

(b) supporting employment-friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions and enhancement of accessibility to, and development of, specific natural and cultural resources;

(c) supporting local development initiatives and aid for structures providing neighbourhood services to create jobs, where such actions are outside the scope of Regulation (EU) No 1304/2013 of the European Parliament and of the Council (1);

(d) investing in infrastructure for employment services;

(9) promoting social inclusion, combating poverty and any discrimination, by:

(a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services;

(b) providing support for physical, economic and social regeneration of deprived communities in urban and rural areas;

(c) providing support for social enterprises;

(d) undertaking investment in the context of community-led local development strategies;

(10) investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure;

(11) enhancing institutional capacity of public authorities and stakeholders and efficient public administration through actions to strengthen the institutional capacity and the efficiency of public administrations and public services related to the implementation of the ERDF, and in support of actions under the ESF to strengthen the institutional capacity and the efficiency of public administration.

Article 6
Indicators for the Investment for growth and jobs goal

1. Common output indicators, as set out in Annex I to this Regulation, programme-specific result indicators and, where relevant, programme-specific output indicators shall be used in accordance with Article 27(4) and point (b)(ii) and (iv) and point (c)(ii) and (iv) of Article 96(2) of Regulation (EU) No 1303/2013.

2. For common and programme-specific output indicators, baselines shall be set at zero. Cumulative quantified target values for those indicators shall be set for 2023.

3. For programme-specific result indicators, which relate to investment priorities, baselines shall use the latest available data and targets shall be set for 2023. Targets may be expressed in quantitative or qualitative terms.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 14 to amend the list of common output indicators set out in Annex I, in order to make adjustments, where justified to ensure effective assessment of progress in the implementation of operational programmes.

CHAPTER II
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 that set out integrated actions to tackle the economic, environmental, climate, demographic and social challenges affecting urban areas, while taking into account the need to promote urban-rural linkages.

2. Sustainable urban development shall be undertaken through Integrated territorial investment as referred to in Article 36 of Regulation (EU) No 1303/2013, or through a specific operational programme, or through a specific priority axis in accordance with point (c) of the first subparagraph of Article 96(1) of Regulation (EU) No 1303/2013.

3. Taking into account its specific territorial situation, each Member State shall establish in its Partnership Agreement the principles for the selection of urban areas where integrated actions for sustainable urban development are to be implemented and an indicative allocation for those actions at national level.

4. At least 5% of the ERDF resources allocated at national level under the Investment for growth and jobs goal shall be allocated to integrated actions for sustainable urban development where cities, sub-regional or local bodies responsible for implementing sustainable urban strategies (“urban authorities”) shall be responsible for tasks relating, at least, to the selection of operations in accordance with Article 123(6) of Regulation (EU) No 1303/2013, or, where appropriate, in accordance with Article 123(7) of that Regulation. The indicative amount to be dedicated for the purposes of paragraph 2 of this Article shall be set out in the operational programme or programmes concerned.

5. The managing authority shall determine, in consultation with the urban authority, the scope of tasks, to be undertaken by urban authorities, concerning the management of integrated actions for sustainable urban development. The managing authority shall formally record its decision in writing. The managing authority may retain the right to undertake a final verification of eligibility of operations before approval.

Article 8
Innovative actions in the area of sustainable urban development

1. At the initiative of the Commission, the ERDF may support innovative actions in the area of sustainable urban development in accordance with Article 92(8) of Regulation (EU) No 1303/2013. Such actions shall include studies and pilot projects to identify or test new solutions which address issues that are related to sustainable urban development and are of relevance at Union level. The Commission shall encourage the involvement of relevant partners referred to in Article 5(1) of Regulation (EU) No 1303/2013 in the preparation and implementation of innovative actions.

2. By way of derogation from Article 4 of this Regulation, innovative actions may support all activities necessary to achieve the thematic objectives set out in the first paragraph of Article 9 of Regulation (EU) No 1303/2013 and the corresponding investment priorities set out in Article 5 of this Regulation.

3. The Commission shall be empowered to adopt delegated acts in accordance with Article 14 laying down detailed rules concerning the principles for the selection and management of innovative actions to be supported by the ERDF in accordance with this Regulation.
Article 9

Urban development network

1. The Commission shall establish, in accordance with Article 58 of Regulation (EU) No 1303/2013 an urban development network to promote capacity-building, networking and exchange of experience at Union level between urban authorities responsible for implementing sustainable urban development strategies in accordance with Article 7(4) and (5) of this Regulation and authorities responsible for innovative actions in the area of sustainable urban development in accordance with Article 8 of this Regulation.

2. The activities of the urban development network shall be complementary to those undertaken under interregional cooperation pursuant to point (3)(b) of Article 2 of Regulation (EU) No 1299/2013 of the European Parliament and of the Council (1).

Article 10

Areas with natural or demographic handicaps

In operational programmes co-financed by the ERDF, covering areas with severe and permanent natural or demographic handicaps as referred to in point 4 of Article 121 of Regulation (EU) No 1303/2013, particular attention shall be paid to addressing the specific difficulties of those areas.

Article 11

Northernmost regions with very low population density

Article 4 shall not apply to the specific additional allocation for the northernmost regions with very low population density. That allocation shall be allocated to the thematic objectives set out in points 1, 2, 3, 4 and 7 of the first paragraph of Article 9 of Regulation (EU) No 1303/2013.

Article 12

Outermost regions

1. Article 4 shall not apply to the specific additional allocation for the outermost regions. That allocation shall be used to offset the additional costs, linked to the special characteristics and constraints referred to in Article 349 TFEU, incurred in the outermost regions in supporting:

(a) the thematic objectives set out in the first paragraph of Article 9 of Regulation (EU) No 1303/2013;

(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 the lack of human capital in the local market.

2. The specific additional allocation referred to in paragraph 1 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, only in the case of operating aid and expenditure covering public service obligations and contracts, but may cover the total eligible costs in the case of expenditure for investment.

4. The specific additional allocation referred to in paragraph 1 of this Article shall not be used to support:

(a) operations involving products listed in Annex I to the TFEU;

(b) aid for the transport of persons authorised under point (a) of Article 107(2) TFEU;

(c) tax exemptions and exemption of social charges.

5. By way of derogation from points (a) and (b) of Article 3(1), the ERDF may support productive investment in enterprises in the outermost regions, irrespective of the size of those enterprises.

6. Article 4 shall not apply to the ERDF part of the envelope allocated to Mayotte as an outermost region within the meaning of Article 349 TFEU, and at least 50 % of that ERDF part shall be allocated to the thematic objectives set out in points 1, 2, 3, 4 and 6 of the first paragraph of Article 9 of Regulation (EU) No 1303/2013.

CHAPTER III

Final provisions

Article 13

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. That Regulation or such other applicable legislation shall consequently continue to apply after 31 December 2013 to that assistance or the operations concerned until their closure. For the purposes of this paragraph assistance shall cover operational programmes and major projects.

2. Applications to receive assistance made or approved under Regulation (EC) No 1080/2006 shall remain valid.
Article 14

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 Articles 6(4) and 8(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.

3. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

4. A delegated act adopted pursuant to Articles 6(4) and 8(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 15

Repeal

Without prejudice to Article 13 of this Regulation, Regulation (EC) No 1080/2006 is hereby repealed with effect from 1 January 2014.

References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table set out in Annex II.

Article 16

Review

The European Parliament and the Council shall review this Regulation by 31 December 2020, in accordance with Article 177 TFEU.

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.

Article 12(6) shall apply with effect from 1 January 2014.

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

Done at Brussels, 17 December 2013.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
R. ŠADŽIUS
ANNEX I

COMMON OUTPUT INDICATORS FOR ERDF SUPPORT UNDER THE INVESTMENT FOR GROWTH AND JOBS GOAL (ARTICLE 6)

<table>
<thead>
<tr>
<th>UNIT</th>
<th>NAME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productive investment</strong></td>
<td></td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises receiving support</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises receiving grants</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises receiving financial support other than grants</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises receiving non-financial support</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of new enterprises supported</td>
</tr>
<tr>
<td>EUR</td>
<td>Private investment matching public support to enterprises (grants)</td>
</tr>
<tr>
<td>EUR</td>
<td>Private investment matching public support to enterprises (non-grants)</td>
</tr>
<tr>
<td>full time equivalents</td>
<td>Employment increase in supported enterprises</td>
</tr>
<tr>
<td>Sustainable tourism</td>
<td></td>
</tr>
<tr>
<td>visits/year</td>
<td>Increase in expected number of visits to supported sites of cultural and natural heritage and attractions</td>
</tr>
<tr>
<td>ICT Infrastructure</td>
<td></td>
</tr>
<tr>
<td>households</td>
<td>Additional households with broadband access of at least 30 Mbps</td>
</tr>
<tr>
<td>Transport</td>
<td></td>
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<tr>
<td>Railway</td>
<td></td>
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<td>kilometres</td>
<td>Total length of new railway lines of which: TEN-T</td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of reconstructed or upgraded railway lines of which: TEN-T</td>
</tr>
<tr>
<td>Roads</td>
<td></td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of newly built roads of which: TEN-T</td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of reconstructed or upgraded roads of which: TEN-T</td>
</tr>
<tr>
<td>Urban transport</td>
<td></td>
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<tr>
<td>kilometres</td>
<td>Total length of new or improved tram and metro lines</td>
</tr>
<tr>
<td>Inland waterways</td>
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</tr>
<tr>
<td>kilometres</td>
<td>Total length of new or improved inland waterways</td>
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<td>tonnes/year</td>
<td>Additional waste recycling capacity</td>
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<tr>
<td>Water supply</td>
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<tr>
<td>persons</td>
<td>Additional population served by improved water supply</td>
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<tr>
<td>Wastewater treatment</td>
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<tr>
<td>population equivalent</td>
<td>Additional population served by improved wastewater treatment</td>
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<tr>
<td>Risk prevention and management</td>
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<td>Population benefiting from flood protection measures</td>
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<tr>
<td>persons</td>
<td>Population benefiting from forest fire protection measures</td>
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<tr>
<td>UNIT NAME</td>
<td>UNIT</td>
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<td>---------------------------------------</td>
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</tr>
<tr>
<td>Land rehabilitation</td>
<td>hectares</td>
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<tr>
<td>Nature and biodiversity</td>
<td>hectares</td>
</tr>
<tr>
<td>Research, Innovation</td>
<td>full-time equivalents</td>
</tr>
<tr>
<td></td>
<td>full-time equivalents</td>
</tr>
<tr>
<td></td>
<td>enterprises</td>
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<td>Renewables</td>
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<td>Energy efficiency</td>
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<td>kWh/year</td>
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<td>users</td>
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<td></td>
<td>GHG reduction</td>
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<td>Social infrastructure</td>
<td>Childcare &amp; education</td>
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<tr>
<td></td>
<td>Health</td>
</tr>
<tr>
<td>Urban Development specific indicators</td>
<td>persons</td>
</tr>
<tr>
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<td>square metres</td>
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<tr>
<td></td>
<td>square metres</td>
</tr>
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<td></td>
<td>housing units</td>
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### ANNEX II

#### CORRELATION TABLE

<table>
<thead>
<tr>
<th>Regulation (EC) No 1080/2006</th>
<th>This Regulation</th>
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<tbody>
<tr>
<td>Article 1</td>
<td>Article 1</td>
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<td>Article 3</td>
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<td>Article 15</td>
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<td>Article 25</td>
<td>Article 16</td>
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<tr>
<td></td>
<td>Article 17</td>
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</table>
Joint statement of the European Parliament and of the Council concerning the application of Article 6 of the ERDF Regulation, Article 15 of the ETC Regulation and Article 4 of the Cohesion Fund Regulation

The European Parliament and the Council note the assurance provided by the Commission to the EU legislature that the common output indicators for the ERDF Regulation, the ETC Regulation and the Cohesion Fund Regulation to be included in an annex to, respectively, each regulation, are the outcome of a lengthy preparatory process involving the evaluation experts of both the Commission and the Member States and, in principle, are expected to remain stable.
The whole of the CPR applies to the ESF. Additionally, Regulation (EU) No 1304/2013 lays down specific provisions concerning the activities that can be supported by the ESF and provides a list of common output and result indicators including for the YEI.

The ESF supports Member States in pursuing the priorities, headline targets and country-specific challenges with regard to the Union strategy for smart, sustainable and inclusive growth.

To this end, the ESF promotes:

- high levels of employment and job quality;
- improved access to the labour market;
- the geographical and occupational mobility of workers;
- the adaptation of workers to industrial change and to changes in production systems needed for sustainable development;
- a high level of education and training for all;
- the transition between education and employment for young people;
- combatting poverty;
- social inclusion;
- gender equality, non-discrimination and equal opportunities;
- the implementation of reforms, in particular in the fields of employment, education, training and social policies.

1. Scope and thematic concentration

The ESF supports 19 investment priorities under thematic objectives 8 (‘promoting sustainable and quality employment and supporting labour mobility’), 9 (‘promoting social inclusion, combating poverty and any discrimination’), 10 (‘investing in education, training and vocational training for skills and life-long learning’) and 11 (‘enhancing institutional capacity of public authorities and stakeholders and efficient public administration’). Through these 19 investment priorities, the ESF also aims to contribute to the other seven thematic objectives set out in Article 9 of the CPR.

The ESF concentrates its resources as follows:

- At least 20 % of the total ESF resources in each Member State shall be allocated to thematic objective 9 (‘promoting social inclusion, combating poverty and any discrimination’).
- Member States shall concentrate at least 80 % of the ESF allocation in more developed regions, 70 % in transition regions and 60 % in less developed regions to each operational programme on up to five of the investment priorities.

2. Youth Employment Initiative (YEI)

Given the extent of youth unemployment throughout the Union and in particular in a number of Member States, the European Council put forward proposals for a Youth Employment Initiative (YEI) to support the integration of young people not in employment, education or training into the labour market, with a focus on EU regions with a youth unemployment rate in 2012 of more than 25 %. The budget for the YEI totals EUR 6.4 billion for the period 2014-2020 (EUR 3.2 billion comes from a specific allocation to the YEI and at least EUR 3.2 billion from the ESF).

The YEI will reinforce and accelerate measures outlined in the 2012 Youth Employment Package to support the integration of young people below 25 or 30\(^\text{10}\) into the labour market. The Youth Guarantee is one of such measures, whereby Member States put in place a national plan to ensure that young people up to 25 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving school or becoming unemployed. The YEI is complementary to other projects undertaken at national level, including those under the ESF.

The YEI is integrated into the programming of the ESF and is subject to the rules applicable to the ESF. However, the CPR and the ESF Regulation set out specific provisions for the YEI (and sometimes, for the YEI specific allocation only) to take account of its specific nature and mission. This is the case, for instance, of rules on thematic concentration, pre-financing, co-financing, financial management and programming arrangements.

\(^{10}\) The ESF Regulation allows Member States to extend the target group to include young persons under the age 30.
REGULATION (EU) No 1304/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 17 December 2013

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 164 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 opinions of the European Economic and Social Committee (1),

Having regard to the opinion of the Committee of the Regions (2),

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Regulation (EU) No 1303/2013 of the European Parliament and of the Council (3) establishes the framework for action by the European Social Fund (ESF), the European Regional Development Fund (ERDF), the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and lays down, in particular, the thematic objectives, the principles and the rules concerning programming, monitoring and evaluation, management and control. It is therefore necessary to specify the mission and scope of the ESF, together with the related investment priorities addressing the thematic objectives, and to lay down specific provisions concerning the type of activities that may be financed by the ESF.

(2) The ESF should improve employment opportunities, strengthen social inclusion, fight poverty, promote education, skills and life-long learning and develop active, comprehensive and sustainable inclusion policies in accordance with the tasks entrusted to the ESF by Article 162 of the Treaty on the Functioning of the European Union (TFEU), and thereby contribute to economic, social and territorial cohesion in accordance with Article 174 TFEU. In accordance with Article 9 TFEU, the ESF should take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.

(3) The European Council of 17 June 2010 called for all common policies, including cohesion policy, to support the Europe 2020 Strategy for smart, sustainable and inclusive growth (the "Europe 2020 strategy"). In order to ensure the full alignment of the ESF with the objectives of this strategy, particularly as regards employment, education, training and the fight against social exclusion, poverty and discrimination, the ESF should support Member States, taking account of the relevant Integrated Guidelines and relevant country-specific recommendations adopted in accordance with Article 121(2) and Article 148(4) TFEU and, where appropriate, at national level, the national reform programmes underpinned by national employment strategies, national social reports, national Roma integration strategies and national disability strategies. The ESF should also contribute to relevant aspects of the implementation of the flagship initiatives, in particular the "Agenda for New Skills and Jobs", the "Youth on the Move", and the "European Platform against Poverty and Social Exclusion". It should also support relevant activities in the initiatives on the "Digital Agenda" and "Innovation Union".

(4) The Union is confronted with structural challenges arising from economic globalisation, technological change and an increasingly ageing workforce and growing skills and labour shortages in some sectors and regions. They have been compounded by the recent economic and financial crisis, which has resulted in increased levels of unemployment, hitting in particular young people and other disadvantaged people, such as migrants and minorities.

(5) The ESF should aim to promote employment, improve access to the labour market, paying particular attention to those who are furthest from the labour market and support voluntary labour mobility. The ESF should also support active and healthy ageing, including through innovative forms of work organisation, promoting

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health and safety at work and increasing employability. In promoting the better functioning of labour markets by enhancing the transnational geographical mobility of workers, the ESF should, in particular, support EURES activities (activities of the European network of employment services) in relation to recruitment and related information, advice and guidance services at national and cross-border level. Operations financed by the ESF should comply with Article 5(2) of the Charter of Fundamental Rights of the European Union which provides that no one shall be required to perform forced or compulsory labour.

(6) The ESF should also promote social inclusion and prevent and combat poverty with a view to breaking the cycle of disadvantage across generations which implies mobilising a range of policies targeting the most disadvantaged people regardless of their age including children, the working poor and older women. Attention should be paid to the participation of those seeking asylum and refugees. The ESF may be used to enhance access to affordable, sustainable and high quality services of general interest, in particular in the fields of health care, employment and training services, services for the homeless, out of school care, childcare and long-term care services. Services supported can be public, private and/or community-based, and delivered by different types of providers, namely public administrations, private companies, social enterprises, non-governmental organisations.

(7) The ESF should undertake to tackle early school leaving, promote equal access to good quality education, invest in vocational education and training, improve the labour market relevance of education and training systems and enhance life-long learning, including formal, non-formal and informal learning pathways.

(8) In addition to these priorities, in the less developed regions and Member States, and with a view to increasing economic growth and employment opportunities, the efficiency of public administration at national and regional level, as well as the ability of a public administration to act in a participative manner, should be improved. The institutional capacity of stakeholders, including non-governmental organisations, delivering employment, education, training and social policies, including in the field of anti-discrimination, should be strengthened.

(9) Support under the investment priority "community-led local development" may contribute to all thematic objectives as set out in this Regulation. Community-led local development strategies supported by the ESF should be inclusive with regard to disadvantaged people present on the territory, both in terms of governance of local action groups and in terms of content of the strategy.

(10) At the same time, it is crucial to support the development and competitiveness of micro, small and medium-sized enterprises of the Union and to ensure that people can adapt, through acquiring appropriate skills and through lifelong learning opportunities, to new challenges such as the shift to a knowledge-based economy, the digital agenda, and the transition to a low-carbon and more energy-efficient economy. By pursuing its primary thematic objectives, the ESF should contribute to addressing these challenges. In this context, the ESF should support the labour force transition from education to employment, towards greener skills and jobs, and should address skills shortages, including those in the energy-efficiency, renewable energy and sustainable transport sectors. The ESF should also contribute to cultural and creative skills. Socio-cultural, creative and cultural sectors are important in indirectly addressing the aims of the ESF; their potential should therefore be better integrated into ESF projects and programming.

(11) In light of the persistent need to make an effort to address youth unemployment in the Union as a whole, a Youth Employment Initiative (YEI) should be created for the most affected regions. The YEI should support, in such regions, young persons not in employment, education or training (NEET), who are unemployed or inactive, thereby reinforcing and accelerating the delivery of activities supported by ESF funding. Additional funds should be specifically attributed to the YEI and should be matched with funding from the ESF in the most affected regions. By targeting individual persons rather than structures, the YEI should aim to complement other ESF–funded operations and national actions targeting NEET, including through the implementation of the Youth Guarantee in line with the Council's Recommendation of 22 April 2013 on Establishing a Youth Guarantee (1), which provides that young persons should receive a good-quality offer of either employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or of leaving formal education. The YEI may also support actions to combat early school leaving. Access to welfare benefits for the young person and his/her family or dependants should not be conditional upon the young person's participation in the YEI.

(12) The YEI should be fully integrated into ESF programming but, where appropriate, specific provisions related to YEI should be envisaged with a view to achieving its objectives. It is necessary to simplify and facilitate implementation of the YEI, in particular with regard to financial management provisions and thematic concentration arrangements. In order to ensure that the results of the YEI are clearly demonstrated and communicated, specific monitoring and evaluation, as well as information and publicity arrangements should be envisaged. Youth organisations should be involved in the monitoring committees’ discussions on the preparation and implementation, including evaluation, of the YEI.

(13) The ESF should contribute to the Europe 2020 strategy, ensuring a greater concentration of support on the priorities of the Union. A minimum share of cohesion policy funding for the ESF is established in accordance with Article 92(4) of Regulation (EU) No 1303/2013. The ESF should in particular increase its support for the fight against social exclusion and poverty, through a minimum ring-fenced allocation of 20% of the total ESF resources of each Member State. The choice and number of investment priorities for ESF support should also be limited, in accordance with the level of development of the supported regions.

(14) In order to ensure closer monitoring and improved assessment of the results achieved at the Union level by actions supported by the ESF, a common set of output and result indicators should be established in this Regulation. Such indicators should correspond to the investment priority and type of action supported in accordance with this Regulation as well as the relevant provisions of Regulation (EU) No 1303/2013. The indicators should be complemented where necessary by programme-specific result and/or output indicators.

(15) Member States are encouraged to report on the effect of ESF investments on equal opportunities, equal access and integration of marginalised groups in all operational programmes.

(16) Taking into account data protection requirements linked to collecting and storing sensitive data on participants, the Member States and the Commission should regularly evaluate the effectiveness, efficiency and impact of ESF support in promoting social inclusion and combating poverty, in particular with regard to disadvantaged people such as the Roma. Member States are encouraged to report on ESF-funded initiatives in the national social reports annexed to their national reform programmes, in particular as regards marginalised communities, such as the Roma and migrants.

(17) Efficient and effective implementation of actions supported by the ESF depends on good governance and partnership between all relevant territorial and socioeconomic actors, taking into account the actors at regional and local levels, in particular the umbrella associations representing local and regional authorities, organised civil society, economic and, in particular, social partners and non-governmental organisations. Member States should therefore ensure the participation of social partners and non-governmental organisations in the strategic governance of the ESF, from shaping priorities for operational programmes to implementing and evaluating ESF results.

(18) The Member States and the Commission should ensure that the implementation of the priorities financed by the ESF contributes to the promotion of equality between women and men in accordance with Article 8 TFEU. Evaluations have shown the importance of taking the gender equality objectives aspect into account in all dimensions and in all stages of the preparation, monitoring, implementation and evaluation of operational programmes, in a timely and consistent manner while ensuring that specific actions are taken to promote gender equality, the economic independence of women, education and skills upgrading and the reintegration of female victims of violence into the labour market and into society.

(19) In accordance with Article 10 TFEU, the implementation of the priorities financed by the ESF should contribute to combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation by paying particular attention to those facing multiple discrimination. Discrimination on the ground of sex should be interpreted in a broad sense so as to cover other gender-related aspects in line with the case law of the Court of Justice of the European Union. The implementation of the priorities financed by the ESF should also contribute to promoting equal opportunities. The ESF should support the fulfilment of the Union’s obligation under the UN Convention on the Rights of Persons with Disabilities with regard inter alia to education, work, employment and accessibility. The ESF should also promote the transition from institutional to community-based care. The ESF should not support any action that contributes to segregation or to social exclusion.

(20) Support for social innovation contributes to making policies more responsive to social change. The ESF should encourage and support innovative social enterprises and entrepreneurs as well as innovative projects taken on by non-governmental organisations and other actors within the social economy. In particular, testing and evaluating innovative solutions before scaling them
up is instrumental in improving the efficiency of policies and thus justifies specific support from the ESF. Innovative solutions could include, provided they prove to be effective, the development of social metrics such as, for example, social labelling. 

(21) Transnational cooperation has significant added value and should therefore be supported by all Member States with the exception of duly justified cases taking account of the principle of proportionality. It is also necessary to reinforce the Commission’s role in facilitating exchanges of experience and coordinating implementation of relevant initiatives.

(22) With a view to fostering an integrated and holistic approach in terms of employment and social inclusion, the ESF should support cross-sectoral and territorial-based partnerships.

(23) The mobilisation of regional and local stakeholders should help to deliver the Europe 2020 strategy and its headline targets. Territorial pacts, local initiatives for employment and social inclusion, sustainable and inclusive community-led local development strategies in urban and rural areas and sustainable urban development strategies may be used and supported to involve more actively regional and local authorities, cities, social partners and non-governmental organisations throughout the preparation and implementation of operational programmes.

(24) Regulation (EU) No 1303/2013 provides that rules on eligibility of expenditure are to be established at the national level, with certain exceptions for which it is necessary to lay down specific provisions with regard to the ESF.

(25) With a view to simplifying the use of the ESF and reducing the risk of error, and with regard to the specificities of the operations supported by the ESF, it is appropriate to lay down provisions which complement Regulation (EU) No 1303/2013 as regards eligibility of expenditure.

(26) The use of standard scales of unit costs, lump sums and flat-rate financing should lead to simplification for the beneficiary and should lower the administrative burden for all ESF project partners.

(27) It is important to ensure the sound financial management of each operational programme and its implementation in the most effective and user-friendly manner possible. Member States should refrain from adding rules that complicate the use of funds for the beneficiary.

(28) The Member States and the regions should be encouraged to leverage the ESF through financial instruments in order to support, for example, students, job creation, the mobility of workers, social inclusion and social entrepreneurship.

(29) The ESF should complement other Union programmes and close synergies should be developed between the ESF and other Union financial instruments.

(30) Investment in human capital is the main force on which the Union can rely to ensure its international competitiveness and the sustainable recovery of its economy. No type of investment can produce structural reforms unless it is accompanied by a coherent, growth-oriented human capital development strategy. It is therefore necessary to ensure that in the 2014-2020 programming period the resources intended to improve skills and raise employment levels allow action to be taken on an adequate scale.

(31) The power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission for establishing the definition of standard scales of unit costs and lump sums and their maximum amounts according to different types of operations. 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 the simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

(32) The Commission should be assisted in the administration of the ESF by the Committee provided for in Article 163 TFEU.

(33) Since this Regulation replaces Regulation (EC) No 1081/2006 of the European Parliament and of the Council (1), that Regulation should be repealed. Nevertheless, this Regulation should not affect either the continuation or modification of assistance approved by the Commission on the basis of Regulation (EC) No 1081/2006 or any other legislation applying to that assistance on 31 December 2013. That Regulation or such other applicable legislation should consequently continue to apply after 31 December 2013 to that assistance or the operations concerned until their closure. Applications to receive assistance made or approved under Regulation (EC) No 1081/2006 should remain valid.

HAVE ADOPTED THIS REGULATION:

CHAPTER I
GENERAL PROVISIONS

Article 1
Subject matter
This Regulation establishes the missions of the European Social Fund (ESF), including the Youth Employment Initiative (YEI), the scope of its support, specific provisions and the types of expenditure eligible for assistance.

Article 2
Missions
1. The ESF shall promote high levels of employment and job quality, improve access to the labour market, support the geographical and occupational mobility of workers and facilitate their adaptation to industrial change and to changes in production systems needed for sustainable developments, encourage a high level of education and training for all and support the transition between education and employment for young people, combat poverty, enhance social inclusion, and promote gender equality, non-discrimination and equal opportunities, thereby contributing to the priorities of the Union as regards strengthening economic, social and territorial cohesion.

2. The ESF shall fulfil the missions set out in paragraph 1 by supporting Member States in pursuing the priorities and headline targets of the Union strategy for smart, sustainable and inclusive growth (the 'Europe 2020 strategy') and by allowing Member States to address their specific challenges with regard to achieving the Europe 2020 strategy objectives. The ESF shall support the design and implementation of policies and actions in connection with its missions, taking account of the relevant Integrated Guidelines and relevant country-specific recommendations adopted in accordance with Article 121(2) and Article 148(4) TFEU and, where appropriate, at national level, the national reform programmes as well as other relevant national strategies and reports.

3. The ESF shall benefit people, including disadvantaged people such as the long-term unemployed, people with disabilities, migrants, ethnic minorities, marginalised communities and people of all ages facing poverty and social exclusion. The ESF shall also provide support to workers, enterprises, including actors in the social economy, and entrepreneurs, as well as to systems and structures with a view to facilitating their adaptation to new challenges including reducing skill mismatches and promoting good governance, social progress, and the implementation of reforms, in particular in the fields of employment, education, training and social policies.

Article 3
Scope of support
1. Under the thematic objectives set out in points (8), (9), (10) and (11) of the first paragraph of Article 9 of Regulation (EU) No 1303/2013, which correspond to points (a), (b), (c) and (d) of this paragraph, and in accordance with its missions, the ESF shall support the following investment priorities:

   (a) For the thematic objective 'promoting sustainable and quality employment and supporting labour mobility':

   (i) Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility;

   (ii) Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee;

   (iii) Self-employment, entrepreneurship and business creation including innovative micro, small and medium sized enterprises;

   (iv) Equality between men and women in all areas, including in access to employment, career progression, reconciliation of work and private life and promotion of equal pay for equal work;

   (v) Adaptation of workers, enterprises and entrepreneurs to change;

   (vi) Active and healthy ageing;

   (vii) Modernisation of labour market institutions, such as public and private employment services, and improving the matching of labour market needs, including through actions that enhance transnational labour mobility as well as through mobility schemes and better cooperation between institutions and relevant stakeholders;

   (b) For the thematic objective 'promoting social inclusion, combating poverty and any discrimination':

   (i) Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability;
(ii) Socio-economic integration of marginalised communities such as the Roma;

(iii) Combating all forms of discrimination and promoting equal opportunities;

(iv) Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest;

(v) Promoting social entrepreneurship and vocational integration in social enterprises and the social and solidarity economy in order to facilitate access to employment;

(vi) Community-led local development strategies;

(c) For the thematic objective ‘investing in education, training and vocational training for skills and lifelong learning’:

(i) Reducing and preventing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education including formal, non-formal and informal learning pathways for re-integrating into education and training;

(ii) Improving the quality and efficiency of, and access to, tertiary and equivalent education with a view to increasing participation and attainment levels, especially for disadvantaged groups;

(iii) Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences;

(iv) Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes;

(d) For the thematic objective ‘enhancing institutional capacity of public authorities and stakeholders and efficient public administration’:

(i) Investment in institutional capacity and in the efficiency of public administrations and public services at the national, regional and local levels with a view to reforms, better regulation and good governance;

This investment priority is applicable only in Member States eligible for support from the Cohesion Fund, or in Member States that have one or more NUTS level 2 regions referred to in Article 90(2)(a) of Regulation (EU) No 1303/2013.

(ii) Capacity building for all stakeholders delivering education, lifelong learning, training and employment and social policies, including through sectoral and territorial pacts to mobilise for reform at the national, regional and local levels.

2. Through the investment priorities listed in paragraph 1, the ESF shall also contribute to the other thematic objectives listed in the first paragraph of Article 9 of Regulation (EU) No 1303/2013, primarily by:

(a) Supporting the shift towards a low-carbon, climate-resilient, resource-efficient and environmentally sustainable economy, through the improvement of education and training systems necessary for the adaptation of skills and qualifications, the up-skilling of the labour force, and the creation of new jobs in sectors related to the environment and energy;

(b) Enhancing the accessibility of, and use and quality of, information and communication technologies through the development of digital literacy and e-learning, and investment in e-inclusion, e-skills and related entrepreneurial skills;

(c) Strengthening research, technological development and innovation through the development of post-graduate studies and entrepreneurial skills, the training of researchers, networking activities and partnerships between higher education institutions, research and technological centres and enterprises;

(d) Enhancing the competitiveness and long-term sustainability of small and medium-sized enterprises, through promoting the adaptability of enterprises, managers and workers, increased investment in human capital, and support for bodies providing practice-oriented vocational education and training.
Article 4
Consistency and thematic concentration

1. Member States shall ensure that the strategy and actions set out in their operational programmes are consistent with, and respond to, the challenges identified in their national reform programmes, as well as, where relevant, in their other national strategies that aim to fight unemployment, poverty and social exclusion, and also in the relevant Council recommendations adopted in accordance with Article 148(4) TFEU, in order to contribute to achieving the headline targets of the Europe 2020 strategy on employment, education and poverty reduction.

2. At least 20 % of the total ESF resources in each Member State shall be allocated to the thematic objective "promoting social inclusion, combating poverty and any discrimination" set out in point (9) of the first paragraph of Article 9 of Regulation (EU) No 1303/2013.

3. Member States shall pursue thematic concentration according to the following modalities:

   (a) For more developed regions, Member States shall concentrate at least 80 % of the ESF allocation to each operational programme on up to five of the investment priorities set out in Article 3(1).

   (b) For transition regions, Member States shall concentrate at least 70 % of the ESF allocation to each operational programme on up to five of the investment priorities set out in Article 3(1).

   (c) For less developed regions, Member States shall concentrate at least 60 % of the ESF allocation to each operational programme on up to five of the investment priorities set out in Article 3(1).

4. The priority axes referred to in Article 11(1) shall be excluded from the calculation of the percentages specified in paragraphs 2 and 3 of this Article.

Article 5
Indicators

1. Common output and result indicators, as set out in Annex I to this Regulation, and, where relevant, programme-specific indicators shall be used in accordance with Article 27(4) and Article 96(2)(b)(ii) and (iv) of Regulation (EU) No 1303/2013. All common output and result indicators shall be reported for all investment priorities. The result indicators set out in Annex II to this Regulation shall be reported in accordance with paragraph 2 of this Article. Where applicable, data shall be broken down by gender.

For common and programme-specific output indicators, baselines shall be set at zero. Where relevant to the nature of the operations supported, cumulative quantified target values for those indicators shall be set for 2023. Output indicators shall be expressed in absolute numbers.

For those common and programme-specific result indicators for which a cumulative quantified target value for 2023 has been set, baselines shall be fixed using the latest available data or other relevant sources of information. Programme-specific result indicators and related targets may be expressed in quantitative or qualitative terms.

2. In addition to paragraph 1, result indicators set out in Annex II to this Regulation shall be used for all operations supported under the investment priority referred to in Article 3(1)(a)(ii) for the implementation of the YEI. All indicators set out in Annex II to this Regulation shall be linked with a quantified cumulative target value for 2023 and a baseline.

3. Together with annual implementation reports, each managing authority shall transmit electronically structured data for each priority axis broken down by investment priority. The data shall be submitted for the categories of intervention referred to in Article 96(2)(b)(vi) of Regulation (EU) No 1303/2013 and the output and result indicators. By way of derogation from Article 50(2) of Regulation (EU) No 1303/2013, data transmitted for output and result indicators shall relate to values for partially or fully implemented operations.

CHAPTER II
SPECIFIC PROVISIONS FOR PROGRAMMING AND IMPLEMENTATION

Article 6
Involvement of partners

1. The participation of the partners referred to in Article 5 of Regulation (EU) No 1303/2013 in the implementation of the operational programmes may take the form of global grants as defined in Article 123(7) of Regulation (EU) No 1303/2013. In such cases, the operational programme shall identify the part of the operational programme concerned by the global grant, including an indicative financial allocation from each priority axis to it.

2. To encourage adequate participation of the social partners in actions supported by the ESF, the managing authorities of an operational programme in a region defined in Article 90(2)(a) or (b) of Regulation (EU) No 1303/2013 or in a Member State eligible for support from the Cohesion Fund shall ensure that, according to the needs, an appropriate amount of ESF resources is allocated to capacity building activities, in the form of training, networking measures, and strengthening of the social dialogue, and to activities jointly undertaken by the social partners.
3. To encourage the adequate participation of, and access by, non-governmental organisations in and to actions supported by the ESF, in particular in the fields of social inclusion, gender equality and equal opportunities, the managing authorities of an operational programme in a region defined in Article 90(2)(a) or (b) of Regulation (EU) No 1303/2013 or in a Member State eligible for support from the Cohesion Fund shall ensure that an appropriate amount of ESF resources is allocated to capacity building for non-governmental organisations.

Article 7
Promotion of equality between men and women

The Member States and the Commission shall promote equality between men and women through mainstreaming as referred to in Article 7 of Regulation (EU) No 1303/2013 throughout the preparation, implementation, monitoring and evaluation of the operational programmes. Through the ESF, the Member States and the Commission shall also support specific targeted actions within any of the investment priorities referred to in Article 3, and in particular Article 3(1)(a)(iv) of this Regulation, with the aim of increasing the sustainable participation and progress of women in employment, thus combating the feminisation of poverty, reducing gender-based segregation, combating gender stereotypes in the labour market and in education and training, and promoting the reconciliation of work and personal life for all as well as the equal sharing of care responsibilities between men and women.

Article 8
Promotion of equal opportunities and non-discrimination

The Member States and the Commission shall promote equal opportunities for all, without discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation through mainstreaming the principle of non-discrimination, as referred to in Article 7 of Regulation (EU) No 1303/2013. Through the ESF, the Member States and the Commission shall also support specific actions within any of the investment priorities referred to in Article 3, and in particular Article 3(1)(b)(iii) of this Regulation. Such actions shall aim to combat all forms of discrimination as well as to improve accessibility for persons with disabilities, with a view to improving integration into employment, education and training, thereby enhancing social inclusion, reducing inequalities in terms of educational attainment and health status, and facilitating the transition from institutional to community-based care, in particular for those who face multiple discrimination.

Article 9
Social innovation

1. The ESF shall promote social innovation within all areas falling under its scope, as defined in Article 3 of this Regulation, in particular with the aim of testing, evaluating and scaling up innovative solutions, including at the local or regional level, in order to address social needs in partnership with the relevant partners and, in particular, social partners.

2. Member States shall identify, either in their operational programmes or at a later stage during implementation, fields for social innovation that correspond to the Member States’ specific needs.

3. The Commission shall facilitate capacity building for social innovation, in particular through supporting mutual learning, establishing networks, and disseminating and promoting good practices and methodologies.

Article 10
Transnational cooperation

1. Member States shall support transnational cooperation with the aim of promoting mutual learning, thereby increasing the effectiveness of policies supported by the ESF. Transnational cooperation shall involve partners from at least two Member States.

2. By way of derogation from paragraph 1, Member States with a single operational programme supported by the ESF or a single multi-fund operational programme may exceptionally choose not to support transnational cooperation actions, in duly justified cases and taking account of the principle of proportionality.

3. Member States, in partnership with the relevant partners, may select themes for transnational cooperation from a list of common themes proposed by the Commission and endorsed by the Committee referred to in Article 25 or select any other themes corresponding to their specific needs.

4. The Commission shall facilitate transnational cooperation on the common themes of the list referred to in paragraph 3 and, where appropriate, other themes selected by Member States, through mutual learning and coordinated or joint action. In particular, the Commission shall operate an EU-level platform to facilitate the setting up of transnational partnerships, the exchange of experiences, capacity building and networking, and the capitalisation on and the dissemination of the relevant outcomes. In addition, the Commission shall develop a coordinated implementation framework, including common eligibility criteria, types and timing of actions, and common methodological approaches for monitoring and evaluation, with a view to facilitating transnational cooperation.

Article 11
Fund-specific provisions for operational programmes

1. By way of derogation from Article 96(1) of Regulation (EU) No 1303/2013, operational programmes may set out priority axes for the implementation of social innovation and transnational cooperation as referred to in Articles 9 and 10 of this Regulation.
2. By way of derogation from Article 120(3) of Regulation (EU) No 1303/2013, the maximum co-financing rate for a priority axis shall be increased by ten percentage points, but shall not exceed 100% where the whole of a priority axis is dedicated to social innovation or to transnational cooperation, or a combination of both.

3. In addition to the provision made in Article 96(3) of Regulation (EU) No 1303/2013, operational programmes shall also set out the contribution of planned ESF-supported actions to:

(a) the thematic objectives listed under points (1) to (7) of the first paragraph of Article 9 of Regulation (EU) No 1303/2013 by priority axis, as appropriate;

(b) social innovation and transnational cooperation, as referred to in Articles 9 and 10 of this Regulation, where they are not covered by a dedicated priority axis.

Article 12
Specific provisions on the treatment of particular territorial features

1. The ESF may support community-led local development strategies in urban and rural areas, as referred to in Articles 32, 33 and 34 of Regulation (EU) No 1303/2013, territorial pacts and local initiatives for employment, including youth employment, education and social inclusion, as well as Integrated territorial investments (ITI) as referred to in Article 36 of Regulation (EU) No 1303/2013.

2. As a complement to ERDF interventions as referred to in Article 7 of Regulation (EU) No 1301/2013 of the European Parliament and of the Council (1), the ESF may support sustainable urban development through strategies setting out integrated actions to tackle the economic, environmental and social challenges affecting the urban areas identified by the Member States on the basis of the principles laid down in their respective Partnership Agreements.

CHAPTER III
SPECIFIC PROVISIONS FOR FINANCIAL MANAGEMENT

Article 13
Eligibility of expenditure

1. The ESF shall provide support for eligible expenditure which, as referred to in Article 120(2)(b) of Regulation (EU) No 1303/2013, may include any financial resources collectively contributed by employers and workers.

2. The ESF may provide support for expenditure incurred for operations which take place outside the programme area, but within the Union, provided that the following two conditions are satisfied:

(a) the operation is for the benefit of the programme area;

(b) the obligations of the authorities for the operational programme in relation to management, control and audit concerning the operation are fulfilled by the authorities responsible for the operational programme under which that operation is supported or they enter into agreements with authorities in the Member State in which the operation is implemented provided that in that Member State the obligations in relation to management, control and audit concerning the operation are met.

3. Up to a limit of 3% of the budget of an ESF operational programme or the ESF part of a multi-fund operational programme, expenditure incurred outside the Union shall be eligible for a contribution from the ESF provided that it concerns the thematic objectives under Article 3(1)(a) or Article 3(1)(c) and provided that the relevant monitoring committee has given its agreement to the operation or types of operations concerned.

4. In addition to the expenditure referred to in Article 69(3) of Regulation (EU) No 1303/2013, the purchase of infrastructure, land and real estate shall also not be eligible for a contribution from the ESF.

5. Contributions in kind in the form of allowances or salaries disbursed by a third party for the benefit of the participants in an operation may be eligible for a contribution from the ESF provided that the contributions in kind are incurred in accordance with national rules, including accountancy rules, and do not exceed the cost borne by the third party.

Article 14
Simplified cost options

1. In addition to the options referred to in Article 67 of Regulation (EU) No 1303/2013, the Commission may reimburse expenditure paid by Member States on the basis of standard scales of unit costs and lump sums defined by the Commission. The amounts calculated on this basis shall be regarded as public support paid to beneficiaries and as eligible expenditure for the purpose of applying Regulation (EU) No 1303/2013.

For the purpose of the first subparagraph, the Commission shall be empowered to adopt delegated acts in accordance with Article 24 concerning the type of operations covered, the definitions of the standard scales of unit costs and lump sums and their maximum amounts, which may be adjusted according to the applicable commonly agreed methods, taking due account of experience gained during the previous programming period.

Financial audit shall exclusively aim at verifying that the conditions for reimbursement by the Commission on the basis of standard scales of unit costs and lump sums have been fulfilled.

Where funding on the basis of standard scales of unit costs and lump sums, in accordance with the first subparagraph, is used, the Member State may apply its accounting practices to support operations. For the purpose of this Regulation and Regulation (EU) No 1303/2013, such accounting practices and the resulting amounts shall not be subject to audit by the audit authority or by the Commission.

2. In accordance with Article 67(1)(d) and (5)(d) of Regulation (EU) No 1303/2013, a flat rate of up to 40% of the eligible direct staff costs may be used in order to cover the remaining eligible costs of an operation without a requirement for the Member State to execute any calculation to determine the applicable rate.

3. In addition to the methods stipulated in Article 67(5) of Regulation (EU) No 1303/2013, where the public support for grants and repayable assistance does not exceed EUR 100,000, the amounts referred to in Article 67(1)(b), (c) and (d) of Regulation (EU) No 1303/2013 may be established on a case-by-case basis by reference to a draft budget agreed ex ante by the managing authority.

4. Without prejudice to Article 67(4) of Regulation (EU) No (1303/2013), grants and repayable assistance for which the public support does not exceed EUR 50,000 shall take the form of standard scales of unit costs or lump sums in accordance with paragraph 1 of this Article or with Article 67 of Regulation (EU) No (1303/2013) or flat rates in accordance with Article 67 of Regulation (EU) No (1303/2013), except for operations receiving support within the framework of a State aid scheme. Where flat-rate financing is used, the categories of costs which are used to calculate the rate may be reimbursed in accordance with Article 67(1)(a) of Regulation (EU) No (1303/2013).

Article 15
Financial instruments
Pursuant to Article 37 of Regulation (EU) No 1303/2013, the ESF may support actions and policies falling within its scope through financial instruments, including micro-credits and guarantee funds.

CHAPTER IV
YOUTH EMPLOYMENT INITIATIVE

Article 16
Youth Employment Initiative
The YEI shall support the fight against youth unemployment in eligible regions of the Union through providing support to actions under Article 3(1)(a)(ii) of this Regulation. It shall target all young persons under the age of 25 not in employment, education or training, residing in eligible regions, who are inactive or unemployed including the long-term unemployed, and whether or not registered as seeking work. On a voluntary basis, Member States may decide to extend the target group to include young persons under the age of 30.

For the purpose of the YEI for 2014-2015, "eligible regions" are those NUTS level 2 regions that have youth unemployment rates for young persons aged 15 to 24 of more than 25% in 2012 and, for Member States where the youth unemployment rate has increased by more than 30% in 2012, NUTS level 2 regions that have youth unemployment rates of more than 20% in 2012.

The resources for the YEI may be revised upwards for the years 2016 to 2020 in the framework of the budgetary procedure in accordance with Article 14 of Regulation (EU) 1311/2013. For the determination of the regions eligible for the YEI for the period 2016-2020, the reference to 2012 data in the second subparagraph shall be construed as a reference to the latest available annual data. The breakdown by Member State of the additional resources shall follow the same steps as the initial allocation in accordance with Annex VIII of Regulation (EU) No 1303/2013.

In agreement with the Commission, Member States may decide to allocate a limited amount not exceeding 10% of the funds under the YEI to young persons residing in sub-regions which experience high youth unemployment levels and which are outside the eligible NUTS level 2 regions.

Article 17
Thematic concentration
The specific allocation for YEI shall not be taken into account for the purpose of calculating the thematic concentration referred to in Article 4.

Article 18
Programming
The YEI is integrated into the programming of the ESF under Article 96 of Regulation (EU) No 1303/2013. Where appropriate, Member States shall set out the programming arrangements for the YEI in their Partnership Agreements and in their operational programmes.

The programming arrangements may take one or more of the following forms:

(a) a dedicated operational programme;
(b) a dedicated priority axis within an operational programme;
(c) a part of one or more priority axes.

Article 9 and 10 of this Regulation shall also apply to the YEI.
Article 19
Monitoring and evaluation
1. In addition to the functions of the monitoring committee set out in Article 110 of Regulation (EU) No 1303/2013, at least once per year, the monitoring committee shall examine the implementation of the YEI in the context of the operational programme and the progress made towards achieving its objectives.

2. The annual implementation reports and the final report as referred to in Article 50(1) and (2) of Regulation (EU) No 1303/2013 shall include additional information on the implementation of the YEI. The Commission shall transmit to the European Parliament a summary of those reports as referred to in Article 53(1) of Regulation (EU) No 1303/2013.

The Commission shall attend the European Parliament's annual debate on those reports.

3. As from April 2015 and for subsequent years, and at the same time as the annual implementation reports referred to in Article 50(1) and (2) of Regulation (EU) No 1303/2013, the managing authority shall transmit electronically to the Commission structured data for each priority axis or any part thereof supporting the YEI. Indicator data transmitted shall relate to values for the indicators set out in Annexes I and II to this Regulation and, where applicable, to programme specific indicators. They shall relate to partially or fully implemented operations.

4. The annual implementation reports referred to in Article 50(4) of Regulation (EU) No 1303/2013 or, where applicable, the progress report referred to in Article 111(4) of Regulation (EU) No 1303/2013, and the annual implementation report submitted by 31 May 2016, shall present the main findings of evaluations referred to in paragraph 6 of this Article. The reports shall also set out and assess the quality of employment offers received by YEI participants, including disadvantaged persons, those from marginalised communities and those leaving education without qualifications. The reports shall also set out and assess their progress in continuing education, finding sustainable and decent jobs, or moving into apprenticeships or quality traineeships.

5. The progress reports referred to in Article 52 of Regulation (EU) No 1303/2013 shall include additional information on, and assess the implementation of, the YEI. The Commission shall transmit to the European Parliament a summary of these reports as referred to in Article 53(2) of that Regulation and shall attend the European Parliament's debate on those reports.

6. At least twice during the programming period, an evaluation shall assess the effectiveness, efficiency and impact of joint support from the ESF and the specific allocation for YEI including for the implementation of the Youth Guarantee.

The first evaluation shall be completed by 31 December 2015 and the second evaluation by 31 December 2018.

Article 20
Information and communication measures
1. The beneficiaries shall ensure that those taking part in an operation are specifically informed of the YEI support provided through the ESF funding and the specific YEI allocation.

2. Any document relating to the implementation of an operation and issued for the public or for participants, including an attendance or other certificate, shall include a statement to the effect that the operation was supported under the YEI.

Article 21
Technical assistance
The specific allocation for YEI may be taken into account by the Member States in the calculation of the limit on the total amount of funds allocated to technical assistance for each Member State.

Article 22
Financial support
1. The Commission decision adopting an operational programme shall fix the maximum amount of support from the specific allocation for YEI and the corresponding ESF support, as a global amount and also by category of regions, for each priority axis. The corresponding ESF support shall at least match the support from the specific allocation for YEI for each priority axis.

2. On the basis of the amounts referred to in paragraph 1, the Commission decision referred to in paragraph 1 shall also fix the ratio between the categories of regions for the ESF support for each priority axis.

3. Where the YEI is implemented by a specific priority axis covering eligible regions from more than one category, the highest co-financing rate shall apply with regard to the ESF allocation.

The specific allocation for YEI shall not be subject to the national co-financing requirement.

The overall co-financing rate of the priority axis fixed by the Commission decision referred to in paragraph 1 shall be calculated taking into account the co-financing rate of the ESF allocation together with the special allocation for the YEI.

Article 23
Financial management
In addition to Article 130 of Regulation (EU) No 1303/2013, when the Commission reimburses interim payments and pays the final balance for the YEI by priority axis, it shall allocate the reimbursement from the budget of the Union equally between the ESF and the specific allocation for YEI. Once all resources from the specific allocation for YEI have been reimbursed, the Commission shall allocate the remaining reimbursements from the budget of the Union to the ESF.
The Commission shall allocate the reimbursement from the ESF between categories of regions according to the ratio laid down in Article 22 (2).

CHAPTER V
DELEGATIONS OF POWER AND FINAL PROVISIONS

Article 24
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 14(1) shall be conferred on the Commission from 21 December 2013 until 31 December 2020.

3. The delegation of power referred to in Article 14(1) 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 14(1) shall enter into force only if no objection has been expressed either by the European Parliament or by 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 of the Council.

Article 25
Committee under Article 163 TFEU

1. The Commission shall be assisted by a Committee (the "ESF Committee") set up under Article 163 TFEU.

2. The member of the Commission responsible for chairing the ESF Committee may delegate that responsibility to a senior Commission official. The Secretariat of the ESF Committee shall be provided by the Commission.

3. Each Member State shall appoint one government representative, one representative of the workers' organisations, one representative of the employers' organisations and one alternate for each member for a maximum period of seven years. In the absence of a member, the alternate shall be automatically entitled to take part in the proceedings.

4. The ESF Committee shall include one representative from each of the organisations representing workers' organisations and employers' organisations at Union level.

5. The ESF Committee may invite non-voting representatives of the European Investment Bank and the European Investment Fund as well as non-voting representatives of the relevant civil society organizations to its meetings, if the agenda of the meeting requires their participation.

6. The ESF Committee shall:

(a) be consulted on draft Commission decisions relating to operational programmes and programming in the case of support from the ESF;

(b) be consulted on the planned use of technical assistance in the case of support from the ESF, as well as on other issues having an impact on the implementation of strategies at Union level relevant to the ESF;

(c) endorse the list of common themes for transnational cooperation provided for in Article 10(3).

7. The ESF Committee may deliver opinions on:

(a) questions related to the ESF contribution to the implementation of the Europe 2020 strategy;

(b) issues concerning Regulation (EU) No 1303/2013 relevant for the ESF;

(c) questions related to the ESF referred to it by the Commission other than those referred to in paragraph 6.

8. The opinions of the ESF Committee shall be adopted by an absolute majority of the votes validly cast, and shall be communicated to the European Parliament for information. The Commission shall inform the ESF Committee of the manner in which it has taken account of its opinions.

Article 26
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 1081/2006 or any other legislation applying to that assistance on 31 December 2013. That Regulation or such other applicable legislation shall consequently continue to apply after 31 December 2013 to that assistance or the operations concerned until their closure.
2. Applications to receive assistance made or approved under Regulation (EC) No 1081/2006 before 1 January 2014 shall remain valid.

Article 27

Repeal

Without prejudice to the provisions laid down in Article 26 of this Regulation, Regulation (EC) No 1081/2006 is hereby repealed with effect from 1 January 2014.

References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table set out in Annex III.

Article 28

Review

The European Parliament and the Council shall review this Regulation by 31 December 2020 in accordance with Article 164 TFEU.

Article 29

Entry in 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, 17 December 2013.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
R. ŠADZIUS
## ANNEX I

**Common output and result indicators for ESF investments**

(1) Common output indicators for participants

"Participants" refers to persons benefiting directly from an ESF intervention who can be identified and asked for their characteristics, and for whom specific expenditure is earmarked. Other persons shall not be classified as participants. All data shall be broken down by gender.

The common output indicators for participants are:

- unemployed, including long-term unemployed,*
- long-term unemployed,*
- inactive,*
- inactive, not in education or training,*
- employed, including self-employed,*
- below 25 years of age,*
- above 54 years of age,*
- above 54 years of age who are unemployed, including long-term unemployed, or inactive not in education or training,*
- with primary (ISCED 1) or lower secondary education (ISCED 2)*,
- with upper secondary (ISCED 3) or post-secondary education (ISCED 4)*,
- with tertiary education (ISCED 5 to 8)*,
- participants who live in jobless households*,
- participants who live in jobless households with dependent children*,
- participants who live in a single adult household with dependent children*,
- migrants, participants with a foreign background, minorities (including marginalised communities such as the Roma)**,
- participants with disabilities**,
- other disadvantaged**.

The total number of participants will be calculated automatically on the basis of the output indicators.

These data on participants entering an ESF supported operation shall be provided in the annual implementation reports as specified in Article 50(1) and (2) and Article 111(1) of Regulation (EU) No 1303/2013.

- homeless or affected by housing exclusion*,
- from rural areas *(2).

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*(1) Managing authorities shall establish a system that records and stores individual participant data in computerised form as set out in Article 125 (2) (d) of Regulation (EU) No 1303/2013. The data processing arrangements put in place by the Member States shall be in line with the provisions of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995, p. 31), in particular Articles 7 and 8 thereof. Data reported under the indicators marked with * are personal data according to Article 7 of Directive 95/46/EC. Their processing is necessary for compliance with the legal obligation to which the controller is subject (Article 7(c) of Directive 95/46/EC). For the definition of controller, see Article 2 of Directive 95/46/EC.

Data reported under the indicators marked with ** are a special category of data according to Article 8 of Directive 95/46/EC. Subject to the provision of suitable safeguards, Member States may, for reasons of substantial public interest, lay down exemptions in addition to those laid down in Article 8(2) of Directive 95/46/EC, either by national law or by decision of the supervisory authority (Article 8(4) of Directive 95/46/EC).

The data on participants under the two above indicators will be provided in the annual implementation reports as specified in Article 50(4) of Regulation (EU) No 1303/2013. The data shall be collected based on a representative sample of participants within each investment priority. Internal validity of the sample shall be ensured in such a way that the data can be generalised at the level of investment priority.

(2) Common output indicators for entities are:

- number of projects fully or partially implemented by social partners or non-governmental organisations,
- number of projects dedicated at sustainable participation and progress of women in employment,
- number of projects targeting public administrations or public services at national, regional or local level,
- number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy).

These data shall be provided in the annual implementation reports as specified in Article 50(1) and (2) and Article 111(1) of Regulation (EU) No 1303/2013.

(3) Common immediate result indicators for participants are:

- inactive participants engaged in job searching upon leaving*,
- participants in education/training upon leaving*,
- participants gaining a qualification upon leaving*,
- participants in employment, including self-employment, upon leaving*,
- disadvantaged participants engaged in job searching, education/training, gaining a qualification, in employment, including self-employment, upon leaving**.

These data shall be provided in the annual implementation reports as specified in Article 50(1) and (2) and Article 111(1) of Regulation (EU) No 1303/2013. All data shall be broken down by gender.

(4) Common longer-term result indicators for participants are:

- participants in employment, including self-employment, six months after leaving*,
- participants with an improved labour market situation six months after leaving*,
- participants above 54 years of age in employment, including self-employment, six months after leaving*,
- disadvantaged participants in employment, including self-employment, six months after leaving**.

These data shall be provided in the annual implementation reports as specified in Article 50(5) of Regulation (EU) No 1303/2013. They shall be collected based on a representative sample of participants within each investment priority. Internal validity of the sample shall be ensured in such a way that the data can be generalised at the level of investment priority. All data shall be broken down by gender.
ANNEX II

Result indicators for the YEI

These data shall be provided in the annual implementation reports as specified in Article 50(1) and (2) of Regulation (EU) No 1303/2013 and in the report to be submitted in April 2015 as specified in Article 19(3) of this Regulation. All data shall be broken down by gender.

(1) Common immediate result indicators for participants

"Participants" refers to persons benefiting directly from a YEI intervention who can be identified and asked for their characteristics, and for whom specific expenditure is earmarked.

The immediate result indicators are:

— Unemployed participants who complete the YEI supported intervention*,

— Unemployed participants who receive an offer of employment, continued education, apprenticeship or traineeship upon leaving*,

— Unemployed participants who are in education/training, gain a qualification, or are in employment, including self-employment, upon leaving*.

— Long-term unemployed participants who complete the YEI supported intervention*,

— Long-term unemployed participants who receive an offer of employment, continued education, apprenticeship or traineeship upon leaving*.

— Long-term unemployed participants who are in education/training, gain a qualification, or are in employment, including self-employment, upon leaving*.

— Inactive participants not in education or training who complete the YEI supported intervention*.

— Inactive participants not in education or training who receive an offer of employment, continued education, apprenticeship or traineeship upon leaving*.

— Inactive participants not in education or training who are in education/training, gain a qualification, or are in employment, including self-employment, upon leaving*.

(2) Common longer-term result indicators for participants

The longer-term result indicators are:

— Participants in continued education, training programmes leading to a qualification, an apprenticeship or a traineeship six months after leaving*.

— Participants in employment six months after leaving*.

— Participants in self-employment six months after leaving*.

The data for longer-term result indicators shall be collected based on a representative sample of participants within each investment priority. Internal validity of the sample shall be ensured in such a way that the data can be generalised at the level of investment priority.

(1) Managing authorities shall establish a system that records and stores individual participant data in computerised form as set out in Article 125(2) of Regulation (EU) No 1303/2013. The data processing arrangements put in place by the Member States must be in line with the provisions of Directive 95/46/EC, in particular Articles 7 and 8 thereof. Data reported under the indicators marked with * are personal data according to Article 7 of Directive 95/46/EC. Their processing is necessary for compliance with the legal obligation to which the controller is subject (Article 7 of Directive 95/46/EC). For the definition of controller, see Article 2 of Directive 95/46/EC. Article 125(2)(d) of Regulation (EU) No 1303/2013. The data processing arrangements put in place by the Member States must be in line with the provisions of Directive 95/46/EC, in particular Articles 7 and 8 thereof. Data reported under the indicators marked with ** are a special category of data according to Article 8 of Directive 95/46/EC. Subject to the provision of suitable safeguards, Member States may, for reasons of substantial public interest, lay down exemptions in addition to those laid down in Article 8(2) of Directive 95/46/EC, either by national law or by decision of the supervisory authority (Article 8(4) of Directive 95/46/EC).
ANNEX III

Correlation table

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COHESION FUND

The whole of the CPR applies to the Cohesion Fund. Additionally, Regulation (EU) N° 1300/2013 lays down specific provisions concerning the activities that can be supported by the Cohesion Fund and provides a list of common output indicators.

The Cohesion Fund aims to strengthen the economic, social and territorial cohesion of the Union in the interest of promoting sustainable development

1. Scope and investment priorities

As in the past programming periods, the Cohesion Fund focuses on investments in environment - including areas related to sustainable development and energy which present environmental benefits - and transport.

Cohesion Fund investments support thematic objectives 4 (‘supporting the shift towards a low-carbon economy in all sectors’), 5 (‘promoting climate change adaptation, risk prevention and management’), 6 (‘preserving and protecting the environment and promoting resource efficiency’), 7 (‘promoting sustainable transport and removing bottlenecks in key network infrastructures’) and 11 (‘enhancing institutional capacity of public authorities and stakeholders and efficient public administration’).

2. Support to the Connecting Europe Facility (CEF)

An amount of EUR 10 billion from the Cohesion Fund allocation is dedicated to transport infrastructure supported through the CEF.
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 the second paragraph of Article 177 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 Committee (1);

Having regard to the opinion of the Committee of the Regions (2);

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The first paragraph of Article 174 of the Treaty on the Functioning of the European Union (TFEU) provides that the Union is to develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. The Cohesion Fund which is established by this Regulation should, therefore, provide a financial contribution to projects in the fields of environment and trans-European networks in the area of transport infrastructure.

(2) Regulation (EU) No 1303/2013 of the European Parliament and of the Council (3) sets out provisions common to the European Regional Development Fund (ERDF), the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. That Regulation constitutes a new framework for the European Structural and Investment Funds including the Cohesion Fund. It is necessary, therefore, to specify the tasks of the Cohesion Fund in relation to that framework and in relation to the purpose assigned to the Cohesion Fund in the TFEU.

(3) Specific provisions concerning the type of activities which can be supported by the Cohesion Fund, in order to contribute to the investment priorities within the thematic objectives set out in Regulation (EU) No 1303/2013, should be laid down.

(4) The Union should be able to contribute, through the Cohesion Fund, to actions in pursuit of its environmental objectives, in accordance with Articles 11 and 191 TFEU, namely energy efficiency and renewable energy and, in the transport sector outside the trans-European networks, rail, river and sea transport, intermodal transport systems and their interoperability, management of road, sea and air traffic, clean urban transport and public transport.

(5) It should be recalled that where measures based on Article 192(1) TFEU involve costs deemed disproportionate for the public authorities of a Member State and financial support from the Cohesion Fund is provided in accordance with Article 192(5) TFEU, the polluter pays principle is nevertheless to apply.

(6) Trans-European transport network (TEN-T) projects supported by the Cohesion Fund are to comply with the guidelines established in Regulation (EU) No 1315/2013 of the European Parliament and of the Council (4). In order to concentrate efforts in that regard, priority should be given to projects of common interest as defined in that Regulation.

(7) Investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC of the European Parliament and of the Council (5) should not be eligible for support from the Cohesion Fund as it already benefits financially from the

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(2) OJ C 225, 27.7.2012, p. 143.

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application of that Directive. That exclusion should not restrict the possibility of using the Cohesion Fund to support activities that are not listed in Annex I to Directive 2003/87/EC even if those activities are implemented by the same economic operators, and include activities such as energy efficiency investment in the co-generation of heat and power and in district heating networks, smart energy distribution, storage and transmission systems and measures aimed at reducing air pollution, even if one of the indirect effects of such activities is the reduction of greenhouse gas emissions, or if they are listed in the national plan referred to in Directive 2003/87/EC.

(8) It is not possible for investment in housing, other than that related to the promotion of energy efficiency or renewable energy use, to be eligible for support from the Cohesion Fund as it falls outside the scope of support from the Cohesion Fund as defined in the TFEU.

(9) In order to accelerate the development of transport infrastructure across the Union, the Cohesion Fund should support transport infrastructure projects of European added value provided for in Regulation (EU) No 1316/2013 of the European Parliament and of the Council (1) for a total amount of EUR 10 000 000 000. The allocation of support from the Cohesion Fund to those projects should comply with the rules established under Article 92(6) of Regulation (EU) No 1303/2013. In accordance with Regulation (EU) No 1316/2013, support should be available only to Member States eligible for funding from the Cohesion Fund, with the co-financing rates applicable to that Fund.

(10) It is important to ensure that, in promoting risk management investment, specific risks at regional, cross-border and transnational level are taken into account.

(11) Complementarity and synergies between interventions supported by the Cohesion Fund, the ERDF, the European territorial cooperation goal and the Connecting Europe Facility should be ensured, in order to avoid duplication of efforts and to guarantee the optimal linkage of different types of infrastructure at local, regional and national level, and throughout the Union.

(12) In order to address the specific needs of the Cohesion Fund, and in line with the Union strategy for smart, sustainable and inclusive growth, it is necessary to set out within each thematic objective laid down in Regulation (EU) No 1303/2013, the Cohesion Fund-specific actions as ‘investment priorities’. Those investment priorities should set out detailed objectives, which are not mutually exclusive, to which the Cohesion Fund is to contribute. Such investment priorities should form the basis for the definition of specific objectives within operational programmes that take into account the needs and characteristics of the programme area. In order to increase flexibility and reduce the administrative burden through joint implementation, the ERDF and the Cohesion Fund investment priorities under the corresponding thematic objectives should be aligned.

(13) A common set of output indicators to assess the aggregated progress at Union level of the implementation of operational programmes should be set out in an Annex to this Regulation. Those indicators should correspond to the investment priority and type of action supported in accordance with this Regulation and the relevant provisions of Regulation (EU) No 1303/2013. The common output indicators should be complemented by programme-specific result indicators and, where relevant, by programme-specific output indicators.

(14) In order to amend this Regulation with regard to certain non-essential elements, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of the amendment of the list of common output indicators set out in Annex I to this Regulation. It is of particular importance that the Commission carry 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 the Council.

(15) Since the objective of this Regulation, namely to strengthen the economic, social and territorial cohesion of the Union in the interests of promoting sustainable development, cannot be sufficiently achieved by the Member States but can rather, by reason of the extent of the disparities between the levels of development of the various regions and the backwardness of the least favoured regions and the limit on the financial resources of the Member States and regions, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

Article 1
Establishment of the Cohesion Fund and subject matter
1. A Cohesion Fund is hereby established for the purpose of strengthening the economic, social and territorial cohesion of the Union in the interests of promoting sustainable development.

2. This Regulation establishes the tasks of the Cohesion Fund and the scope of its support with regard to the Investment for growth and jobs goal referred to in Article 89 of Regulation (EC) No 1084/2006.

Article 2
Scope of support from the Cohesion Fund
1. The Cohesion Fund shall, while ensuring an appropriate balance and according to the investment and infrastructure needs specific to each Member State, support:

(a) investment in the environment, including areas related to sustainable development and energy which present environmental benefits;

(b) TEN-T, in compliance with the guidelines adopted by Regulation (EU) No 1315/2013;

(c) technical assistance.

2. The Cohesion Fund shall not support:

(a) the decommissioning or the construction of nuclear power stations;

(b) investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC;

(c) investment in housing unless related to the promotion of energy efficiency or renewable energy use;

(d) the manufacturing, processing and marketing of tobacco and tobacco products;

(e) undertakings in difficulty, as defined under Union State aid rules;

(f) investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.

Article 3
Cohesion Fund support for transport infrastructure projects under the Connecting Europe Facility

The Cohesion Fund shall support transport infrastructure projects of European added value provided for in Regulation (EU) No 1316/2013 for an amount of EUR 10 000 000 000 in accordance with Article 92(6) of Regulation (EU) No 1303/2013.

Article 4
Investment priorities

The Cohesion Fund shall support the following investment priorities within the thematic objectives set out in the first paragraph of Article 9 of Regulation (EU) No 1303/2013, in accordance with the development needs and growth potential referred to in point (a)(i) of Article 15(1) of that Regulation and set out in the Partnership Agreement:

(a) supporting the shift towards a low-carbon economy in all sectors by:

(i) promoting the production and distribution of energy derived from renewable sources;

(ii) promoting energy efficiency and renewable energy use in enterprises;

(iii) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;

(iv) developing and implementing smart distribution systems that operate at low and medium voltage levels;
(v) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures;

(vi) promoting the use of high-efficiency co-generation of heat and power based on useful heat demand;

(b) promoting climate change adaptation, risk prevention and management by:

(i) supporting investment for adaptation to climate change, including ecosystem-based approaches;

(ii) promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems;

(c) preserving and protecting the environment and promoting resource efficiency by:

(i) investing in the waste sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;

(ii) investing in the water sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;

(iii) protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure;

(iv) taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites (including conversion areas), reduce air pollution and promote noise-reduction measures;

(d) promoting sustainable transport and removing bottlenecks in key network infrastructures by:

(i) supporting a multimodal Single European Transport Area by investing in the TEN-T;

(ii) developing and improving environmentally-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility;

(iii) developing and rehabilitating comprehensive, high quality and interoperable railway systems, and promoting noise-reduction measures;

(e) enhancing institutional capacity of public authorities and stakeholders and efficient public administration through actions to strengthen the institutional capacity and the efficiency of public administrations and public services related to the implementation of the Cohesion Fund.

**Article 5**

**Indicators**

1. Common output indicators, as set out in Annex I to this Regulation, programme-specific result indicators and, where relevant, programme-specific output indicators shall be used in accordance with Article 27(4) and point (b)(ii) and (iv) and point (c)(ii) and (iv) of Article 96(2) of Regulation (EU) No 1303/2013.

2. For common and programme-specific output indicators, baselines shall be set at zero. Cumulative quantified target values for those indicators shall be set for 2023.

3. For programme-specific result indicators, which relate to investment priorities, baselines shall use the latest available data and targets shall be set for 2023. Targets may be expressed in quantitative or qualitative terms.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 7 to amend the list of common output indicators set out in Annex I, in order to make adjustments, where justified to ensure effective assessment of progress in operational programme implementation.

**Article 6**

**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 1084/2006 or any other legislation applying to that assistance on 31 December 2013. That Regulation or such other applicable legislation shall consequently continue to apply after 31 December 2013 to that assistance or the operations concerned until their closure. For the purposes of this paragraph assistance shall cover operational programmes and major projects.
2. Applications to receive assistance made or approved under Regulation (EC) No 1084/2006 shall remain valid.

Article 7

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 5(4) shall be conferred on the Commission from 21 December 2013 until 31 December 2020.

3. The delegation of power referred to in Article 5(4) 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 5(4) 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, 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 8

Repeal

Without prejudice to Article 6 of this Regulation, Regulation (EC) No 1084/2006 is hereby repealed with effect from 1 January 2014.

References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table set out in Annex II.

Article 9

Review

The European Parliament and the Council shall review this Regulation by 31 December 2020, in accordance with Article 177 TFEU.

Article 10

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, 17 December 2013.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
R. ŠADŽIUS
### ANNEX I

#### COMMON OUTPUT INDICATORS FOR THE COHESION FUND

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<td>Solid waste</td>
<td>Additional waste recycling capacity</td>
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<tr>
<td>Water supply</td>
<td>Additional population served by improved water supply</td>
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<td>Wastewater treatment</td>
<td>Additional population served by improved wastewater treatment</td>
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<tr>
<td>Risk prevention and management</td>
<td>Population benefiting from flood protection measures</td>
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<td>Population benefiting from forest fire protection measures</td>
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<td>Land rehabilitation</td>
<td>Total surface area of rehabilitated land</td>
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<td>Nature and biodiversity</td>
<td>Surface area of habitats supported in order to attain a better conservation status</td>
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<td><strong>Energy and climate change</strong></td>
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<td>Renewables</td>
<td>Additional capacity of renewable energy production</td>
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<td>Energy efficiency</td>
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<td>Total length of reconstructed or upgraded railway lines</td>
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<td>Total length of reconstructed or upgraded roads</td>
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<td>Total length of new or improved inland waterways</td>
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ANNEX II

CORRELATION TABLE

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Joint statement of the European Parliament and of the Council concerning the application of Article 6 of the ERDF Regulation, Article 15 of the ETC Regulation and Article 4 of the Cohesion Fund Regulation

The European Parliament and the Council note the assurance provided by the Commission to the EU legislature that the common output indicators for the ERDF Regulation, the ETC Regulation and the Cohesion Fund Regulation to be included in an annex to, respectively, each regulation, are the outcome of a lengthy preparatory process involving the evaluation experts of both the Commission and the Member States and, in principle, are expected to remain stable.
EUROPEAN MARITIME AND FISHERIES FUND

The European Maritime and Fisheries Fund (EMFF) supports EU maritime and fisheries policies for 2014-2020, in order to contribute to the achievement of the following objectives:

- promoting competitive, environmentally sustainable, economically viable and socially responsible fisheries and aquaculture;
- fostering the implementation of the common fisheries policy (CFP);
- promoting a balanced and inclusive territorial development of fisheries and aquaculture areas;
- fostering the development and implementation of the Union’s integrated maritime policy (IMP), in a manner that is complementary to cohesion policy and to the CFP.

The allocation for the EMFF for 2014-2020 amounts to EUR 6.4 billion, 11 % of which is managed by the European Commission and 89 % by Member States in the framework of operational programmes.

Under its share of the EMFF, the European Commission supports the following EU-wide objectives in maritime and coastal affairs:

- international governance;
- cooperation through exchange of information and best practices;
- public information and support to networking platforms;
- marine knowledge and maritime spatial planning.

As regards the 89 % share of Member States, the EMFF supports the following objectives:

- reducing impact of fishing on the marine environment;
- market tools for professionals and consumers;
- joint stewardship of protected areas and Natura 2000 sites;
- special support to small-scale fishermen.

The allocation is broken down as follows:

- EUR 4,340 million for making fisheries and aquaculture more sustainable and profitable, by ensuring and creating sustainable jobs, supporting marketing and processing and promoting local development;
- EUR 580 million to monitor compliance with the CFP and protect a fair access to healthy stocks. Activities include access to fishing grounds, controlling fishing effort, TACs and quotas and other technical measures to improve selectivity and sustainability;
- EUR 520 million to collect the data to improve knowledge of the seas and the long term management of fisheries. This involves the understanding and monitoring of commercial species, dynamics of single stocks and mixed fisheries, and ecological modelling of regional basins;
- EUR 71 million for the Blue Economy, to unlock sustainable growth and job creation from seas and oceans, in areas such as maritime surveillance (CISE), improved knowledge of the seas and ecosystems, and enabling rational exploitation of new marine resources (e.g. energy, biotech).
REGULATIONS

REGULATION (EU) No 508/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 15 May 2014

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 42, Article 43(2), Article 91(1), Article 100(2), Article 173(3), Articles 175 and 188, Article 192(1), Article 194(2), Article 195(2) and Article 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 opinions of the European Economic and Social Committee (1),

Having regard to the opinion of the Committee of the Regions (2),

Acting in accordance with the ordinary legislative procedure (3),

Whereas:

(1) The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 13 July 2011 entitled ‘Reform of the Common Fisheries Policy’ set out the potential challenges, objectives and orientations for the Common Fisheries Policy (CFP) after 2013. In the light of the debate that followed the publication of that Communication, the CFP was reformed by Regulation (EU) No 1380/2013 of the European Parliament and of the Council (4). The reform of the CFP covers all the main elements of the CFP, including its financial aspects. In order to attain the objectives of that reform, it is appropriate to repeal Council Regulation (EC) No 2328/2003 (5), Council Regulation (EC) No 861/2006 (6), Council Regulation (EC) No 1198/2006 (7) and Council Regulation (EC) No 791/2007 (8) and to replace them with this Regulation.

(2) OJ C 391, 18.12.2012, p. 84.
Recognising that all matters related to Europe’s oceans and seas are interlinked, this Regulation should also support the further development of the Integrated Maritime Policy (IMP) as referred to in Regulation (EU) No 1255/2011 of the European Parliament and of the Council (1).

(2) The scope of the European Maritime and Fisheries Fund (EMFF) should include support for the CFP for the conservation of marine biological resources, for the management of fisheries and fleets exploiting those resources, for fresh water biological resources and aquaculture, as well as for the processing and marketing of fishery and aquaculture products, where such activities take place on the territory of Member States, by Union fishing vessels, or by nationals of Member States, without prejudice to the primary responsibility of the flag State, bearing in mind the provisions of Article 117 of the United Nations Convention on the Law of the Sea of 10 December 1982 (2) (UNCLOS).

(3) The success of the CFP depends on an effective system of control, inspection and enforcement, as well as on the availability of reliable and complete data, both for scientific advice purposes and for implementation and control purposes. The EMFF should, therefore, support those policies.

(4) The scope of the EMFF should include the support for the IMP, including for the development and implementation of coordinated operations and decision-making in relation to the oceans, seas, coastal regions and maritime sectors, complementing the different Union policies relating to them, notably, the CFP, and transport, industry, territorial cohesion, environment, energy and tourism policies. Coherence and integration should be ensured in the management of different sectoral policies within the Baltic Sea, North Sea, Celtic Seas, Bay of Biscay and the Iberian Coast, Mediterranean and Black Sea sea basins.

(5) Beneficiaries of the EMFF, within the meaning of point (10) of Article 2 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council (3), can be operators, within the meaning of point (30) of Article 4 of Regulation (EU) No 1380/2013, fishermen or organisations of fishermen, unless otherwise laid down in this Regulation.

(6) In accordance with the conclusions of the European Council of 17 June 2010, whereby the Union’s new strategy for jobs and smart, sustainable and inclusive growth, based on the Communication from the Commission of 3 March 2010 entitled ‘Europe 2020 – A strategy for smart, sustainable and inclusive growth’ (‘Europe 2020 strategy’) was adopted, the Union and Member States should implement smart, sustainable and inclusive growth, while promoting harmonious development in the Union. Resources should be concentrated in order to meet the Europe 2020 strategy objectives and targets, in particular those linked to employment, climate change, energy sustainability, the fight against poverty and social inclusion, and to improve effectiveness by an increased focus on results. The inclusion of the IMP in the EMFF also contributes to the major policy objectives set out in the Europe 2020 strategy and corresponds to the general objectives to increase economic, social and territorial cohesion set out in the Treaty on European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU).

(7) To ensure that the EMFF contributes to the achievement of the objectives of the CFP, the IMP and the Europe 2020 strategy, it is necessary to focus on a limited number of core priorities relating to fostering environmentally sustainable, resource efficient, innovative, competitive and knowledge-based fisheries and aquaculture, fostering the implementation of the CFP, increasing employment and territorial cohesion, fostering marketing and processing, as well as fostering the implementation of the IMP.

(8) The Union should, at all stages of implementation of the EMFF, aim to eliminate inequalities and promote equality between men and women, as well as to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

(9) The overall objective of the CFP is to ensure that fishing and aquaculture activities contribute to the creation of environmental conditions capable of being sustained long-term which are necessary for economic and social development. Moreover, it should contribute to increased productivity, a fair standard of living for the fisheries sector and stable markets, and it should ensure the availability of resources and that supplies reach consumers at reasonable prices.

It is paramount to better integrate environmental concerns into the CFP which should achieve the objectives and targets of the Union’s environmental policy and the Europe 2020 strategy. The CFP seeks to achieve an exploitation of living marine biological resources that restores fish stocks to and maintains them above levels which can produce the maximum sustainable yield, by 2015, where possible, and at the latest by 2020. The CFP should implement the precautionary and eco-system approaches to fisheries management. Consequently, the EMFF should contribute to the protection of the marine environment as set out in Directive 2008/56/EC of the European Parliament and of the Council (1).

The financing of the CFP and IMP expenditure through a single fund, the EMFF, should address the need for simplification and should strengthen the integration of both policies. The extension of shared management to processing and marketing, including compensation for the outermost regions, control, data collection and management activities and to the IMP, should further contribute to simplifying and reducing the administrative burden both for the Commission and Member States as well as to achieving a greater coherence and efficiency of the support granted.

The Union budget should finance the CFP and the IMP expenditure through a single fund, the EMFF, either directly or in the context of shared management with Member States. Shared management with Member States should apply not only to measures to support fisheries, aquaculture and community-led local development, but also to processing and marketing, compensation for the outermost regions, control and data collection activities as well as the IMP. Direct management should apply to scientific advice, specific control and enforcement measures, voluntary contributions to regional fisheries management organisations, Advisory Councils, market intelligence, operations for the implementation of the IMP and communication activities. The types of operations that qualify for financing under the EMFF should be specified.

It is necessary to distinguish between categories of control and enforcement measures that are co-financed within the framework of shared management, and those co-financed within the framework of direct management. It is crucial to ring-fence the resources to be allocated to control and data collection under shared management whilst allowing flexibility between those two categories of measures.

In accordance with Regulation (EU) No 1380/2013, Union financial support under EMFF is to be made conditional upon compliance by Member States and by operators with the rules of the CFP. This requirement is intended to reflect the responsibility of the Union to ensure, in the public interest, the conservation of marine biological resources under the CFP pursuant to Article 3 TFEU.

The achievement of the objectives of the CFP would be undermined if Union financial support under the EMFF were disbursed to operators who, ex ante, did not comply with requirements related to the public interest of conservation of marine biological resources. Therefore, applications submitted by operators should only be admissible for funding under the EMFF on the condition that, within a particular period of time before submitting an application for support, the operators concerned have not committed a serious infringement, offence or fraud and have not been involved in the operation, management or ownership of fishing vessels included in the Union list of vessels engaged in illegal, unreported and unregulated (IUU) fishing or of vessels flagged to countries identified as non-cooperating third countries as set out in this Regulation.

In addition, the beneficiaries, after submitting the application for support, should continue to comply with those admissibility requirements throughout the period of implementation of the operation and for a period of five years after the final payment to the beneficiary concerned.

If the beneficiary fails to fulfil the conditions related to eligibility and duration, financial consequences and corrections should apply. In order to determine the amount of such a financial correction, the nature, gravity, duration and repetition of the infringement, offence or fraud by the beneficiary and the importance of the EMFF contribution to the economic activity of the beneficiary should be taken into account.

The achievement of the objectives of the CFP would also be undermined if Union financial support under the EMFF were paid to Member States who did not comply with their obligations under the CFP rules related to the public interest of conservation of marine biological resources, such as data collection and the implementation of control obligations. Moreover, if those obligations are not complied with, there is a risk that inadmissible applications or ineligible operations will not be detected by Member States.

As a precautionary measure, in order to prevent ineligible payments as well as to provide an incentive for Member States to comply with the CFP rules, provision should be made for the interruption of the payment deadline and the suspension of payments, measures which are limited in time and in their scope of application. Financial corrections which have definite and irrevocable consequences should only apply to expenditure which is affected by the cases of non-compliance.

In order to improve the coordination and to harmonise the implementation of the Funds providing support under the cohesion policy, namely the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), with the Funds for rural development and for the maritime and fisheries sector, namely the European Agricultural Fund for Rural Development (EAFRD) and the EMFF respectively, common provisions for all those Funds ('ESI Funds') have been established in Regulation (EU) No 1303/2013. In addition to Regulation (EU) No 1303/2013, this Regulation contains specific, complementary provisions due to the particularities of the CFP and the IMP sectors.

The principle of proportionality should be applied to the operational programme and throughout the programme cycle, taking into account the size of the Member States' respective administrations and the total amount of public expenditure allocated to the operational programme.

The Commission should break down the available commitment appropriations annually by Member State using objective and transparent criteria. Those criteria should include indicators measuring the size of the fishery and aquaculture sector, the extent of control and data collection responsibilities, the historical allocations in accordance with Regulation (EC) No 1198/2006 and the historical consumption in accordance with Regulation (EC) No 861/2006.

The fulfilment of certain specific ex ante conditionalities is of utmost importance in the context of the CFP, especially as regards the submission of a report on fishing capacity and of a multiannual national strategic plan on aquaculture and the proven administrative capacity to comply with the data requirements for fisheries management and to enforce the implementation of a Union control, inspection and enforcement system.

In accordance with the aim of simplification, all activities under the EMFF which fall under shared management, including control and data collection, should take the form of a single operational programme per Member State, in accordance with the national structure of the Member State concerned. The programming exercise should cover the period from 1 January 2014 to 31 December 2020. When preparing the single operational programme, Member States should ensure that the content and volume of their operational programmes reflect the aim of simplification. Each programme should identify a strategy for meeting targets in relation to the Union priorities under the EMFF and a selection of measures. Programming should comply with those Union priorities, while adapting to national contexts, and should complement other Union policies, in particular the rural development policy and the cohesion policy.

With a view to promoting small–scale coastal fishing, Member States having a significant small–scale coastal fishing segment should attach, to their operational programmes, action plans for the development, competitiveness and sustainability of small-scale coastal fishing.

In order to contribute to achieving the aim of simplification while implementing the EMFF and to reduce the costs of control and the error rate, Member States should make as much use as possible of the possibility to use simplified forms of grants as provided for in Regulation (EU) No 1303/2013.

For the purpose of enforcing control obligations under the CFP, Member States should draw up the section on control of the operational programme in accordance with the priorities of the Union adopted by the Commission for that policy area. In order to adjust the operational programme to the evolving needs in relation to control and enforcement, the control section of the operational programmes should be reviewed regularly on the basis of the changes in the priorities of the Union in the control and enforcement policy under the CFP. Those amendments should be approved by the Commission. In order to keep flexibility in the programming of activities in the field of control, the revision of the control section of the operational programmes should be subject to a simplified procedure.
(28) Member States should draw up the section on data collection of the operational programme in accordance with the Union multiannual programme as referred to in Council Regulation (EC) No 199/2008 (1). In order to adapt to the specific needs of data collection activities, Member States should, in accordance with that Regulation, draw up a work plan, which should be subject to approval by the Commission.

(29) Funds under direct management, with the exception of technical assistance by the Commission, should be pre-defined by objectives with a 5% flexibility margin and be governed by annual work programmes.

(30) In order to increase the competitiveness and economic performance of fishing activities, it is vital to stimulate and to provide support for investment in innovation. In order to encourage a higher level of participation, the application procedure for support for innovation should be simplified.

(31) Investment in human capital is also vital to increase the competitiveness and economic performance of fishing and maritime activities. Therefore, the EMFF should support advisory services, cooperation between scientists and fishermen, professional training, lifelong learning, and should stimulate the dissemination of knowledge, help to improve the overall performance and competitiveness of operators and promote social dialogue. In recognition of their role in fishing communities, spouses and life partners of self-employed fishermen should, under certain conditions, also be granted support for professional training, lifelong learning and the dissemination of knowledge, and for networking that contributes to their professional development.

(32) In order to help young people experiencing difficulties in accessing the labour market in the fisheries sector during a time of persistent financial crisis, the EMFF should support traineeship programmes and courses on sustainable fishing practices and the conservation of marine biological resources.

(33) Conscious of the potential that diversification offers for small-scale coastal fishermen and their crucial role in coastal communities, the EMFF should provide support for investments contributing to the diversification of the income of fishermen through the development of complementary activities, including investments on board, angling tourism, restaurants, environmental services related to fishing and educational activities on fishing.

(34) The creation and development of new economic activities in the fisheries sector by young fishermen is financially challenging and constitutes an element that should be considered in the allocation and targeting of funds under the EMFF. Such development is essential for the competitiveness of the fisheries sector in the Union. Consequently, support for young fishermen starting up their fisheries activities should be established in order to facilitate their initial establishment. In order to ensure the viability of new economic activities supported under the EMFF, support should be made conditional upon the acquisition of the necessary skills and competencies. Support for business start-up should only contribute to the acquisition of the first fishing vessel.

(35) In order to address health and safety needs on board, the EMFF should support investments covering safety, working conditions, health and hygiene on board, provided that the investment supported goes beyond requirements under Union or national law.

(36) Rules should be laid down for granting allowances and financial compensation to fishermen and owners of fishing vessels in cases of temporary cessation of fishing activities, if such cessation is the direct consequence of certain conservation measures, excluding the fixing and allocation of fishing opportunities, is provided for in certain Union or national fisheries' management plans, or results from the non-renewal of Sustainable fisheries partnership agreements or protocols thereto. Such rules should also be laid down in cases of permanent cessation of fishing activities.

(37) It should be possible, under certain conditions, for the EMFF to contribute to mutual funds which provide financial compensation to fishermen for economic losses caused by adverse climatic events, an environmental incident or rescue costs.

(38) In order to adapt fishing activities to fishing opportunities, it should be possible for the EMFF to support the design, development, monitoring, evaluation and management of systems for the allocation of fishing opportunities.

In order to address health and safety needs on board, the EMFF should support investments covering safety, rescue costs, and for networking that contributes to their professional development.

Similarly, it should be possible for the EMFF to support the reduction of the impact of fishing on the marine environment, in particular through the promotion of eco-innovation and the use of more selective gears and equipment as well as through measures aimed at protecting and restoring marine biodiversity and ecosystems and the services they provide, in accordance with the ‘EU Biodiversity Strategy to 2020’.

In accordance with the headline target of the Europe 2020 strategy related to mitigation of climate change and energy efficiency, it should be possible for the EMFF to support investments on board and energy audits.

In order to mitigate the effects of climate change and improve the energy efficiency of fishing vessels, it should be possible to grant support to the modernisation and replacement of main and ancillary engines, provided that operators active in small-scale coastal fishing are given priority in the selection process in order to improve their access to financing, and provided that larger vessels contribute to the reduction of engine power.

In order not to jeopardise the sustainability objective of the CFP reform, the amount of financial support that may be dedicated to fleet measures, such as temporary and permanent cessation as well as engine replacement, should be capped, and the period of time during which such financial support may be granted for permanent cessation should be limited.

In accordance with the discard ban introduced by the CFP, the EMFF should support investments on board aimed at making the best use of unwanted fish caught and exploiting underused components of the fish caught. In view of the scarcity of the resources, and in order to maximise the value of the fish caught, the EMFF should also support investments on board aimed at adding commercial value to the fish caught.

Conscious of the importance of fishing ports, landing sites and shelters, the EMFF should support relevant investments that aim, in particular, to increase energy efficiency, environmental protection, the quality of the products landed, and to improve safety and working conditions.

It is vital for the Union that a sustainable balance be achieved between fresh water resources and their exploitation. Therefore, having due regard to the impact on the environment, while preserving the economic viability of those sectors, appropriate measures should be provided for to support inland fishing.

In accordance with the Communication from the Commission to the Council and the European Parliament of 19 September 2002 entitled ‘A Strategy for the sustainable development of European aquaculture’ and the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 29 April 2013 entitled ‘Strategic guidelines for the sustainable development of EU aquaculture’, the CFP objectives and the Europe 2020 strategy, the EMFF should support the environmentally, economically and socially sustainable development of the aquaculture industry.

Due to the potential impact on wild marine populations of escapes of farmed animals from aquaculture sites, the EMFF should not provide incentives for the farming of genetically modified organisms.

Aquaculture contributes to growth and jobs in coastal and rural regions. Therefore, it is crucial that the EMFF is accessible to aquaculture enterprises, in particular small and medium-sized enterprises (SMEs), and that it contributes to bringing new aquaculture farmers into the business. In order to increase the competitiveness and economic performance of aquaculture activities, it is vital to stimulate innovation and entrepreneurship. Therefore, it should be possible for the EMFF to support innovative operations, the business development of aquaculture enterprises in general, including non-food and off-shore aquaculture, and complementary activities such as angling-tourism, environmental services related to aquaculture or educational activities.

Investment in human capital is also vital to increase the competitiveness and economic performance of aquaculture activities. Therefore, it should be possible for the EMFF to support lifelong learning and networking stimulating the dissemination of knowledge, as well as advisory services helping to improve the overall performance and competitiveness of operators.

In order to contribute to the development of aquaculture sites and infrastructures, it should be possible for the EMFF to support national and regional authorities in their strategic choices, in particular as regards the definition and mapping of the zones which may be considered to be most suited to the development of aquaculture.
In order to promote environmentally, socially and economically sustainable aquaculture, it should be possible for the EMFF to support aquaculture activities which highly respect the environment, the conversion of aquaculture enterprises to eco-management, the use of audit schemes as well as the conversion to organic aquaculture. Similarly, it should be possible for the EMFF to also support aquaculture which provides special environmental services.

Conscious of the importance of consumer protection, it should be possible for the EMFF to provide adequate support to farmers in order to prevent and mitigate the risk for public and animal health that aquaculture rearing may cause.

Recognizing the risk of investments in aquaculture activities, it should be possible for the EMFF to promote business security by contributing to aquaculture stock insurance, thereby safeguarding the income of producers in case of abnormal production losses due, in particular, to natural disasters, adverse climatic events, sudden water quality changes, diseases or pest infestations and the destruction of production facilities.

Given that the community-led approach for local development has, over a number of years, proven its utility in promoting the development of fisheries and aquaculture as well as rural areas by fully taking into account the multisectoral needs for endogenous development, support should be continued and reinforced in the future.

In the fishery and aquaculture sector, community-led local development should encourage innovative approaches to create growth and jobs, in particular by adding value to fishery products and diversifying the local economy towards new economic activities, including those offered by 'blue growth' and the broader maritime sectors.

The sustainable development of the fishery and aquaculture sector should contribute to achieving the objectives of the Europe 2020 Strategy of promoting social inclusion and poverty reduction, creating jobs and fostering innovation, at local level. It should also contribute to achieving the objective of territorial cohesion which is one of the main priorities of the TFEU.

Community-led local development should be implemented through a bottom-up approach by local partnerships that are composed of representatives of the public, private and civil society sectors and that reflect correctly the local society. Those local actors are best placed to draw up and implement multisectoral community-led local development strategies to meet the needs of their local fisheries area. It is important to ensure that no single interest group has more than 49% of the voting rights in the decision-making bodies of Fisheries local action groups (FLAGS).

Networking between local partnerships is an essential feature of that approach. Cooperation between local partnerships is therefore an important development tool which should be supported by the EMFF.

The support to fisheries areas through the EMFF should be coordinated with the local development support offered by other Union Funds, and should cover all aspects of the preparation and implementation of community-led local development strategies and operations of FLAGS as well as the costs of animating the local area and running the local partnership.

In order to ensure the viability of fisheries and aquaculture in a highly competitive market, it is necessary to lay down provisions granting support for the implementation of Regulation (EU) No 1379/2013 of the European Parliament and of the Council (1), and for marketing and processing activities carried out by operators to maximise the value of fishery and aquaculture products. Particular attention should be paid to the promotion of operations which integrate producing, processing and marketing activities of the supply chain, or which consist of innovative processes or methods. Priority should be given to producer organisations and associations of producer organisations when granting support. In the case of production and marketing plans, only such organisations and associations should be eligible for support. In order to adapt to the new discard ban policy, the EMFF should also support the processing of unwanted catches.

Regulation (EU) No 1379/2013 provides for a storage mechanism for fishery products intended for human consumption with a view to fostering the stabilisation of the markets. In order to ensure a transition from market intervention mechanisms to a new focus on the planning and management of production and marketing activities, any support granted by the EMFF should end by 31 December 2018.

Recognising the growing competition that small-scale coastal fishermen are confronted with, it should be possible for the EMFF to support entrepreneurial initiatives of small-scale coastal fishermen that add value to the fish they catch, in particular by carrying out the processing or direct marketing of such fish.

Given that fishing activities in the outermost regions of the Union are facing difficulties, in particular because of their remoteness and special climatic conditions, it should be possible for the EMFF to take into account the particular constraints of such regions, recognised in Article 349 TFEU.

In order to maintain the competitiveness of certain fishery and aquaculture products from the outermost regions of the Union compared to that of similar products from other regions of the Union, the Union introduced measures in 1992 to compensate for the related additional costs in the fisheries sector. The measures that apply for the period 2007-2013 are laid down in Regulation (EC) No 791/2007. It is necessary to continue to provide support in order to offset the additional costs for the fishing, farming, processing and marketing of certain fishery and aquaculture products from the outermost regions of the Union as from 1 January 2014, so that the compensation contributes to the retaining of the economic viability of operators from those regions.

In view of the different marketing conditions in the outermost regions, the fluctuations in captures and stocks and of market demands, it should be left to the Member States concerned to determine the fishery products eligible for compensation, their respective maximum quantities and the compensation amounts, within the overall allocation per Member State.

Member States should be authorised to differentiate the list and the quantities of fishery products concerned and the amount of compensation within the overall allocation per Member State. They should also be authorised to adjust their compensation plans if justified by changing conditions.

Member States should set the compensation amount at a level which allows appropriate off-setting of additional costs, arising from the specific handicaps of the outermost regions. To avoid overcompensation, that amount should be proportionate to the additional costs that the aid offsets. For that purpose, it should also take into account other types of public intervention having an impact on the level of additional costs.

It is of paramount importance that Member States and operators have the means necessary to carry out controls to a high standard, thereby ensuring compliance with the rules of the CFP, while providing for the sustainable exploitation of living aquatic resources. It should therefore be possible for the EMFF to support Member States and operators in accordance with Council Regulation (EC) No 1224/2009 (1). By creating a culture of compliance, that support should contribute to sustainable growth.

The support granted to Member States on the basis of Regulation (EC) No 861/2006 in respect of expenditure incurred in relation to the implementation of the Union control system should be increased under the EMFF, thereby pursuing the logic of a single fund.

In accordance with the Union control and enforcement policy objectives, it is appropriate that a minimum time is dedicated to fisheries control in the usage of patrol vessels, aircrafts and helicopters, which should be set out precisely in order to provide a basis for support under the EMFF.

Considering the importance of cooperation between Member States in the field of control, it should be possible for the EMFF to provide support for that purpose.

Measures should be adopted which support the collection, management and use of fisheries data as specified in the multiannual Union programme, in particular to support national programmes and the management and use of data for scientific analysis and CFP implementation. The support granted to Member States on the basis of Regulation (EC) No 861/2006 for the expenditure incurred relating to the collection, management and use of fisheries data should be continued under the EMFF, thereby pursuing the logic of a single fund.

Sound and efficient fisheries management decisions under the CFP should be supported by research and cooperation activities, by the provision of scientific and socio-economic opinions and by the advice needed for the implementation and development of the CFP, including in biogeographically sensitive areas.

It is also necessary to support the cooperation between Member States, as well as with third countries where relevant, with respect to the collection of data within the same sea basin, as well as with the relevant international scientific bodies.

(76) The objective of the IMP is to support the sustainable use of seas and oceans and to develop coordinated, coherent and transparent decision-making in relation to the policies affecting the oceans, seas, islands, coastal and outermost regions and maritime sectors, as reflected in Commission Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 10 October 2007 entitled 'An Integrated Maritime Policy of the European Union'.

(77) Sustained funding is needed for the implementation and further development of the IMP for the Union as reflected in Regulation (EU) No 1255/2011, in the conclusions of the Council, in European Parliament resolutions and in opinions of the Committee of the Regions. The development of maritime affairs through financial support for IMP measures is expected to have a significant impact in terms of economic, social and territorial cohesion.

(78) The EMFF should support the promotion of integrated maritime governance at all levels, especially through exchanges of best practices and the further development and implementation of sea basin strategies. Those strategies aim to set up an integrated framework to address common challenges in European sea basins, to strengthen cooperation between stakeholders to maximise the use of Union financial instruments and funds, and to contribute to the economic, social and territorial cohesion of the Union. In that context, actions and mechanisms targeting improved cooperation between Member States may include cross-border and cross-sectoral cooperation between maritime sectors, for example, activities within the framework of the European coastguard functions forum, to promote the exchange of experiences and best practices in order to achieve effectiveness and coherence within the framework of existing relevant Union law.

(79) The EMFF should support the further development of tools to create synergies between initiatives taken in different sectors and affecting the seas, oceans and coasts. This is the case for the Integrated Maritime Surveillance (IMS), which aims to improve awareness of the maritime situation through enhanced and secure information exchanges across sectors. However, operations related to maritime surveillance falling within the scope of Title V of Part Three, TFEU should not be financed through the EMFF.

(80) The interconnection of information systems run by those sectors may make it necessary to mobilise the funding mechanisms of those systems in a coherent way and in accordance with the TFEU. Maritime spatial planning and integrated coastal zone management are essential for the sustainable development of marine areas and coastal regions, and both contribute to the aims of an ecosystem-based management and the development of land-sea links. Those tools are also important in managing the diverse uses of our coasts, seas and oceans to enable their sustainable economic development and to stimulate cross-border investment, whereas the implementation of Directive 2008/56/EC will further define the boundaries of sustainability of human activities that have an impact on the marine environment. Furthermore, it is necessary to improve knowledge of the marine world, and to stimulate innovation by facilitating the collection, free sharing, re-use and dissemination of data concerning the status of oceans and seas.

(81) The EMFF should support sustainable economic growth, employment, innovation and competitiveness within maritime sectors and in coastal regions. It is particularly important to identify regulatory barriers and skill deficiencies hindering growth in emerging and prospective maritime sectors, as well as operations aimed at fostering investment in technological innovation that are necessary to enhance the business potential of marine and maritime applications.

(82) The EMFF should be complementary to, and coherent with, existing and future financial instruments made available by the Union and Member States, at national and sub-national level, for promoting sustainable economic, social and territorial development, the protection and sustainable use of the oceans, seas and coasts, helping to foster more effective cooperation between Member States and their coastal, island, and outermost regions, and taking into account the prioritisation and progress of national and local projects. The EMFF should tie in with other Union policies that are capable of having a maritime dimension, in particular the ERDF, the CF and the ESF, as well as the Horizon 2020 Programme established by Regulation (EU) No 1291/2013 of the European Parliament and of the Council (1).

In order to achieve the objectives of the CFP at global level, the Union plays an active role in the work of international organisations. It is therefore essential that the Union contributes to the activities of such organisations that help to ensure the conservation and sustainable exploitation of fisheries resources on the high seas and in third country waters. The support granted to international organisations on the basis of Regulation No (EC) 861/2006 should be continued under the EMFF, thereby pursuing the logic of a single fund.

In order to improve governance within the CFP and to ensure the effective functioning of the Advisory Councils, it is essential for Advisory Councils to be provided with sufficient and permanent funding in order to pursue effectively their advisory role within the CFP. Pursuing the logic of a single fund, the support granted to Advisory Councils under the EMFF should replace the support granted to Regional Advisory Councils on the basis of Regulation (EC) No 861/2006.

By means of technical assistance, the EMFF should facilitate the implementation of operational programmes, inter alia, by promoting innovative approaches and practices that are capable of simple and transparent implementation. Technical assistance should also include the setting-up of a European network of FLAGs aimed at capacity building, disseminating information, exchanging experience and supporting cooperation between local partnerships.

In the interest of a good working partnership and the proper promotion of Union assistance, provision should be made for the broadest possible information on, and publicity about, Union support. The authorities responsible for managing assistance should also be responsible for such information and publicity aspects, and for keeping the Commission informed of measures taken in that regard.

In relation to all operations financed under this Regulation, both under shared and direct management, it is necessary to ensure the protection of the financial interests of the Union by means of the proper application of the relevant legislation relating to the protection of those interests, and to ensure that appropriate controls are carried out by Member States and by the Commission.

In order to address the specific conditions of the CFP referred to in Regulation (EU) No 1380/2013 and to contribute to the compliance with CFP rules, provisions additional to the rules on interruption of the payment deadline as set out in Regulation (EU) No 1303/2013 should be laid down. Where a Member State or an operator has failed to comply with its obligations under the CFP, or where the Commission has evidence that suggests such a lack of compliance, the Commission should, as a precautionary measure, be allowed to interrupt payment deadlines.

In addition to the possibility of interruption of the payment deadline, and in order to avoid an evident risk of paying out ineligible expenditure, the Commission should be allowed to suspend payments in cases of serious non-compliance with the CFP rules by a Member State.

Operational programmes should be subject to monitoring and evaluation in order to improve their quality and to demonstrate their achievements. The Commission should set up a framework for a common monitoring and evaluation system ensuring, inter alia, that relevant data is made available in a timely manner. In that context, a list of indicators should be determined and the impact of the EMFF policy should be assessed by the Commission in relation to specific objectives.

Responsibility for monitoring the implementation of an operational programme should be shared between the managing authority and the monitoring committee set up for that purpose. To this end, the respective responsibilities of the managing authority and the monitoring committee should be specified. The monitoring of an operational programme should involve the drawing up of an annual implementation report, which should be sent to the Commission.

With a view to improving accessibility to, and transparency of, information about funding opportunities and project beneficiaries, a single website or website portal providing information on the operational programme, including the lists of operations supported under the operational programme, should be made available in each Member State. The dedicated websites of all Member States should also be accessible from a single official Union website in order to facilitate the access of citizens from different Member States to information published by all Member States. That information should be reasonable, clear and concrete, to give the wider public and, in particular, Union taxpayers, an understanding of how Union funding is spent in the framework of the EMFF. In addition to that objective, the publication of relevant data should serve to further publicise the possibility of applying for Union funding. Without prejudice to the application of Directive 95/46/EC of the European Parliament and of the Council (1), such publication may include the names of natural persons in accordance with national law.

In order to supplement and amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of the identification of the period of time and of the relevant starting or ending dates of the period of time with regard to the admissibility criteria of applications, adjusting the percentages concerning the indicative distribution of funds among the objectives under direct management, the definition of eligible operations and costs for hygiene, health and safety-related investments and investments concerning working conditions, on board or in individual equipment, the definition of eligible costs of operations to protect and restore marine biodiversity and ecosystems in the framework of sustainable fishing activities, the definition of costs eligible for support with regard to investments in equipment or on board aimed at reducing the emission of pollutants or greenhouse gases and increasing the energy efficiency of fishing vessels, the definition of the criteria for calculation of the additional costs resulting from the specific handicaps of outermost regions, the definition of the cases of non-compliance by Member States which can trigger interruption of the payment deadline or suspension of payments, the definition of the criteria for establishing the level of financial correction to be applied and the criteria for applying flat rates or extrapolated financial corrections and the definition of the content and construction of the common monitoring and evaluation system.

In order to facilitate a smooth transition from the scheme established by Regulation (EC) No 1198/2006 to the scheme established by this Regulation, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of establishing transitional provisions.

When adopting delegated acts under this Regulation, it is of particular importance that the Commission carry 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.

In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission in respect of setting out the annual breakdown, by Member State, of the global resources available for commitments in the framework of shared management approving the operational programmes and their amendments, approving the work plans for data collection, adopting the annual work programmes relating to technical assistance at the initiative of the Commission, recognising that there is evidence suggesting non-compliance with obligations under the CFP, recognising that a Member State has failed to comply with its obligations under the CFP, suspending all or part of the interim payments under the operational programme and making financial corrections by cancelling all or part of the Union support for an operational programme. The Commission should adopt those implementing acts without applying Regulation (EU) No 182/2011 of the European Parliament and of the Council.

In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should also be conferred on the Commission in respect of the presentation of the elements of the operational programme, rules on procedures, format and timetables concerning the approval of, and the submission and approval of amendments to, operational programmes, the annual work programme under Chapters I and II of Title VI, the structure of the compensation plan for outermost regions, the application of the different percentage points of public aid intensity, the model to be used by Member States when submitting financial data to the Commission, setting the indicators specific to the Union priorities, rules on the information to be sent by Member States as well as on the data needs and synergies between potential data sources, the format and presentation of the annual implementation reports, and the elements to be included in the ex ante evaluation reports. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 and the examination procedure should be used.

In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should, moreover, be conferred on the Commission in respect of the adoption of, and detailing any changes in, the actual priorities of the Union for enforcement and control, laying down rules for the presentation of the data provided by the managing authorities, technical characteristics of information and publicity measures for the operation and instructions for creating the emblem and a definition of the standard colours. Those powers should be exercised in accordance with Regulation (EU) No 182/2011. In order to ensure a simpler and faster procedure, the advisory procedure should be used.

(99) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States given the structural problems encountered in the development of the fisheries, aquaculture and maritime sectors as well as the limited financial resources of Member States, but can rather, by reason of the scale and effects of the operations to be financed under the operational programmes, be better achieved at Union level by providing multiannual financial support focused on the relevant priorities, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 TEU. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.


(101) It is appropriate to align the period of application of this Regulation with that of Regulation (EU) No 1303/2013. Therefore, this Regulation should apply as from 1 January 2014.

HAVE ADOPTED THIS REGULATION:

TITLE I

SUBJECT-MATTER, SCOPE AND DEFINITIONS

Article 1

Subject-matter

This Regulation defines Union financial measures for the implementation of:

(a) the Common Fisheries Policy (CFP);

(b) relevant measures relating to the Law of the Sea;

(c) the sustainable development of fisheries and aquaculture areas and inland fishing; and

(d) the Integrated Maritime Policy (IMP).

Article 2

Geographical scope

This Regulation applies to operations carried out in the territory of the Union, unless otherwise provided for in this Regulation.

Article 3

Definitions

1. For the purposes of this Regulation and without prejudice to paragraph 2 of this Article, the definitions referred to in Article 4 of Regulation (EU) No 1380/2013, Article 5 of Regulation (EU) No 1379/2013, Article 4 of Regulation (EC) No 1224/2009 and Article 2 of Regulation (EU) No 1303/2013 apply.

2. For the purpose of this Regulation, the following definitions apply:

(1) ‘Common information sharing environment’ (CISE) means a network of systems with a decentralised set-up developed for the exchange of information between users in order to improve their situational awareness of activities at sea;

(2) ‘cross-sectoral operations’ means those initiatives that mutually benefit different sectors and/or sectoral policies, as referred to in the TFEU, and that cannot be accomplished entirely through measures encompassed within respective policy areas;

(3) ‘electronic recording and reporting system’ (ERS) means a system for the electronic recording and reporting of data as referred to in Regulation (EC) No 1224/2009;

(4) ‘European marine observation and data network’ means a network that integrates relevant national marine observation and data programmes into a common and accessible European resource;

(5) ‘fisheries and aquaculture area’ means an area with a sea, river or lake shore, including ponds or a river basin, with a significant level of employment in fisheries or aquaculture, that is functionally coherent in geographical, economic and social terms and is designated as such by a Member State;
TITLE II
GENERAL FRAMEWORK

CHAPTER I
Establishment and objectives of the European Maritime and Fisheries Fund

Article 4
Establishment

The European Maritime and Fisheries Fund (EMFF) is hereby established.

Article 5
Objectives

The EMFF shall contribute to the achievement of the following objectives:

(a) promoting competitive, environmentally sustainable, economically viable and socially responsible fisheries and aquaculture;

(b) fostering the implementation of the CFP;

(c) promoting a balanced and inclusive territorial development of fisheries and aquaculture areas;

(d) fostering the development and implementation of the Union's IMP in a manner complementary to cohesion policy and to the CFP.

The pursuit of those objectives shall not result in an increase in fishing capacity.

Article 6
Union priorities

The EMFF shall contribute to the Europe 2020 strategy and to the implementation of CFP. It shall pursue the following Union priorities for the sustainable development of fisheries and aquaculture and related activities, which reflect the relevant thematic objectives referred to in Regulation (EU) No 1303/2013:


(1) Promoting environmentally sustainable, resource-efficient, innovative, competitive and knowledge-based fisheries by pursuing the following specific objectives:

(a) the reduction of the impact of fisheries on the marine environment, including the avoidance and reduction, as far as possible, of unwanted catches;

(b) the protection and restoration of aquatic biodiversity and ecosystems;

(c) the ensuring of a balance between fishing capacity and available fishing opportunities;

(d) the enhancement of the competitiveness and viability of fisheries enterprises, including of small-scale coastal fleet, and the improvement of safety and working conditions;

(e) the provision of support to strengthen technological development and innovation, including increasing energy efficiency, and knowledge transfer;

(f) the development of professional training, new professional skills and lifelong learning.

(2) Fostering environmentally sustainable, resource-efficient, innovative, competitive and knowledge-based aquaculture by pursuing the following specific objectives:

(a) the provision of support to strengthen technological development, innovation and knowledge transfer;

(b) the enhancement of the competitiveness and viability of aquaculture enterprises, including the improvement of safety and working conditions, in particular of SMEs;

(c) the protection and restoration of aquatic biodiversity and the enhancement of ecosystems related to aquaculture and the promotion of resource-efficient aquaculture;

(d) the promotion of aquaculture having a high level of environmental protection, and the promotion of animal health and welfare and of public health and safety;

(e) the development of professional training, new professional skills and lifelong learning.

(3) Fostering the implementation of the CFP by pursuing the following specific objectives:

(a) the improvement and supply of scientific knowledge as well as the improvement of the collection and management of data;

(b) the provision of support to monitoring, control and enforcement, thereby enhancing institutional capacity and the efficiency of public administration, without increasing the administrative burden.

(4) Increasing employment and territorial cohesion by pursuing the following specific objective: the promotion of economic growth, social inclusion and job creation, and providing support to employability and labour mobility in coastal and inland communities which depend on fishing and aquaculture, including the diversification of activities within fisheries and into other sectors of maritime economy.

(5) Fostering marketing and processing by pursuing the following specific objectives:

(a) the improvement of market organisation for fishery and aquaculture products;

(b) the encouragement of investment in the processing and marketing sectors.

(6) Fostering the implementation of the IMP.

CHAPTER II

Shared and direct management

Article 7

Shared and direct management

1. Measures covered by Title V shall be financed by the EMFF in accordance with the principle of shared management between the Union and Member States and the common rules laid down in Regulation (EU) No 1303/2013.

2. Measures covered by Title VI shall be financed by the EMFF in accordance with the principle of direct management.
CHAPTER III
General Principles of Assistance under Shared Management

Article 8
State aid

1. Without prejudice to paragraph 2 of this Article, Articles 107, 108 and 109 TFEU shall apply to aid granted by Member States to undertakings in the fishery and aquaculture sector.

2. However, Articles 107, 108 and 109 TFEU shall not apply to payments made by Member States pursuant to, and in conformity with, this Regulation falling within the scope of Article 42 TFEU.

3. National provisions setting up public financing going beyond the provisions of this Regulation concerning payments referred to in paragraph 2, shall be treated as a whole on the basis of paragraph 1.

4. For the fishery and aquaculture products, listed in Annex I TFEU, to which Articles 107, 108 and 109 thereof apply, the Commission may authorise, in accordance with Article 108 TFEU, operating aid in the outermost regions referred to in Article 349 TFEU within the sectors producing, processing and marketing fishery and aquaculture products, with a view to alleviating the specific constraints in those regions as a result of their isolation, insularity and extreme remoteness.

Article 9
Specific ex ante conditionalities

The specific ex ante conditionalities referred to in Annex IV shall apply to the EMFF.

CHAPTER IV
Admissibility of applications and ineligible operations

Article 10
Admissibility of applications

1. An application submitted by an operator for support from the EMFF shall be inadmissible for an identified period of time laid down pursuant to paragraph 4 of this Article, if it has been determined by the competent authority that the operator concerned:

(a) has committed a serious infringement under Article 42 of Council Regulation (EC) No 1005/2008 (1) or Article 90(1) of Regulation (EC) No 1224/2009;

(b) has been involved in the operation, management or ownership of fishing vessels included in the Union IUU vessel list as set out in Article 40(3) of Regulation (EC) No 1005/2008, or of vessels flagged to countries identified as non-cooperating third countries as set out in Article 33 of that Regulation;

(c) has committed a serious infringement of the CFP rules identified as such in other legislation adopted by the European Parliament and by the Council; or

(d) has committed any of the offences set out in Articles 3 and 4 of Directive 2008/99/EC of the European Parliament and of the Council (2), where the application is made for support under Chapter II of Title V of this Regulation.

2. The beneficiary, after submitting the application, shall continue to comply with the conditions referred to in points (a) to (d) of paragraph 1 throughout the period of implementation of the operation and for a period of five years after the final payment to that beneficiary.


3. An application submitted by an operator shall be inadmissible for an identified period of time laid down pursuant to paragraph 4 of this Article, if it has been determined by the competent authority that that operator has committed a fraud, as defined in Article 1 of the Convention on the protection of the European Communities' financial interests (1), in the context of the European Fisheries Fund (EFF) or the EMFF.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 126 concerning:

(a) the identification of the period of time referred to in paragraphs 1 and 3 of this Article which shall be proportionate to the nature, gravity, duration and repetition of the serious infringement, offence or fraud, and shall be of at least one year's duration;

(b) the relevant starting or ending dates of the period of time referred to in paragraphs 1 and 3 of this Article.

5. Member States shall require that operators submitting an application under the EMFF provide to the managing authority a signed statement confirming that they respect the criteria listed in paragraph 1 of this Article and declaring that they have not committed a fraud under the EFF or the EMFF as referred to in paragraph 3 of this Article. Member States shall verify the veracity of that statement before approving the operation, based on the information available in the national register of infringements referred to in Article 93 of Regulation (EC) No 1224/2009, or any other available data.

For the purposes of the first subparagraph, a Member State shall provide, on request from another Member State, the information contained in its national register of infringements referred to in Article 93 of Regulation (EC) No 1224/2009.

Article 11

Ineligible operations

The following operations shall not be eligible under the EMFF:

(a) operations increasing the fishing capacity of a vessel or equipment increasing the ability of a vessel to find fish;

(b) the construction of new fishing vessels or the importation of fishing vessels;

(c) the temporary or permanent cessation of fishing activities, unless otherwise provided for in this Regulation;

(d) exploratory fishing;

(e) the transfer of ownership of a business;

(f) direct restocking, unless explicitly provided for as a conservation measure by a Union legal act or in the case of experimental restocking.

TITLE III

FINANCIAL FRAMEWORK

Article 12

Budget implementation

1. The Union budget allocated to the EMFF under Title V of this Regulation shall be implemented within the framework of shared management in accordance with Article 4 of Regulation (EU) No 1303/2013.

2. The Union budget allocated to the EMFF under Title VI of this Regulation shall be implemented directly by the Commission in accordance with Article 58(1)(a) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (2).

3. Any cancellations of all or part of the budget commitment under direct management by the Commission shall comply with Regulation (EU, Euratom) No 966/2012 and, where appropriate, with Article 123 of this Regulation.


4. The principle of sound financial management shall be applied in accordance with Articles 30 and 53 of Regulation (EU, Euratom) No 966/2012.

**Article 13**

**Budgetary resources under shared management**

1. The resources available for commitments from the EMFF for the period from 2014 to 2020 under shared management shall be EUR 5 749 331 600 in current prices in accordance with the annual breakdown set out in Annex II.

2. EUR 4 340 800 000 of the budgetary resources referred to in paragraph 1 shall be allocated to the sustainable development of fisheries, aquaculture and fisheries areas, to marketing and processing-related measures and to technical assistance at the initiative of the Member States under Chapters I, II, III, IV and VII of Title V, with the exception of Article 67.

3. EUR 580 000 000 of the budgetary resources referred to in paragraph 1 shall be allocated to the control and enforcement measures referred to in Article 76.

4. EUR 520 000 000 of the budgetary resources referred to in paragraph 1 shall be allocated to the measures on data collection referred to in Article 77.

5. EUR 192 500 000 of the budgetary resources referred to in paragraph 1 shall be allocated to the compensation of outermost regions under Chapter V of Title V. That compensation shall not exceed, per year:
   (a) EUR 6 450 000 for the Azores and Madeira;
   (b) EUR 8 700 000 for the Canary Islands;
   (c) EUR 12 350 000 for the French outermost regions referred to in Article 349 TFEU.

6. EUR 44 976 000 of the budgetary resources referred to in paragraph 1 shall be allocated to the storage aid referred to in Article 67.

7. EUR 71 055 600 of the budgetary resources referred to in paragraph 1 shall be allocated to measures concerning the IMP referred to in Chapter VIII of Title V.

8. Member States shall have the possibility to use interchangeably the resources available under paragraphs 3 and 4.

**Article 14**

**Budgetary resources under direct management**

1. The resources available for commitments from the EMFF, for the period 2014 to 2020, concerning measures under direct management as specified in Chapters I to III of Title VI shall be EUR 647 275 400 in current prices.

2. For the purposes of Chapters I and II of Title VI, the indicative distribution of funds between the objectives set out in Articles 82 and 85, is set out in Annex III.

3. The Commission may depart from the indicative percentages referred to in paragraph 2 by no more than 5 % of the value of the financial envelope in each case.

4. The Commission shall be empowered to adopt delegated acts, in accordance with Article 126, adjusting the percentages set out in Annex III.

**Article 15**

**Mid-term review**

The Commission shall review the implementation of Chapter I and II of Title VI, including the need for adjustments of the indicative distribution of funds as laid down in Annex III, and shall, by 30 June 2017, submit to the European Parliament and to the Council an interim evaluation report on the results obtained and the qualitative and quantitative aspects of the EMFF.

**Article 16**

**Financial distribution for shared management**

1. The resources available for commitments by Member States referred to in Article 13(2) to (7) for the period from 2014 to 2020, as set out in the table in Annex II, shall be determined on the basis of the following objective criteria:
(a) as regards Title V, with the exception of Articles 76 and 77:

(i) the level of employment in the fisheries and marine and fresh water aquaculture sectors, including employment in related processing;

(ii) the level of production in the fisheries and marine and fresh water aquaculture sectors, including related processing; and

(iii) the share of small-scale coastal fishing fleet in the overall fishing fleet;

(b) as regards Articles 76 and 77:

(i) the extent of the control tasks of the Member State concerned, taking into account the size of the national fishing fleet and the size of the sea area to be controlled, the volume of the landings and the value of imports from third countries;

(ii) the available control resources compared to the extent of the control tasks of the Member State, where available means are determined by taking into account the number of controls conducted at sea and the number of landing inspections;

(iii) the extent of the data collections tasks of the Member State concerned, taking into account the size of the national fishing fleet, the volume of the landings and of the aquaculture production, the amount of scientific monitoring activities at sea and the number of surveys the Member State is taking part in; and

(iv) the available data collection resources compared to the extent of the data collection tasks of the Member State, where available means are determined by taking into account the human resources and technical means needed to implement the national sampling programme for data collection;

(c) as regards all measures, the historical allocations of funds in accordance with Regulation (EC) No 1198/2006 and the historical consumption in accordance with Regulation (EC) No 861/2006.

2. The Commission shall adopt implementing acts setting out the annual breakdown of the global resources per Member State.

**TITLE IV**

**PROGRAMMING**

**CHAPTER I**

**Programming for measures financed under shared management**

**Article 17**

**Preparation of operational programmes**

1. Each Member State shall draw up a single operational programme to implement the Union priorities set out in Article 6 which are to be co-financed by the EMFF.

2. The operational programme shall be established by the Member State following close cooperation with the partners referred to in Article 5 of Regulation (EU) No 1303/2013.

3. For the section of the operational programme referred to in point (o) of Article 18(1), the Commission shall, by 31 May 2014, adopt implementing acts laying down the actual priorities of the Union for enforcement and control policy. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 127(2).

**Article 18**

**Content of the operational programme**

1. In addition to the elements referred to in Article 27 of Regulation (EU) No 1303/2013, the operational programme shall include:

(a) an analysis of the situation in terms of the strengths, weaknesses, opportunities and threats and the identification of the needs that require to be addressed in the geographical area, including, where relevant, sea basins covered by the programme.

The analysis shall be structured around the relevant Union priorities set out in Article 6 of this Regulation and, where applicable, shall be consistent with the multiannual national strategic plan for aquaculture referred to in
Article 34 of Regulation (EU) No 1380/2013 and the progress made in achieving good environmental status through the development and implementation of a marine strategy referred to in Article 5 of Directive 2008/56/EC. Specific needs concerning jobs, the environment, the mitigation of, and adaptation to, climate change, and the promotion of innovation shall be assessed in relation to the Union priorities, with a view to identifying the most relevant responses at the level of each of the priorities related to the relevant area;

(b) a description of the strategy within the meaning of Article 27 of Regulation (EU) No 1303/2013, which shall demonstrate that:

(i) appropriate targets are set for each of the Union priorities that are included in the programme, on the basis of common indicators referred to in Article 109 of this Regulation;

(ii) the selection of relevant measures follows logically from each Union priority selected in the programme, taking into account the conclusions of the ex ante evaluation and the analysis referred to in point (a) of this paragraph. As regards the measures for the permanent cessation of fishing activities under Article 34 of this Regulation, the description of the strategy shall include the targets and measures to be taken for the reduction of the fishing capacity in accordance with Article 22 of Regulation (EU) No 1380/2013. A description of the method for the calculation of the compensation to be granted under Articles 33 and 34 of this Regulation shall also be included;

(iii) the allocation of financial resources to the Union priorities included in the programme is justifiable and adequate to achieve the targets set;

(c) where appropriate, the specific needs of Natura 2000 areas, as established by Council Directive 92/43/EEC ( 1 ), and the contribution of the programme to the establishment of a coherent network of fish stock recovery areas as provided for in Article 8 of Regulation (EU) No 1380/2013;

(d) the assessment of the specific ex ante conditionalities referred to in Article 9 of and in Annex IV to this Regulation and, where required, the actions referred to in Article 19(2) of Regulation (EU) No 1303/2013;

(e) a description of the performance framework within the meaning of Article 22 of and Annex II to Regulation (EU) No 1303/2013;

(f) a list of measures selected organised by Union priorities;

(g) a list of criteria applied for selecting the fisheries and aquaculture areas under Chapter III of Title V;

(h) a list of selection criteria for community-led local development strategies under Chapter III of Title V;

(i) in Member States where over 1 000 vessels can be considered small-scale coastal fishing vessels, an action plan for the development, competitiveness and sustainability of small-scale coastal fishing;

(j) the evaluation requirements and the evaluation plan referred to in Article 56 of Regulation (EU) No 1303/2013 and actions to be taken to address identified needs;

(k) a financing plan which is to be designed by taking into account Article 20 of Regulation (EU) No 1303/2013 and in accordance with the Commission implementing act referred to in Article 16(2) of this Regulation, comprising:

(i) a table setting out the total EMFF contribution planned for each year;

(ii) a table setting out the applicable EMFF resources and co-financing rate under the Union priorities set out in Article 6 of this Regulation and for technical assistance; by way of derogation from the general rule laid down in Article 94(2) of this Regulation, that table shall, where applicable, indicate separately the EMFF resources and the co-financing rates which apply for the support referred to in Articles 33, 34, Article 41(2), Articles 67 and 70, points (a) to (d) and (i) to (l) of Article 76(2), point (e) of Article 76(2) and Article 77 of this Regulation;

(l) information on the complementarity and coordination with ESI Funds and other relevant Union and national funding instruments;

(m) implementing arrangements of the operational programme including:

(i) identification of the authorities referred to in Article 123 of Regulation (EU) No 1303/2013 and, for information purposes, a summary describing the management and control system;

(ii) a description of the respective roles of the FLAGs, the managing authority or designated body for all implementation tasks relating to the community-led local development strategy;

(iii) a description of the monitoring and evaluation procedures, as well as the general composition of the monitoring committee referred to in Article 48 of Regulation (EU) No 1303/2013;

(iv) the provisions to ensure that the programme is publicised in accordance with Article 119 of this Regulation;

(n) a list of the partners referred to in Article 5 of Regulation (EU) No 1303/2013 and the results of the consultation of those partners;

(o) for the objective of ensuring increased compliance through control referred to in Article 6(3)(b), and in accordance with the actual priorities adopted by the Commission pursuant to Article 17(3):

(i) a list of the bodies implementing the control, inspection and enforcement system and a brief description of their human and financial resources available for fisheries control, inspection and enforcement, and their major equipment available for fisheries control, inspection and enforcement, in particular the number of vessels, aircraft and helicopters;

(ii) the overall objectives of the control measures to be implemented, using common indicators to be set in accordance with Article 109;

(iii) specific objectives to be achieved in accordance with the Union priorities set out in Article 6 and a detailed indication by category over the entire programming period;

(p) for the objective of collection of data for sustainable fisheries management referred to in point (a) of Article 6(3), and in accordance with the multiannual Union programme referred to in Article 3 of Regulation (EC) No 199/2008:

(i) a description of the activities of data collection, in accordance with Article 25(1) of Regulation (EU) No 1380/2013;

(ii) a description of the data storage methods, data management and data use;

(iii) a description of the capability to achieve sound financial and administrative management of the data collected.

The section of the operational programme referred to in point (p) shall be supplemented in accordance with Article 21 of this Regulation.

2. The operational programme shall include the methods for calculating the simplified costs referred to in points (b), (c) and (d) of Article 67(1) of Regulation (EU) No 1303/2013 and additional costs or income foregone in accordance with Article 96 of this Regulation, and the method for calculating compensation in accordance with relevant criteria identified for each of the activities deployed under Article 40(1), Articles 53, 54 and 55, point (f) of Article 56(1) and Article 67 of this Regulation. Where relevant, information on advance payments to FLAGs under Article 62 of this Regulation shall also be included.

3. The Commission shall adopt implementing acts laying down rules for the presentation of the elements described in paragraphs 1 and 2 of this Article. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3).

Article 19
Approval of the operational programme

1. Subject to Article 29 of Regulation (EU) No 1303/2013, the Commission shall adopt implementing acts approving the operational programme.

2. For the purpose of adopting the implementing acts referred to in paragraph 1 of this Article, the Commission shall examine whether the measures referred to in point (b)(ii) of Article 18(1) are likely to effectively remove the overcapacity identified.

Article 20
Amendment of the operational programme

1. The Commission shall adopt implementing acts approving any amendments to an operational programme
2. In order to adapt to the evolving needs of control, the Commission may, every two years, adopt implementing acts detailing any changes in the priorities of the Union in the enforcement and control policy as referred to in Article 17(3) and the corresponding eligible operations which are to be prioritised. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 127(2).

3. Member States may submit an amendment to their operational programme, taking into account new priorities laid down in implementing acts referred to in paragraph 2 of this Article. In accordance with the principle of proportionality, such amendments to the operational programme shall be subject to a simplified procedure to be adopted in accordance with Article 22(2).

**Article 21**

**Work plans for data collection**

1. For the purpose of application of point (p) of Article 18(1) of this Regulation, Member States shall submit to the Commission by electronic means work plans for data collection in accordance with Article 4(4) of Regulation (EC) No 199/2008 by 31 October of the year preceding the year from which the work plan is to apply, unless an existing plan still applies, in which case they shall notify the Commission thereof. The content of those plans shall be consistent with Article 4(2) of that Regulation.

2. The Commission shall adopt implementing acts approving the work plans referred to in paragraph 1 by 31 December of the year preceding the year from which the work plan is to apply.

**Article 22**

**Rules on procedures and timetables**

1. The Commission may adopt implementing acts laying down rules on procedures, format and timetables for:

   (a) the approval of operational programmes;

   (b) the submission and approval of amendments to operational programmes, including their entry into force and frequency of submission during the programming period;

   (c) the submission and approval of amendments as referred to in Article 20(3);

   (d) the submission of work plans for data collection.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3).

2. The procedures and timetables shall be simplified in the case of:

   (a) amendments to operational programmes concerning a transfer of funds between Union priorities, provided that the funds transferred do not exceed 10% of the amount allocated to the Union priority;

   (b) amendments to operational programmes concerning the introduction or withdrawal of measures or types of relevant operations and related information and indicators;

   (c) amendments to operational programmes concerning changes in the description of measures, including changes of eligibility conditions;

   (d) amendments referred to in Article 20(3), as well as in the case of any other amendments to the section of the operational programme referred to in point (n) of Article 18(1).

3. Paragraph 2 shall not apply to measures referred to in Articles 33, 34 and Article 41(2).

**CHAPTER II**

**Programming for measures financed under direct management**

**Article 23**

**Annual work programme**

1. In order to implement Title VI, the Commission shall adopt implementing acts laying down annual work programmes in accordance with the objectives set out in the respective Chapters. For Chapters I and II of Title VI, those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3).
2. The annual work programmes shall include:

(a) a description of the activities to be financed and the objectives to be pursued for each activity which shall be in accordance with the objectives laid down in Articles 82 and 85. It shall also contain an indication of the amount allocated to each activity, an indicative implementation timetable, as well as information on their implementation;

(b) for grants and related measures, the essential evaluation criteria, which shall be set in a manner that best achieves the objectives pursued by the operational programme, and the maximum rate of co-financing.

TITLE V
MEASURES FINANCED UNDER SHARED MANAGEMENT

CHAPTER I
Sustainable development of fisheries

Article 24
Specific objectives

Support under this Chapter shall contribute to the achievement of the specific objectives under the Union priority set out in Article 6(1).

Article 25
General conditions

1. The owner of a fishing vessel having received support under this Chapter shall not transfer that vessel outside the Union during at least the five years following the date of actual payment of that support to the beneficiary. If a vessel is transferred within that time-frame, sums unduly paid in respect of the operation shall be recovered by the Member State, in an amount proportionate to the period during which the condition set out in the first sentence of this paragraph has not been fulfilled.

2. Operating costs shall not be eligible unless otherwise expressly provided for in this Chapter.

3. The total financial contribution from the EMFF to the measures referred to in Articles 33 and 34 and to the replacement or modernisation of main or ancillary engines referred to in Article 41, shall not exceed the higher of the following two thresholds:

(a) EUR 6 000 000; or

(b) 15 % of the Union financial support allocated by the Member State to the Union priorities set out in Article 6(1), (2) and (5).

4. The total financial contribution from the EMFF to the measures referred to in Article 29(4) shall not exceed 5 % of the Union financial support allocated per Member State.

5. Support to vessel owners granted under Article 33 shall be deducted from support granted to vessel owners under Article 34 for the same vessel.

Article 26
Innovation

1. In order to stimulate innovation in fisheries, the EMFF may support projects aimed at developing or introducing new or substantially improved products and equipment, new or improved processes and techniques, and new or improved management and organisation systems, including at the level of processing and marketing.

2. Operations financed under this Article shall be carried out by, or in collaboration with, a scientific or technical body, recognised by the Member State or the Union. That scientific or technical body shall validate the results of such operations.

3. The results of operations financed under this Article shall be adequately publicised by the Member State in accordance with Article 119.
Article 27

Advisory services

1. In order to improve the overall performance and competitiveness of operators and to promote sustainable fisheries, the EMFF may support:

(a) feasibility studies and advisory services that assess the viability of projects potentially eligible for support under this Chapter;

(b) the provision of professional advice on environmental sustainability, with a focus on limiting and, where possible, eliminating the negative impact of fishing activities on marine, terrestrial and freshwater ecosystems;

(c) the provision of professional advice on business and marketing strategies.

2. The feasibility studies, advisory services and advice referred to in paragraph 1 shall be provided by scientific, academic, professional or technical bodies, or entities providing economic advice that have the required competences.

3. The support referred to in paragraph 1 shall be granted to operators, organisations of fishermen, including producer organisations, or public law bodies.

4. Where the support referred to in paragraph 1 does not exceed the amount of EUR 4 000, the beneficiary may be selected by means of an accelerated procedure.

Article 28

Partnerships between scientists and fishermen

1. In order to foster the transfer of knowledge between scientists and fishermen, the EMFF may support:

(a) the creation of networks, partnership agreements or associations between one or more independent scientific bodies and fishermen, or one or more organisations of fishermen, in which technical bodies may participate;

(b) the activities carried out in the framework of the networks, partnership agreements, or associations referred to in point (a).

2. The activities referred to in point (b) of paragraph 1 may cover data collection and management activities, studies, pilot projects, dissemination of knowledge and research results, seminars and best practices.

3. The support referred to in paragraph 1 may be granted to public law bodies, fishermen, organisations of fishermen, FLAGs and non-governmental organisations.

Article 29

Promotion of human capital, job creation and social dialogue

1. In order to promote human capital, job creation and social dialogue, the EMFF may support:

(a) professional training, lifelong learning, joint projects, the dissemination of knowledge of an economic, technical, regulatory or scientific nature and of innovative practices, and the acquisition of new professional skills, in particular linked to the sustainable management of marine ecosystems, hygiene, health, safety, activities in the maritime sector, innovation and entrepreneurship;

(b) networking and exchange of experiences and best practices between stakeholders, including among organisations promoting equal opportunities between men and women, promoting the role of women in fishing communities and promoting under-represented groups involved in small-scale coastal fishing or in on-foot fishing;

(c) social dialogue at Union, national, regional or local level involving fishermen, social partners and other relevant stakeholders.

2. The support referred to in paragraph 1 may also be granted to spouses of self-employed fishermen or, where and in so far as recognised by national law, the life partners of self-employed fishermen, under the conditions laid down in point (b) of Article 2 of Directive 2010/41/EU of the European Parliament and of the Council (1).

3. The support referred to in point (a) of paragraph 1 may be granted, for a maximum period of two years, for the training of people under 30 years of age, who are recognised as unemployed by the Member State concerned ('trainees'). Such support shall be limited to training on board a small-scale coastal fishing vessel owned by a professional fisherman of at least 50 years of age, formalised by a contract between the trainee and the owner of the vessel that is recognised by the Member State concerned, including courses on sustainable fishing practices and the conservation of marine biological resources as defined in Regulation (EU) No 1380/2013. The trainee shall be accompanied on board by a professional fisherman of at least 50 years of age.

4. Support under paragraph 3 shall be granted to professional fishermen to cover the trainee's salary and related charges, and shall be calculated in accordance with Article 67(5) of Regulation (EU) No 1303/2013, taking into account the economic situation and living standards of the Member State concerned. That support shall not exceed a maximum amount of EUR 40 000 for each beneficiary during the programming period.

**Article 30**

Diversification and new forms of income

1. The EMFF may support investments contributing to the diversification of the income of fishermen through the development of complementary activities, including investments on board, angling tourism, restaurants, environmental services related to fishing and educational activities concerning fishing.

2. The support under paragraph 1 shall be granted to fishermen who:

   (a) submit a business plan for the development of their new activities; and

   (b) possess adequate professional skills which may be acquired through operations financed under point (a) of Article 29(1).

3. The support under paragraph 1 shall only be granted if the complementary activities relate to the fisherman's core fishing business.

4. The amount of support granted under paragraph 1 shall not exceed 50 % of the budget foreseen in the business plan for each operation, and shall not exceed a maximum amount of EUR 75 000 for each beneficiary.

**Article 31**

Start-up support for young fishermen

1. The EMFF may provide business start-up support to young fishermen.

2. Support under this Article may be granted only in respect of the first acquisition of a fishing vessel:

   (a) with an overall length of less than 24 metres;

   (b) which is equipped for sea fishing;

   (c) which is between 5 and 30 years old; and

   (d) which belongs to a fleet segment for which the report on fishing capacity, referred to in Article 22(2) of Regulation (EU) No 1380/2013, has shown a balance with the fishing opportunities available to that segment.

3. For the purpose of this Article, the term 'young fisherman' means a natural person who seeks to acquire a fishing vessel for the first time and who, at the moment of submitting the application, is under 40 years of age and who has worked for at least five years as fisherman, or has acquired equivalent vocational training. Member States may define further objective criteria to be met by young fishermen in order to be eligible for support under this Article.

4. The support under this Article shall not exceed 25 % of the acquisition cost of the fishing vessel and shall in any event not be higher than EUR 75 000 per young fisherman.

**Article 32**

Health and safety

1. In order to improve hygiene, health, safety and working conditions for fishermen, the EMFF may support investments on board or in individual equipment provided that those investments go beyond the requirements under Union or national law.
2. The support under this Article shall be granted to fishermen or owners of fishing vessels.

3. Where the operation consists of an investment on board, the support shall not be granted more than once during the programming period for the same type of investment and for the same fishing vessel. Where the operation consists of an investment in individual equipment, the support shall not be granted more than once during the programming period for the same type of equipment and for the same beneficiary.

4. The Commission shall be empowered to adopt delegated acts, in accordance with Article 126, identifying the types of operations eligible under paragraph 1 of this Article.

Article 33
Temporary cessation of fishing activities

1. The EMFF may support measures for temporary cessation of fishing activities in the following cases:

(a) the implementation of Commission measures or Member States emergency measures referred to in Articles 12 and 13, respectively, of Regulation (EU) No 1380/2013 or of conservation measures referred to in Article 7 of that Regulation, including biological recovery periods;

(b) a non-renewal of Sustainable fisheries partnership agreements or protocols thereto;

(c) where the temporary cessation is provided for in a management plan adopted in accordance with Council Regulation (EC) No 1967/2006 (1) or in a multiannual plan adopted under Articles 9 and 10 of Regulation (EU) No 1380/2013, where, based on scientific advice, a reduction of fishing effort is needed in order to achieve the objectives referred to in Article 2(2) and point (a) of Article 2(5) of Regulation (EU) No 1380/2013.

2. The support referred to in paragraph 1 may be granted for a maximum duration of six months per vessel during the period from 2014 to 2020.

3. The support referred to in paragraph 1 shall only be granted to:

(a) owners of Union fishing vessels which are registered as active and which have carried out fishing activities at sea for at least 120 days during the last two calendar years preceding the date of submission of the application for support; or

(b) fishermen who have worked at sea for at least 120 days during the last two calendar years preceding the date of submission of the application for support on board a Union fishing vessel concerned by the temporary cessation.

4. All fishing activities carried out by the fishing vessel or by the fishermen concerned shall be effectively suspended. The competent authority shall satisfy itself that the fishing vessel concerned has stopped any fishing activities during the period concerned by the temporary cessation.

Article 34
Permanent cessation of fishing activities

1. The EMFF may support measures for the permanent cessation of fishing activities only when that is achieved through the scrapping of fishing vessels and provided that:

(a) such scrapping is included in the operational programme referred to in Article 18; and

(b) the permanent cessation is foreseen as a tool of an action plan referred to in Article 22(4) of Regulation (EU) No 1380/2013 indicating that the fleet segment is not effectively balanced with the fishing opportunities available to that segment.

2. Support under paragraph 1 shall be granted to:

(a) owners of Union fishing vessels registered as active and which have carried out fishing activities at sea for at least 90 days per year during the last two calendar years preceding the date of submission of the application for support; or

(b) fishermen who have worked at sea for at least 90 days per year during the last two calendar years preceding the date of submission of the application for support, on board of a Union fishing vessel concerned by the permanent cessation.

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3. The fishermen concerned shall effectively cease all fishing activities. The beneficiary shall provide proof of the effective cessation of fishing activities to the competent authority. The compensation shall be refunded on a pro rata temporis basis where the fisherman returns to a fishing activity within a period of less than two years from the date of submission of the application for support.

4. Support under this Article may be granted until 31 December 2017.

5. Support under this Article shall be granted only after the equivalent capacity has been permanently removed from the Union fishing fleet register and after the fishing licences and authorisations have also been permanently withdrawn. The beneficiary shall be prohibited from registering a new fishing vessel within five years following the receipt of such support. The decrease in capacity as a result of the permanent cessation of fishing activities with public aid shall result in the permanent equivalent reduction of the fishing capacity ceilings set out in Annex II to Regulation (EU) No 1380/2013.

6. By way of derogation from paragraph 1, support may be granted for the permanent cessation of fishing activities without scrapping provided that the vessels retrofit for activities other than commercial fishing.

In addition and with a view to preserving maritime heritage, support may be granted for the permanent cessation of fishing activities without scrapping in the case of traditional wooden vessels, provided that such vessels retain a land-based heritage function.

**Article 35**

**Mutual funds for adverse climatic events and environmental incidents**

1. The EMFF may contribute to mutual funds which pay financial compensation to fishermen for economic losses caused by adverse climatic events or by environmental incidents or for the rescue costs for fishermen or fishing vessels in the case of accidents at sea during their fishing activities.

2. For the purpose of paragraph 1, the term ‘mutual fund’ means a scheme accredited by the Member State, in accordance with its national law, which enables affiliated fishermen to insure themselves, whereby compensation payments are made to affiliated fishermen for economic losses caused by the events set out in paragraph 1.

3. Member States shall ensure that overcompensation as a result of the combination of the support under this Article with other Union or national instruments or private insurance schemes is avoided.

4. In order to be eligible for support under this Article, the mutual fund concerned shall:

   (a) be accredited by the competent authority of the Member State, in accordance with national law;

   (b) have a transparent policy towards payments into and withdrawals from the fund; and

   (c) have clear rules attributing responsibility for any debts incurred.

5. Member States shall define the rules for the establishment and management of the mutual funds, in particular for the granting of compensation payments and the eligibility of fishermen for such compensation in the event of adverse climatic events, environmental incidents or accidents at sea referred to in paragraph 1, as well as for the administration and monitoring of compliance with those rules. Member States shall ensure that the fund arrangements provide for penalties in the case of negligence on the part of the fisherman.

6. Adverse climatic events, environmental incidents or accidents at sea referred to in paragraph 1 shall be those that are formally recognised by the competent authority of the Member State concerned as having occurred.

7. The contributions referred to in paragraph 1 shall only relate to the amounts paid by the mutual fund as financial compensation to fishermen. The administrative costs of setting-up the mutual funds shall not be eligible for support. Member States may limit the costs that are eligible for support by applying ceilings per mutual fund.

8. The contributions referred to in paragraph 1 shall only be granted to cover losses caused by the adverse climatic events, environmental incidents or accidents at sea which amount to more than 30 % of the annual turnover of the business concerned, calculated on the basis of the average turnover of that business over the preceding three calendar years.
9. No contribution from the EMFF shall be made to the initial capital stock.

10. Where Member States decide to limit the costs that are eligible for support by applying ceilings per mutual fund, they shall provide details and justifications in their operational programmes on those ceilings.

Article 36

Support for the systems of allocation of fishing opportunities

1. In order to adapt the fishing activities to the fishing opportunities, the EMFF may support the design, development, monitoring, evaluation and management of the systems for allocating the fishing opportunities.

2. Support under this Article shall be granted to public authorities, legal or natural persons or organisations of fishermen recognised by the Member State, including recognised producer organisations involved in the collective management of the systems referred to in paragraph 1.

Article 37

Support for the design and implementation of conservation measures and regional cooperation

1. In order to ensure the efficient design and implementation of conservation measures under Articles 7, 8 and 11 of Regulation (EU) No 1380/2013 and regional cooperation under Article 18 of that Regulation, the EMFF may support:

(a) the design, development and monitoring of technical and administrative means necessary for the development and implementation of conservation measures and regionalisation;

(b) stakeholder participation and cooperation between Member States in designing and implementing conservation measures and regionalisation.

2. The EMFF may support direct restocking under paragraph 1 only when it is provided for as a conservation measure in a Union legal act.

Article 38

Limitation of the impact of fishing on the marine environment and adaptation of fishing to the protection of species

1. In order to reduce the impact of fishing on the marine environment, to foster the gradual elimination of discards and to facilitate the transition to a sustainable exploitation of living marine biological resources in accordance with Article 2(2) of Regulation (EU) No 1380/2013, the EMFF may support:

(a) in equipment improving size selectivity or species selectivity of fishing gear;

(b) on board or in equipment that eliminates discards by avoiding and reducing unwanted catches of commercial stocks, or that deals with unwanted catches to be landed in accordance with Article 15 of Regulation (EU) No 1380/2013;

(c) in equipment that limits and, where possible, eliminates the physical and biological impacts of fishing on the ecosystem or the sea bed;

(d) in equipment that protects gear and catches from mammals and birds protected by Council Directive 92/43/EEC or Directive 2009/147/EC of the European Parliament and of the Council (1), provided that it does not undermine the selectivity of the fishing gear and that all appropriate measures are introduced to avoid physical damage to the predators.

2. By way of derogation from point (a) of Article 11, in the outermost regions the support referred to in paragraph 1 may be granted for anchored fish aggregating devices, provided that such devices contribute to sustainable and selective fishing.

3. Support shall not be granted more than once during the programming period for the same type of equipment on the same Union fishing vessel.

4. Support shall only be granted where the gear or other equipment referred to in paragraph 1 has a demonstrably better size-selection or a demonstrably lower impact on the ecosystem and on non-target species than the standard gear or other equipment permitted under Union law, or under relevant national law adopted in the context of regionalisation as provided for in Regulation (EU) No 1380/2013.

5. Support shall be granted to:

(a) owners of Union fishing vessels which are registered as active vessels and which have carried out fishing activities at sea of at least 60 days during the two calendar years preceding the date of submission of the application for support;

(b) fishermen who own the gear to be replaced and who have worked on board of a Union fishing vessel for at least 60 days during the two calendar years preceding the date of submission of the application for support;

(c) organisations of fishermen recognised by the Member State.

Article 39

Innovation linked to the conservation of marine biological resources

1. In order to contribute to the gradual elimination of discards and by-catches and to facilitate the transition to exploitation of living marine biological resources in accordance with Article 2(2) of Regulation (EU) No 1380/2013, and to reduce the impact of fishing on the marine environment and the impact of protected predators, the EMFF may support operations aimed at developing or introducing new technical or organisational knowledge that reduces the impact of fishing activities on the environment, including improved fishing techniques and gear selectivity, or aimed at achieving a more sustainable use of marine biological resources and coexistence with protected predators.

2. Operations financed under this Article shall be carried out by, or in collaboration with, a scientific or technical body recognised by the Member State which shall validate the results of such operations.

3. The results of operations financed under this Article shall be adequately publicised by the Member State in accordance with Article 119.

4. Fishing vessels involved in projects financed under this Article shall not exceed 5 % of the number of vessels of the national fleet or 5 % of the national fleet tonnage in gross tonnage, calculated at the time of submission of the application. At the request of a Member State, in duly justified circumstances and on the basis of a recommendation by the Scientific, Technical and Economic Committee for Fisheries (STECF) established by Commission Decision 2005/629/EC (1), the Commission may approve projects that exceed the limits set out in this paragraph.

5. Operations which do not qualify as fishing for scientific purposes in accordance with Article 33 of Regulation (EC) No 1224/2009 and which consist of testing new fishing gear or techniques shall be carried out within the limits of the fishing opportunities allocated to the Member State concerned.

6. The net revenue generated by the participation of the fishing vessel in the operation shall be deducted from the eligible expenditure of the operation in accordance with Article 65(8) of Regulation (EU) No 1303/2013.

7. For the purpose of paragraph 6, the term ‘net revenue’ means the income of fishermen from the first sale of the fish or shellfish caught during the introduction and testing of the new technical or organisational knowledge less the selling costs such as auction hall fees.

Article 40

Protection and restoration of marine biodiversity and ecosystems and compensation regimes in the framework of sustainable fishing activities

1. In order to protect and restore marine biodiversity and ecosystems in the framework of sustainable fishing activities, with the participation, where relevant, of fishermen, the EMFF may support the following operations:

(a) the collection of waste by fishermen from the sea such as the removal of lost fishing gear and marine litter;

(b) the construction, installation or modernisation of static or movable facilities intended to protect and enhance marine fauna and flora, including their scientific preparation and evaluation;

(c) contributions to a better management or conservation of marine biological resources;

(d) the preparation, including studies, drawing-up, monitoring and updating of protection and management plans for fishery-related activities relating to NATURA 2000 sites and spatial protected areas referred to in Directive 2008/56/EC and relating to other special habitats;

(e) the management, restoration and monitoring of NATURA 2000 sites in accordance with Directives 92/43/EEC and 2009/147/EC, in accordance with prioritised action frameworks established pursuant to Directive 92/43/EEC;

(f) the management, restoration and monitoring of marine protected areas with a view to the implementation of the spatial protection measures referred to in Article 13(4) of Directive 2008/56/EC;

(g) increasing environmental awareness, involving fishermen, with regard to the protection and restoration of marine biodiversity;

(h) schemes for compensation for damage to catches caused by mammals and birds protected by Directives 92/43/EEC and 2009/147/EC;

(i) the participation in other actions aimed at maintaining and enhancing biodiversity and ecosystem services, such as the restoration of specific marine and coastal habitats in support of sustainable fish stocks, including their scientific preparation and evaluation.

2. Support under point (h) of paragraph 1 shall be subject to the formal recognition of such schemes by the competent authorities of the Member States. Member States shall also ensure that no overcompensation for damage occurs as a result of the combination of Union, national and private compensation schemes.

3. The operations referred to in this Article may be implemented by scientific or technical public law bodies, Advisory Councils, fishermen or organisations of fishermen which are recognised by the Member State, or by non-governmental organisations in partnership with organisations of fishermen or in partnership with FLAGs.

4. The Commission shall be empowered to adopt delegated acts, in accordance with Article 126, specifying the costs which are eligible for support under paragraph 1 of this Article.

Article 41

Energy efficiency and mitigation of climate change

1. In order to mitigate the effects of climate change and to improve the energy efficiency of fishing vessels, the EMFF may support:

(a) investments in equipment or on board aimed at reducing the emission of pollutants or greenhouse gases and increasing the energy efficiency of fishing vessels. Investments in fishing gear are also eligible provided that they do not undermine the selectivity of that fishing gear;

(b) energy efficiency audits and schemes;

(c) studies to assess the contribution of alternative propulsion systems and hull designs to the energy efficiency of fishing vessels.

2. Support for the replacement or modernisation of main or ancillary engines may be granted only:

(a) for vessels up to 12 metres in overall length, provided that the new or modernised engine does not have more power in kW than the current engine;

(b) for vessels between 12 and 18 metres in overall length, provided that the power in kW of the new or modernised engine is at least 20 % lower than that of the current engine;

(c) for vessels between 18 and 24 metres in overall length, provided that the power in kW of the new or modernised engine is at least 30 % lower than that of the current engine.

3. Support under paragraph 2 for the replacement or modernisation of main or ancillary engines may only be granted in respect of vessels belonging to a fleet segment for which the report on fishing capacity, referred to in Article 22(2) of Regulation (EU) No 1380/2013, has shown a balance with the fishing opportunities available to that segment.

4. Support under paragraph 2 of this Article shall only be granted for the replacement or modernisation of main or ancillary engines which have been officially certified in accordance with Article 40(2) of Regulation (EC) No 1224/2009. It shall only be paid after any required reduction of capacity in kW has been permanently removed from the Union fishing fleet register.
5. For fishing vessels not subject to a certification of engine power, support under paragraph 2 of this Article shall only be granted for the replacement or modernisation of main or ancillary engines in respect of which the consistency of engine power has been verified in accordance with Article 41 of Regulation (EC) No 1224/2009 and which have been physically inspected to ensure that the engine power does not exceed the engine power established in the fishing licenses.

6. The reduction of engine power referred to in points (b) and (c) of paragraph 2 may be achieved by a group of vessels for each category of vessel referred to in those points.

7. Without prejudice to Article 25(3), support from the EMFF under paragraph 2 of this Article shall not exceed the higher of the following two thresholds:
   (a) EUR 1 500 000; or
   (b) 3% of the Union financial support allocated by the Member State to the Union priorities set out in Article 6(1), (2) and (5).

8. Applications made by operators from the small-scale coastal fishing sector shall be treated as a priority up to 60% of the total support allocated for the replacement or modernisation of main or ancillary engines referred to in paragraph 2 over the entire programming period.

9. Support under paragraphs 1 and 2 shall only be granted to owners of fishing vessels and shall not be granted more than once for the same type of investment during the programming period for the same fishing vessel.

10. The Commission shall be empowered to adopt delegated acts, in accordance with Article 126, specifying the costs which are eligible for support under point (a) of paragraph 1 of this Article.

**Article 42**

**Added value, product quality and use of unwanted catches**

1. In order to improve the added value or quality of the fish caught, the EMFF may support:
   (a) investments that add value to fishery products, in particular by allowing fishermen to carry out the processing, marketing and direct sale of their own catches;
   (b) innovative investments on board that improve the quality of the fishery products.

2. The support referred to in point (b) of paragraph 1 shall be conditional on the use of selective gears to minimise unwanted catches and shall only be granted to owners of Union fishing vessels that have carried out a fishing activity at sea for at least 60 days during the two calendar years preceding the date of submission of the application for support.

**Article 43**

**Fishing ports, landing sites, auction halls and shelters**

1. For the purpose of increasing the quality, control and traceability of the products landed, increasing energy efficiency, contributing to environmental protection and improving safety and working conditions, the EMFF may support investments improving the infrastructure of fishing ports, auctions halls, landing sites and shelters, including investments in facilities for waste and marine litter collection.

2. In order to facilitate compliance with the obligation to land all catches in accordance with Article 15 of Regulation (EU) No 1380/2013 and Article 8(2)(b) of Regulation (EU) No 1379/2013, as well as to add value to under-used components of the catch, the EMFF may support investments in fishing ports, auction halls, landing sites and shelters.

3. In order to improve the safety of fishermen, the EMFF may support investments in the construction or modernisation of shelters.

4. Support shall not cover the construction of new ports, new landing sites or new auction halls.

**Article 44**

**Inland fishing and inland aquatic fauna and flora**

1. In order to reduce the impact of inland fishing on the environment, to increase energy efficiency, to increase the value or quality of fish landed, or to improve health, safety, working conditions, human capital and training, the EMFF may support investments in the following:
(a) the promotion of human capital, job creation and social dialogue as referred to in Article 29 and under the conditions set out in that Article;

(b) on board or in individual equipment as referred to in Article 32 and under the conditions set out in that Article;

(c) in equipment and types of operations as referred to in Articles 38 and 39 and under the conditions set out in those Articles;

(d) the improvement of energy efficiency and the mitigation of the effects of climate change as referred to in Article 41 and under the conditions set out in that Article;

(e) the improvement of the value or quality of the fish caught as referred to in Article 42 and under the conditions set out in that Article.

(f) in fishing ports, shelters and landing sites as referred to in Article 43 and under the conditions set out in that Article;

2. The EMFF may provide support for investments relating to business start-ups for young fishermen as referred to in Article 31 and under the same conditions as set out in that Article, except for the requirement under point (b) of paragraph 2 of that Article.

3. The EMFF may provide support for the development and facilitation of innovation in accordance with Article 26, for the advisory services in accordance with Article 27 and for partnerships between scientists and fishermen in accordance with Article 28.

4. In order to promote diversification by inland fishermen, the EMFF may support the diversification of inland fishing activities to complementary activities under the conditions laid down in Article 30.

5. For the purposes of paragraph 1:

(a) references made in Articles 30, 32, 38, 39, 41 and 42 to fishing vessels shall be understood as references to vessels operating exclusively in inland waters;

(b) references made in Article 38 to the marine environment shall be understood as references to the environment in which the inland fishing vessel operates.

6. In order to protect and develop aquatic fauna and flora, the EMFF may support:

(a) the management, restoration and monitoring of NATURA 2000 sites which are affected by fishing activities, and the rehabilitation of inland waters in accordance with Directive 2000/60/EC of the European Parliament and of the Council (1), including spawning grounds and migration routes for migratory species, without prejudice to point (e) of Article 40(1) of this Regulation and, where relevant, with the participation of inland fishermen;

(b) the construction, modernisation or installation of static or movable facilities intended to protect and enhance aquatic fauna and flora, including their scientific preparation, monitoring and evaluation.

7. Member States shall ensure that vessels receiving support under this Article continue to operate exclusively in inland waters.

CHAPTER II

Sustainable development of aquaculture

Article 45

Specific objectives

Support under this Chapter shall contribute to the achievement of the specific objectives under the Union priority set out in Article 6(2).

Article 46

General conditions

1. Support under this Chapter shall be limited to aquaculture enterprises, unless otherwise stated in this Regulation.

2. For the purposes of this Article, entrepreneurs entering the sector shall provide a business plan and, where the amount of investments is more than EUR 50 000, a feasibility study including an environmental assessment of the operations. Support under this Chapter shall be granted only where it has been clearly demonstrated in an independent marketing report that good and sustainable market prospects exist for the product.

3. Where operations consist of investments in equipment or infrastructure ensuring compliance with future requirements relating to the environment, human or animal health, hygiene or animal welfare under Union law, support may be granted until the date on which such requirements become mandatory for the enterprises.

4. Support shall not be granted to the farming of genetically modified organisms.

5. Support shall not be granted to aquaculture operations in marine protected areas, if it has been determined by the competent authority of the Member State, on the basis of an environmental impact assessment, that the operation would generate significant negative environmental impact that cannot be adequately mitigated.

*Article 47*

**Innovation**

1. In order to stimulate innovation in aquaculture, the EMFF may support operations aiming at:

   (a) developing technical, scientific or organisational knowledge in aquaculture farms, which, in particular, reduces the impact on the environment, reduces dependence on fish meal and oil, fosters a sustainable use of resources in aquaculture, improves animal welfare or facilitates new sustainable production methods;

   (b) developing or introducing on the market new aquaculture species with good market potential, new or substantially improved products, new or improved processes, or new or improved management and organisation systems;

   (c) exploring the technical or economic feasibility of innovative products or processes.

2. Operations under this Article shall be carried out by, or in collaboration with, public or private scientific or technical bodies, recognised by the Member State, which shall validate the results of such operations.

3. The results of operations receiving support shall be adequately publicised by the Member State in accordance with Article 119.

*Article 48*

**Productive investments in aquaculture**

1. The EMFF may support:

   (a) productive investments in aquaculture;

   (b) the diversification of aquaculture production and species cultured;

   (c) the modernisation of aquaculture units, including the improvement in working and safety conditions of aquaculture workers;

   (d) improvements and modernisation related to animal health and welfare, including the purchase of equipment aiming at protecting the farms from wild predators;

   (e) investments reducing the negative impact or enhancing the positive effects on the environment and increasing resource efficiency;

   (f) investments in enhancing the quality of, or in adding value to, aquaculture products;

   (g) the restoration of existing aquaculture ponds or lagoons through the removal of silt, or investments aimed at the prevention of silt deposits;

   (h) the diversification of the income of aquaculture enterprises through the development of complementary activities;
(i) investments resulting in a substantial reduction in the impact of aquaculture enterprises on water usage and quality, in particular through reducing the amount of water or chemicals, antibiotics and other medicines used, or through improving the output water quality, including through the deployment of multi-trophic aquaculture systems;

(j) the promotion of closed aquaculture systems where aquaculture products are farmed in closed recirculation systems, thereby minimising water use;

(k) investments increasing energy efficiency and promoting the conversion of aquaculture enterprises to renewable sources of energy.

2. Support under point (h) of paragraph 1 shall only be granted to aquaculture enterprises if the complementary activities relate to the core aquaculture business of the enterprise, including angling tourism, environmental services related to aquaculture or educational activities concerning aquaculture.

3. Support under paragraph 1 may be granted for the increase in production and/or modernisation of existing aquaculture enterprises, or for the construction of new ones, provided that the development is consistent with the multiannual national strategic plan for the development of aquaculture referred to in Article 34 of Regulation (EU) No 1380/2013.

Article 49
Management, relief and advisory services for aquaculture farms

1. In order to improve the overall performance and competitiveness of aquaculture farms, and to reduce the negative environmental impact of their operations, the EMFF may support:

(a) the setting-up of management, relief and advisory services for aquaculture farms;

(b) the purchase of farm advisory services of a technical, scientific, legal, environmental or economic nature.

2. Advisory services referred to in point (b) of paragraph 1 shall cover:

(a) the management needs to enable aquaculture farms to comply with Union and national environmental legislation, as well as with maritime spatial planning requirements;

(b) environmental impact assessment as referred to in Directive 2001/42/EC of the European Parliament and of the Council (1) and Directive 92/43/EEC;

(c) the management needs to enable aquaculture farms to comply with Union and national aquatic animal health and welfare or public health legislation;

(d) health and safety standards based on Union and national legislation;

(e) marketing and business strategies.

3. The advisory services referred to in point (b) of paragraph 1 shall be provided by scientific or technical bodies, as well as by entities providing legal or economic advice with the required competences as recognised by the Member State.

4. Support under point (a) of paragraph 1 shall only be granted to public law bodies or other entities selected by the Member State to set up the farm advisory services. Support under point (b) of paragraph 1 shall only be granted to aquaculture SMEs or aquaculture organisations, including aquaculture producer organisations and associations of aquaculture producer organisations.

5. Where the support does not exceed EUR 4 000, the beneficiary may be selected by means of an accelerated procedure.

6. Beneficiaries shall not receive support more than once per year for each category of advisory services referred to in paragraph 2.

Article 50
Promotion of human capital and networking

1. In order to promote human capital and networking in aquaculture, the EMFF may support:

(a) professional training, lifelong learning, the dissemination of scientific and technical knowledge and innovative practices, the acquisition of new professional skills in aquaculture and with regard to the reduction of the environmental impact of aquaculture operations;

(b) the improvement of working conditions and the promotion of occupational safety;

(c) networking and exchange of experiences and best practices among aquaculture enterprises or professional organisations and other stakeholders, including scientific and technical bodies or those promoting equal opportunities between men and women.

2. Support referred to in point (a) of paragraph 1 shall not be granted to large aquaculture enterprises, unless they are engaged in knowledge-sharing with SMEs.

3. By way of derogation from Article 46, support under this Article shall also be granted to public or semi-public organisations and to other organisations recognised by the Member State.

4. Support under this Article shall also be granted to spouses of self-employed aquaculture farmers or, where and in so far as they are recognised by national law, to the life partners of self-employed aquaculture farmers, under the conditions laid down in point (b) of Article 2 of Directive 2010/41/EU.

Article 51

Increasing the potential of aquaculture sites

1. In order to contribute to the development of the aquaculture sites and infrastructures, and to reduce the negative environmental impact of the operations, the EMFF may support:

(a) the identification and mapping of the most suitable areas for developing aquaculture, taking into account, where applicable, spatial planning processes, and the identification and mapping of areas where aquaculture should be excluded in order to maintain the role of such areas in the functioning of the ecosystem;

(b) the improvement and development of support facilities and infrastructures required to increase the potential of aquaculture sites and to reduce the negative environmental impact of aquaculture, including investments in land consolidation, energy supply or water management;

(c) action taken and implemented by competent authorities under Article 9(1) of Directive 2009/147/EC or Article 16(1) of Directive 92/43/EEC, with the aim of preventing serious damage to aquaculture;

(d) action taken and implemented by competent authorities following the detection of increased mortalities or diseases as provided for in Article 10 of Council Directive 2006/88/EC (1). Those actions may cover the adoption of shellfish action plans aimed at the protection, restoration and management, including support to shellfish producers for the maintenance, of natural shellfish banks and catchment areas.

2. Beneficiaries of support under this Article shall only be public law bodies or private bodies entrusted by the Member State with the tasks referred to in paragraph 1.

Article 52

Encouraging new aquaculture farmers practising sustainable aquaculture

1. In order to foster entrepreneurship in aquaculture, the EMFF may support the setting-up of sustainable aquaculture enterprises by new aquaculture farmers.

2. Support under paragraph 1 shall be granted to aquaculture farmers entering the sector provided that they:

(a) possess adequate professional skills and competence;

(b) set up for the first time an aquaculture micro or small enterprise, as managers of that enterprise; and

(c) submit a business plan for the development of their aquaculture activities.

3. In order to acquire adequate professional skills, aquaculture farmers entering the sector may benefit from support under point (a) of Article 50(1).

**Article 53**

**Conversion to eco-management and audit schemes and organic aquaculture**

1. In order to promote the development of organic or energy-efficient aquaculture, the EMFF may support:

(a) the conversion of conventional aquaculture production methods into organic aquaculture within the meaning of Council Regulation (EC) No 834/2007 (1) and in accordance with Commission Regulation (EC) No 710/2009 (2);

(b) the participation in the Union eco-management and audit schemes (EMAS) established by Regulation (EC) No 761/2001 of the European Parliament and of the Council (3).

2. Support shall only be granted to beneficiaries who commit themselves to participate in the EMAS for a minimum of three years or to comply with the requirements of organic production for a minimum of five years.

3. Support shall take the form of compensation for a maximum of three years during the period of the conversion of the enterprise to organic production, or during the preparation for participation in the EMAS. Member States shall calculate that compensation on the basis of:

(a) the loss of revenue or additional costs incurred during the period of transition from conventional into organic production for operations eligible under point (a) of paragraph 1; or

(b) the additional costs resulting from the application and preparation of the participation in EMAS for operations eligible under point (b) of paragraph 1.

**Article 54**

**Aquaculture providing environmental services**

1. In order to foster the development of aquaculture providing environmental services, the EMFF may support:

(a) aquaculture methods compatible with specific environmental needs and subject to specific management requirements resulting from the designation of NATURA 2000 areas in accordance with Directives 92/43/EEC and 2009/147/EC;

(b) participation, in terms of costs directly related thereto, in ex-situ conservation and reproduction of aquatic animals, within the framework of conservation and biodiversity restoration programmes developed by public authorities, or under their supervision;

(c) aquaculture operations which include conservation and improvement of the environment and of biodiversity, and management of the landscape and traditional features of aquaculture zones.

2. Support under point (a) of paragraph 1 shall take the form of annual compensation for the additional costs incurred and/or income foregone as a result of management requirements in the areas concerned, related to the implementation of Directives 92/43/EEC or 2009/147/EC.

3. Support under point (c) of paragraph 1 shall be granted only to beneficiaries who commit themselves for a minimum period of five years to aqua-environmental requirements that go beyond the mere application of Union and national law. The environmental benefits of the operation shall be demonstrated by a prior assessment conducted by competent bodies designated by the Member State, unless the environmental benefits of that operation are already recognised.


4. Support under point (c) of paragraph 1 shall take the form of annual compensation for the additional costs incurred and/or income foregone.

5. The results of operations receiving support under this Article shall be adequately publicised by the Member State in accordance with Article 119.

**Article 55**

**Public health measures**

1. The EMFF may support compensation to mollusc farmers for the temporary suspension of harvesting of farmed molluscs, where such suspension occurs exclusively for reasons of public health.

2. Support may only be granted where the suspension of harvesting due to the contamination of molluscs is the result of the proliferation of toxin-producing plankton or the presence of plankton containing biotoxins, and provided that:

   (a) the contamination lasts for more than four consecutive months; or

   (b) the loss, resulting from the suspension of the harvest, amounts to more than 25 % of the annual turnover of the business concerned, calculated on the basis of the average turnover of that business over the three calendar years preceding the year in which the harvest was suspended.

For the purposes of point (b) of the first subparagraph, Member States may establish special calculation rules in respect of companies with less than three years of activity.

3. The duration for which compensation may be granted shall be a maximum of 12 months over the entire programming period. In duly justified cases, it may be extended once for a maximum of an additional 12 months up to a combined maximum of 24 months.

**Article 56**

**Animal health and welfare measures**

1. In order to foster animal health and welfare in aquaculture enterprises, inter alia, in terms of prevention and biosecurity, the EMFF may support:

   (a) the costs of control and eradication of diseases in aquaculture in accordance with Council Decision 2009/470/EC (1), including the operational costs necessary to fulfil the obligations in an eradication plan;

   (b) the development of general and species-specific best practices or codes of conduct on bio-security or on animal health and animal welfare needs in aquaculture;

   (c) initiatives aimed at reducing the dependence of aquaculture on veterinary medicine;

   (d) veterinary or pharmaceutical studies and dissemination and exchange of information and best practices regarding veterinary diseases in aquaculture, with the aim of promoting an appropriate use of veterinary medicine;

   (e) the establishment and operation of health protection groups in the aquaculture sector as recognised by Member States;

   (f) compensation to mollusc farmers for the temporary suspension of their activities due to exceptional mass mortality, if the mortality rate exceeds 20 %, or if the loss resulting from the suspension of the activity amounts to more than 35 % of the annual turnover of the business concerned, calculated on the basis of the average turnover of that business over the three calendar years preceding the year in which the activities were suspended.

2. Support under point (d) of paragraph 1 shall not cover the purchase of veterinary medicines.

3. The results of the studies financed under point (d) of paragraph 1 shall be adequately reported and publicised by the Member State in accordance with Article 119.

4. Support may also be granted to public law bodies.

Article 57

Aquaculture stock insurance

1. In order to safeguard the income of aquaculture producers, the EMFF may contribute to an aquaculture stock insurance covering economic losses due to at least one of the following:

(a) natural disasters;

(b) adverse climatic events;

(c) sudden water quality and quantity changes for which the operator is not responsible;

(d) diseases in aquaculture, failure or destruction of production facilities for which the operator is not responsible.

2. The occurrence of the circumstances referred to in paragraph 1 in aquaculture shall be formally recognised as such by the Member State concerned.

3. Member States may, where appropriate, establish in advance criteria on the basis of which the formal recognition referred to in paragraph 2 shall be deemed to be granted.

4. Support shall only be granted for aquaculture stock insurance contracts which cover economic losses, as referred to in paragraph 1, exceeding 30 % of the average annual turnover of the aquaculture farmer, calculated on the basis of the average turnover of the aquaculture farmer over the three calendar years preceding the year in which the economic losses occurred.

CHAPTER III

Sustainable development of fisheries and aquaculture areas

Section 1

Scope and objectives

Article 58

Scope

The EMFF shall support the sustainable development of fisheries and aquaculture areas following a community-led local development approach as set out in Article 32 of Regulation (EU) No 1303/2013.

Article 59

Specific objectives

Support under this Chapter shall contribute to the achievement of the specific objectives under the Union priority set out in Article 6(4).

Section 2

Community-led local development strategies and fisheries local action groups

Article 60

Community-led local development strategies

1. In order to contribute to the achievement of the objectives referred to in Article 59, community-led local development strategies shall:

(a) maximise the participation of fishery and aquaculture sectors in the sustainable development of coastal and inland fisheries and aquaculture areas;

(b) ensure that local communities fully exploit and benefit from the opportunities offered by maritime, coastal and inland water development and, in particular, help small and declining fishing ports to maximise their marine potential by developing a diversified infrastructure.

2. The strategies shall be coherent with the opportunities and needs identified in the relevant area and the Union priorities set out in Article 6. Strategies may range from those which focus on fisheries to broader strategies directed at the diversification of fisheries areas. The strategies shall go beyond a mere collection of operations or juxtaposition of sectoral measures.
Article 61

Fisheries local action groups

1. For the purposes of the EMFF, the local action groups referred to in Article 32(2)(b) of Regulation (EU) No 1303/2013 shall be designated as Fisheries local action groups (FLAGs).

2. The FLAGs shall propose a community-led local development strategy based on, at least, the elements set out in Article 60 of this Regulation and shall be responsible for its implementation.

3. The FLAGs shall:
   
   (a) broadly reflect the main focus of their strategy and the socioeconomic composition of the area through a balanced representation of the main stakeholders, including private sector, public sector and civil society;
   
   (b) ensure a significant representation of the fisheries and/or aquaculture sectors.

4. If the community-led local development strategy is supported by other Funds in addition to the EMFF, the selection body of the FLAGs for the EMFF supported projects shall also fulfil the requirements set out in paragraph 3.

5. FLAGs may also carry out additional tasks going beyond the minimum tasks provided for in Article 34(3) of Regulation (EU) No 1303/2013, where such tasks are delegated to them by the managing authority.

Section 3

Eligible operations

Article 62

Support from the EMFF for community-led local development

1. The following operations are eligible for support under this Section in accordance with Article 35 of Regulation (EU) No 1303/2013:

   (a) preparatory support;
   
   (b) implementation of community-led local development strategies;
   
   (c) cooperation activities;
   
   (d) running costs and animation.

2. FLAGs may request the payment of an advance from the managing authority if such possibility is provided for in the operational programme. The amount of the advances shall not exceed 50% of the public support related to the running costs and animation.

Article 63

Implementation of community-led local development strategies

1. Support for the implementation of community-led local development strategies may be granted for the following objectives:

   (a) adding value, creating jobs, attracting young people and promoting innovation at all stages of the supply chain of fishery and aquaculture products;
   
   (b) supporting diversification inside or outside commercial fisheries, lifelong learning and job creation in fisheries and aquaculture areas;
   
   (c) enhancing and capitalising on the environmental assets of the fisheries and aquaculture areas, including operations to mitigate climate change;
   
   (d) promoting social well-being and cultural heritage in fisheries and aquaculture areas, including fisheries, aquaculture and maritime cultural heritage;
   
   (e) strengthening the role of fisheries communities in local development and the governance of local fisheries resources and maritime activities.
The support referred to in paragraph 1 may include measures provided for in Chapters I, II and IV of this Title, with the exception of Articles 66 and 67, provided that there is a clear rationale for their management at local level. Where support is granted for operations corresponding to those measures, the relevant conditions and the scales of contribution per operation laid down in Chapters I, II and IV of this Title shall apply.

Article 64

Cooperation activities

1. Support referred to in Article 35(1)(c) of Regulation (EU) No 1303/2013 may be granted to:

(a) inter-territorial or transnational cooperation projects;

(b) preparatory technical support for inter-territorial and transnational cooperation projects, on the condition that FLAGs can demonstrate that they are preparing the implementation of a project.

For the purposes of this Article, the term 'inter-territorial cooperation' means cooperation within a Member State, and the term 'transnational cooperation' means cooperation between territories in several Member States or cooperation between at least one territory of a Member State and one or more territories in third countries.

2. For the purposes of this Article, apart from other FLAGs, the partners of a FLAG under the EMFF may be a local public–private partnership that is implementing a community–led local development strategy within or outside the Union.

3. In cases where co-operation projects are not selected by the FLAGs, Member States shall establish an appropriate system for the purpose of facilitating cooperation projects. They shall make public the national or regional administrative procedures concerning the selection of transnational cooperation projects and a list of eligible costs at the latest two years after the date of approval of their operational programme.

4. Administrative decisions concerning cooperation projects shall take place no later than four months after the date of submission of the project.

5. Member States shall communicate to the Commission the approved transnational cooperation projects in accordance with Article 110.

CHAPTER IV

Marketing and processing related measures

Article 65

Specific objectives

Support under this Chapter shall contribute to the achievement of the specific objectives under the Union priority set out in Article 6(5).

Article 66

Production and marketing plans

1. The EMFF shall support the preparation and implementation of production and marketing plans referred to in Article 28 of Regulation (EU) No 1379/2013.

2. Expenditure related to production and marketing plans shall be eligible for support from the EMFF only after approval by the competent authorities in the Member State of the annual report referred to in Article 28(5) of Regulation (EU) No 1379/2013.

3. Support granted per producer organisation per year under this Article shall not exceed 3 % of the average annual value of the production placed on the market by that producer organisation during the preceding three calendar years. For any newly recognised producer organisation, that support shall not exceed 3 % of the average annual value of the production placed on the market by the members of that organisation during the preceding three calendar years.

4. The Member State concerned may grant an advance of 50 % of the financial support after approval of the production and marketing plan in accordance with Article 28(3) of Regulation (EU) No 1379/2013.
5. The support referred to in paragraph 1 shall only be granted to producer organisations and associations of producers organisations.

**Article 67**

**Storage aid**

1. The EMFF may support compensation to recognised producer organisations and associations of producers organisations which store fishery products listed in Annex II to Regulation (EU) No 1379/2013, provided that those products are stored in accordance with Articles 30 and 31 of that Regulation and subject to the following conditions:

(a) the amount of the storage aid does not exceed the amount of the technical and financial costs of the actions required for the stabilisation and storage of the products in question;

(b) the quantities eligible for storage aid do not exceed 15 % of the annual quantities of the products concerned put up for sale by the producer organisation;

(c) the financial support per year does not exceed 2 % of the average annual value of the production placed on the market by the members of the producer organisation in the period 2009-2011.

For the purposes of point (c) of the first subparagraph, where a member of the producer organisation did not have any production placed on the market in the period 2009 to 2011, the average annual value of production placed on the market in the first three years of production of that member shall be taken into account.

2. The support referred to in paragraph 1 shall end by 31 December 2018.

3. The support referred to in paragraph 1 shall only be granted once the products are released for human consumption.

4. Member States shall fix the amount of the technical and financial costs applicable in their territories as follows:

(a) technical costs shall be calculated each year on the basis of direct costs relating to the actions required in order to stabilise and store the products in question;

(b) financial costs shall be calculated each year using the interest rate set annually in each Member State;

These technical and financial costs shall be made publicly available.

5. Member States shall carry out controls to ensure that the products benefiting from storage aid fulfil the conditions laid down in this Article. For the purposes of such controls, beneficiaries of storage aid shall keep stock records for each category of products entered into storage and later reintroduced onto the market for human consumption.

**Article 68**

**Marketing measures**

1. The EMFF may support marketing measures for fishery and aquaculture products which are aimed at:

(a) creating producer organisations, associations of producer organisations or inter-branch organisations to be recognised in accordance with Section II of Chapter II of Regulation (EU) No 1379/2013;

(b) finding new markets and improving the conditions for the placing on the market of fishery and aquaculture products, including:

(i) species with marketing potential;

(ii) unwanted catches landed from commercial stocks in accordance with technical measures, Article 15 of Regulation (EU) No 1380/2013 and Article 8(2)(b) of Regulation (EU) No 1379/2013;

(iii) fishery and aquaculture products obtained using methods with low impact on the environment, or organic aquaculture products within the meaning of Regulation (EC) No 834/2007;
(c) promoting the quality and the value added by facilitating:

(i) the application for registration of a given product and the adaptation of concerned operators to the relevant compliance and certification requirements in accordance with Regulation (EU) No 1151/2012 of the European Parliament and of the Council (1);

(ii) the certification and the promotion of sustainable fishery and aquaculture products, including products from small-scale coastal fishing, and of environmentally-friendly processing methods;

(iii) the direct marketing of fishery products by small-scale coastal fishermen or by on-foot fishermen;

(iv) the presentation and packaging of products;

(d) contributing to the transparency of production and the markets and conducting market surveys and studies on the Union’s dependence on imports;

(e) contributing to the traceability of fishery or aquaculture products and, where relevant, the development of a Union-wide ecolabel for fishery and aquaculture products as referred to in Regulation (EU) No 1379/2013;

(f) drawing up standard contracts for SMEs, which are compatible with Union law;

(g) conducting regional, national or transnational communication and promotional campaigns, to raise public awareness of sustainable fishery and aquaculture products.

2. The operations referred to in paragraph 1 may include the production, processing and marketing activities along the supply chain.

The operations referred to in point (g) of paragraph 1 shall not be aimed at commercial brands.

Article 69

Processing of fishery and aquaculture products

1. The EMFF may support investments in the processing of fishery and aquaculture products that:

(a) contribute to energy saving or reducing the impact on the environment, including waste treatment;

(b) improve safety, hygiene, health and working conditions;

(c) support the processing of catches of commercial fish that cannot be destined for human consumption;

(d) relate to the processing of by-products resulting from main processing activities;

(e) relate to the processing of organic aquaculture products pursuant to Articles 6 and 7 of Regulation (EC) No 834/2007;

(f) lead to new or improved products, new or improved processes, or new or improved management and organisation systems.

2. As regards enterprises other than SMEs, the support referred to in paragraph 1 shall only be granted through the financial instruments provided for in Title IV of Part Two of Regulation (EU) No 1303/2013.

CHAPTER V

Compensation for additional costs in outermost regions for fishery and aquaculture products

Article 70

Compensation regime

1. The EMFF may support the compensation of additional costs incurred by operators in the fishing, farming, processing and marketing of certain fishery and aquaculture products from the outermost regions referred to in Article 349 TFEU.

2. Each Member State concerned shall determine, for the regions referred to in paragraph 1, the list of fishery and aquaculture products and the quantity of those products eligible for compensation.

3. When establishing the list and the quantities referred to in paragraph 2, Member States shall take into account all relevant factors, in particular the need to ensure that the compensation is fully compatible with the CFP rules.

4. The compensation shall not be granted for fishery and aquaculture products:

(a) caught by third country vessels, with the exception of fishing vessels which fly the flag of Venezuela and operate in Union waters;

(b) caught by Union fishing vessels that are not registered in a port of one of the regions referred to in paragraph 1;

(c) imported from third countries.

5. Point (b) of paragraph 4 shall not apply if the existing capacity of the processing industry in the outermost region concerned exceeds the quantity of raw material supplied in accordance with the compensation plan of the region concerned.

6. The following operators shall be eligible for compensation:

(a) natural or legal persons using means of production to obtain fishery or aquaculture products with a view to placing them on the market;

(b) the owners or operators of vessels that are registered in the ports of the regions referred to in paragraph 1 and that are operating in those regions, or associations of such owners or operators;

(c) the operators in the processing and marketing sector or associations of such operators.

Article 71
Calculation of the compensation

The compensation shall be paid to the operators referred to in Article 70(6) carrying out activities in the regions referred to in Article 70(1) and shall take into account:

(a) for each fishery or aquaculture product or category of products, the additional costs resulting from the specific handicaps of the regions concerned; and

(b) any other type of public intervention affecting the level of additional costs.

Article 72
Compensation plan

1. The Member States concerned shall submit to the Commission a compensation plan for each region referred to in Article 70(1). That plan shall include the list, and quantities of fishery and aquaculture products and the type of operators referred to in Article 70, the level of compensation referred to in Article 71 and the managing authority referred to in Article 97. The Commission shall adopt implementing acts setting out its decision whether to approve such compensation plans.

2. Member States may amend the content of the compensation plan referred to in paragraph 1. Member States shall submit such amendments to the Commission. The Commission shall adopt implementing acts setting out its decision whether to approve those amendments.

3. The Commission shall adopt implementing acts defining the structure of the compensation plan. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3).

4. The Commission shall be empowered to adopt delegated acts, in accordance with Article 126, laying down the criteria for the calculation of the additional costs resulting from the specific handicaps of the regions concerned.

Article 73
State aid for implementing compensation plans

Member States may grant additional financing for the implementation of the compensation plans referred to in Article 72. In such cases, Member States shall notify the Commission of the State aid which the Commission may approve in accordance with this Regulation as part of those plans. State aid thus notified shall be regarded as notified within the meaning of the first sentence of Article 108(3) TFEU.
CHAPTER VI
Accompanying measures for the CFP under shared management

Article 74
Geographical scope
By way of derogation from Article 2, this Chapter shall also apply to operations carried out outside the territory of the Union.

Article 75
Specific objectives
Support under this Chapter shall contribute to achieving the specific objectives under the Union priority set out in Article 6(3).

Article 76
Control and enforcement

1. The EMFF may support the implementation of a Union control, inspection and enforcement system as provided for in Article 36 of Regulation (EU) No 1380/2013 and further specified in Regulation (EC) No 1224/2009.

2. In particular, the following types of operations shall be eligible:

(a) the purchase, installation and development of technology, including computer hardware and software, vessel detection systems (VDS), closed-circuit television (CCTV) systems and IT networks enabling the gathering, administration, validation, analysis, risk management, presentation (by means of the websites related to control) and exchange of, and the development of sampling methods for, data related to fisheries, as well as interconnection to cross-sectoral data exchange systems;

(b) the development, purchase and installation of the components, including computer hardware and software, that are necessary to ensure data transmission from actors involved in fishing and the marketing of fishery products to the relevant Member State and Union authorities, including the necessary components for electronic recording and reporting systems (ERS), vessel monitoring systems (VMS) and automatic identification systems (AIS) used for control purposes;

(c) the development, purchase and installation of the components, including computer hardware and software, which are necessary to ensure the traceability of fishery and aquaculture products, as referred to in Article 58 of Regulation (EC) No 1224/2009;

(d) the implementation of programmes for exchanging data between Member States and for analysing them;

(e) the modernisation and purchase of patrol vessels, aircrafts and helicopters, provided that they are used for fisheries control for at least 60 % of the total period of use per year;

(f) the purchase of other control means, including devices to enable the measurement of engine power and weighing equipment;

(g) the development of innovative control and monitoring systems and the implementation of pilot projects related to fisheries control, including fish DNA analysis or the development of websites related to control;

(h) training and exchange programmes, including between Member States, of personnel responsible for the monitoring, control and surveillance of fisheries activities;

(i) cost/benefit analyses and assessments of audits performed and expenditure incurred by competent authorities in carrying out monitoring, control and surveillance;

(j) initiatives, including seminars and media tools, aimed at enhancing awareness, among both fishermen and other players such as inspectors, public prosecutors and judges, as well as among the general public, of the need to fight illegal, unreported and unregulated fishing and of the implementation of the CFP rules;

(k) operational costs incurred in carrying out more stringent control for stocks subject to specific control and inspection programmes established in accordance with Article 95 of Regulation (EC) No 1224/2009 and subject to control coordination in accordance with Article 15 of Council Regulation (EC) No 768/2005 (1);

Article 6(3).

Union.

Support under this Chapter shall contribute to achieving the specific objectives under the Union priority set out in

By way of derogation from Article 2, this Chapter shall also apply to operations carried out outside the territory of the

(a) the purchase, installation and development of technology, including computer hardware and software, vessel detection

2. In particular, the following types of operations shall be eligible:


(c) the development, purchase and installation of the components, including computer hardware and software, which are

(e) the modernisation and purchase of patrol vessels, aircrafts and helicopters, provided that they are used for fisheries

(d) the implementation of programmes for exchanging data between Member States and for analysing them;

(f) the purchase of other control means, including devices to enable the measurement of engine power and weighing

(k) operational costs incurred in carrying out more stringent control for stocks subject to specific control and inspection

(i) cost/benefit analyses and assessments of audits performed and expenditure incurred by competent authorities in

(j) initiatives, including seminars and media tools, aimed at enhancing awareness, among both fishermen and other

(g) the development of innovative control and monitoring systems and the implementation of pilot projects related to

(2) The collection, management and use of data, as provided for in Article 2(2) of Regulation (EU) No 1380/2013 and further specified in Regulation (EC) No 199/2008.

2. In particular, the following types of operations shall be eligible:

(a) the collection, management and use of data for the purpose of scientific analysis and implementation of the CFP;

(b) national, transnational and subnational multiannual sampling programmes, provided that they relate to stocks covered

by the CFP;

(e) the participation of representatives of Member States and regional authorities in regional coordination meetings,

meetings of regional fisheries management organisations of which the Union is a contracting party or an observer, or

meetings of international bodies responsible for providing scientific advice;

(f) the improvement of data collection and data management systems and the implementation of pilot studies to

improve existing data collection and data management systems.

CHAPTER VII

Technical assistance at the initiative of Member States

Article 78

Technical assistance at the initiative of Member States

1. The EMFF may support, at the initiative of a Member State, and subject to a ceiling of 6 % of the total amount of

the operational programme:

(a) the measures of technical assistance referred to in Article 59(1) of Regulation (EU) No 1303/2013;

(b) the establishment of national networks aiming at disseminating information, capacity building, exchanging best

practices and supporting cooperation between the FLAGs in the territory of the Member State.

2. In duly justified circumstances, the threshold referred to in paragraph 1 may exceptionally be exceeded.

CHAPTER VIII

The IMP measures financed under shared management

Article 79

Specific objectives

1. Support under this Chapter shall contribute to the achievement of the specific objectives under the Union priority

set out in Article 6(6), including:

(a) the Integrated maritime surveillance (IMS) and, in particular, the Common information sharing environment (CISE) for

the surveillance of the Union maritime domain;

(b) the promotion of the protection of the marine environment, in particular its biodiversity and marine protected areas

such as Natura 2000 sites, without prejudice to Article 37 of this Regulation, and the sustainable use of marine and

costal resources, and the further definition of the boundaries of the sustainability of human activities that have an

impact on the marine environment, in particular in the framework of Directive 2008/56/EC.
2. Amendments of the operational programme with regard to the measures referred to in paragraph 1 shall not result in an increase of the total financial allocation referred to in Article 13(7).

**Article 80**

**Eligible operations**

1. The EMFF may support operations in accordance with the objectives set out in Article 79, such as operations that:

   (a) contribute to achieving the objectives of the IMS and, in particular, those of the CISE;

   (b) protect the marine environment, in particular its biodiversity and marine protected areas such as Natura 2000 sites, in accordance with the obligations established in Directives 92/43/EEC and 2009/147/EC;

   (c) improve the knowledge on the state of the marine environment, with a view to establishing the monitoring programmes and the programmes of measures provided for in Directive 2008/56/EC, in accordance with the obligations established in that Directive.

2. The salary costs of personnel of national administrations shall not be considered to be eligible operating costs.

**TITLE VI**

**MEASURES FINANCED UNDER DIRECT MANAGEMENT**

**CHAPTER I**

**Integrated maritime policy**

**Article 81**

**Geographical scope**

By way of derogation from Article 2, this Chapter shall also apply to operations carried out outside the territory of the Union.

**Article 82**

**Scope and objectives**

Support under this Chapter shall contribute to enhancing the development and implementation of the Union's IMP. It shall:

(a) foster the development and implementation of integrated governance of maritime and coastal affairs, in particular by:

   (i) promoting actions which encourage Member States and their regions to develop, introduce or implement integrated maritime governance;

   (ii) promoting dialogue and cooperation with and among competent authorities of the Member States and stakeholders on marine and maritime issues, including by developing and implementing integrated sea-basin strategies taking into account a balanced approach in all sea basins as well as the specific characteristics of the sea basins and sub-sea basins, and relevant macro-regional strategies where applicable;

   (iii) promoting cross-sectoral cooperation platforms and networks, including representatives of public authorities at national, regional and local level, industry including tourism, research stakeholders, citizens, civil society organisations and the social partners;

   (iv) improving the cooperation between Member States through exchange of information and best practices among their competent authorities;

   (v) promoting the exchange of best practices and dialogue at international level, including bilateral dialogue with third countries, taking into account UNCLOS and the relevant international conventions based on UNCLOS, without prejudice to other agreements or arrangements which may exist between the Union and the third countries concerned. Such dialogue shall include, as appropriate, effective discussion on the ratification and implementation of UNCLOS;

   (vi) enhancing the visibility of, and raising the awareness of public authorities, the private sector and the general public to an integrated approach to, maritime affairs;
(b) contribute to the development of cross-sectoral initiatives that are mutually beneficial to different maritime sectors and/or sectoral policies, taking into account and building upon existing tools and initiatives, such as:

(i) the EMS so as to reinforce the safe, secure and sustainable use of maritime space in particular by enhancing effectiveness and efficiency through information exchange across sectors and borders, while taking due account of existing and future cooperation mechanisms and systems;

(ii) maritime spatial planning and integrated coastal zone management processes;

(iii) the progressive development of a comprehensive and publicly accessible high quality marine data and knowledge base which shall facilitate the sharing, re-use and dissemination of those data and knowledge among various user groups, thus avoiding a duplication of efforts; for that purpose, the best use shall be made of existing Union and Member States’ programmes;

(c) support sustainable economic growth, employment, innovation and new technologies within emerging and prospective maritime sectors, as well as in coastal, insular and outermost regions of the Union, in a way that complements established sectoral and national activities;

(d) promote the protection of the marine environment, in particular its biodiversity and marine protected areas such as Natura 2000 sites, and the sustainable use of marine and coastal resources and to further define the boundaries of the sustainability of human activities that have an impact on the marine environment, in accordance with the objectives of achieving and maintaining a good environmental status as required by Directive 2008/56/EC.

Article 83

Eligible operations

1. The EMFF may support operations in accordance with the objectives set out in Article 82, such as:

(a) studies;

(b) projects, including test projects and cooperation projects;

(c) public information and sharing best practices, awareness-raising campaigns and associated communication and dissemination activities such as publicity campaigns, events, the development and maintenance of websites, and stakeholder platforms;

(d) conferences, seminars, fora and workshops;

(e) coordination activities, including information-sharing networks, and development support for sea-basin strategies;

(f) the development, operation and maintenance of IT systems and networks enabling the gathering, administration, validation, analysis and exchange of, and the development of sampling methods for, data, as well as interconnection to cross-sectoral data exchange systems;

(g) training projects for the development of knowledge, professional qualifications and measures aimed at promoting professional development in the maritime sector.

2. In order to achieve the specific objective of developing cross-border and cross-sectoral operations set out in point (b) of Article 82, the EMFF may support:

(a) the development and implementation of technical tools for the IMS, in particular for supporting the deployment, operation and maintenance of the CISE, with a view to promoting cross-sectoral and cross-border surveillance information exchanges interlinking all user communities, taking into account the relevant developments of sectoral policies as regards surveillance and contributing, as appropriate, to their necessary evolution;

(b) activities of coordination and cooperation between Member States or regions in order to develop maritime spatial planning and integrated coastal zone management, including expenditure related to systems and practices of data sharing and monitoring, evaluation activities, the setting-up and running of networks of experts, and the setting-up of a programme aimed at building capacity for Member States to implement maritime spatial planning;

(c) initiatives to co-finance, purchase and maintain marine observation systems and technical tools for designing, setting-up and running an operational European marine observation and data network system which aims to facilitate the collection, acquisition, assembly, processing, quality control, re-use and distribution of marine data and knowledge, through cooperation between Member States and/or international institutions concerned.
CHAPTER II

Accompanying measures for the CFP and the IMP under direct management

Article 84

Geographical scope

By way of derogation from Article 2, this Chapter shall also apply to operations carried out outside the territory of the Union.

Article 85

Specific objectives

Measures under this Chapter shall facilitate the implementation of the CFP and the IMP, in particular with regard to:

(a) the collection, management and dissemination of scientific advice under the CFP;

(b) specific control and enforcement measures under the CFP;

(c) voluntary contributions to international organisations;

(d) Advisory Councils;

(e) market intelligence;

(f) communication activities under the CFP and the IMP.

Article 86

Scientific advice and knowledge

1. The EMFF may support the provision of scientific deliverables, particularly applied-research projects directly linked to the provision of scientific and socio-economic opinions and advice, for the purpose of sound and efficient fisheries management decisions under the CFP.

2. In particular, the following types of operations shall be eligible:

(a) studies and pilot projects needed for the implementation and development of the CFP, including those on alternative types of sustainable fishing and aquaculture management techniques, including within Advisory Councils;

(b) the preparation and provision of scientific opinions and advice by scientific bodies, including international advisory bodies in charge of stock assessments, by independent experts and by research institutions;

(c) the participation of experts in the meetings of working groups on scientific and technical issues related to fisheries, such as STECF, as well as in international advisory bodies and in meetings where the contribution of fishery and aquaculture experts is required;

(d) research surveys at sea, as referred to in Article 12(2) of Regulation (EC) No 199/2008, in areas where Union vessels operate under Sustainable fisheries partnership agreements as referred to in Article 31 of Regulation (EU) No 1380/2013;

(e) expenditure incurred by the Commission for services related to the collection, management and use of data, to the organisation and management of fisheries expert meetings and the management of annual work programmes related to fisheries scientific and technical expertise, to the processing of data calls and datasets and to the preparatory work aiming at delivering scientific opinions and advice;

(f) cooperation activities between Member States in the field of data collection, including those between the various regional stakeholders, and including the setting-up and running of regionalised databases for the storage, management and use of data which will benefit regional cooperation and improve data collection and management activities as well as improving scientific expertise in support of fisheries management.

Article 87

Control and enforcement

1. The EMFF may support the implementation of a Union control, inspection and enforcement system as provided for in Article 36 of Regulation (EU) No 1380/2013 and further specified in Regulation (EC) No 1224/2009.
2. In particular, the following types of operations shall be eligible:

(a) joint purchase and/or chartering by several Member States belonging to the same geographical area, of patrol vessels, aircrafts and helicopters, provided that they are used for fisheries control for at least 60% of the total period of use per year;

(b) expenditure relating to the assessment and development of new control technologies, as well as of processes for the exchange of data;

(c) all operational expenditure related to control and evaluation by the Commission of the implementation of the CFP, in particular that relating to verification, inspection and audit missions, equipment and training for Commission officials, the organisation of or participation in meetings, including the exchange of information and best practices between Member States, studies, IT services and suppliers, and the charter or purchase by the Commission of inspection means as specified in Titles IX and X of Regulation (EC) No 1224/2009.

3. With a view to strengthening and standardising controls, the EMFF may support the implementation of transnational projects that aim to develop and test the inter-State control, inspection and enforcement systems provided for in Article 36 of Regulation (EU) No 1380/2013 and further laid down in Regulation (EC) No 1224/2009.

Eligible types of operations shall include, in particular, the following:

(a) international training programmes for personnel responsible for monitoring, control and surveillance of fisheries activities;

(b) initiatives, including seminars and media tools, for standardising the interpretation of regulations and associated controls in the Union.

4. In the case of the operations referred to in point (a) of paragraph 2, only one of the Member States concerned shall be designated as a beneficiary.

Article 88

Voluntary financial contributions to international organisations

The EMFF may support the following types of operations in the area of international relations:

(a) financial contributions provided to the United Nations organisations as well as voluntary funding provided to any international organisation active in the field of the Law of the Sea;

(b) financial contributions to preparations for new international organisations or the preparation of new international treaties which are of interest to the Union;

(c) financial contributions to work or programmes carried out by international organisations which are of special interest to the Union;

(d) financial contributions to any activity (including working, informal or extraordinary meetings of contracting parties) which upholds the interests of the Union in international organisations and strengthens cooperation with its partners in those organisations. In that regard, when the presence of representatives of third countries in negotiations and meetings in international fora and organisations becomes necessary for the interests of the Union, the EMFF may bear the costs of their participation.

Article 89

Advisory Councils

1. The EMFF shall support the operating costs of the Advisory Councils established in accordance with Article 43 of Regulation (EU) No 1380/2013.

2. An Advisory Council having legal personality may apply for Union support as a body pursuing an aim of general European interest.

Article 90

Market intelligence

The EMFF may support the development and dissemination of market intelligence for fishery and aquaculture products by the Commission in accordance with Article 42 of Regulation (EU) No 1379/2013.
Article 91

Communication activities under the CFP and the IMP

The EMFF may support:

(a) the costs of information and communication activities linked to the CFP and the IMP, including:

(i) the costs of the production, translation and dissemination of material tailored to the specific needs of the different target groups in written, audiovisual and electronic format;

(ii) the costs of the preparation and organisation of events and meetings to inform, or collect the views of, the different parties concerned by the CFP and the IMP;

(b) the travelling and accommodation costs of experts and stakeholders' representatives invited by the Commission to meetings;

(c) the costs of the corporate communication of the political priorities of the Union as far as they are related to the general objectives of this Regulation.

CHAPTER III

Technical assistance

Article 92

Technical assistance at the initiative of the Commission

The EMFF may support, at the initiative of the Commission and subject to the ceiling of 1.1 % of the EMFF:

(a) the measures of technical assistance specified in Article 58 of Regulation (EU) No 1303/2013:

(b) the preparation, monitoring and evaluation of sustainable fisheries agreements and the Union participation in regional fisheries management organisations. The measures concerned shall consist of studies, meetings, expert involvement, temporary staff costs, information activities and any other administrative costs or costs arising from scientific or technical assistance by the Commission;

(c) the setting-up of a European network of FLAGs aimed at capacity building, disseminating information, exchanging experiences and best practices and supporting cooperation between the FLAGs. That network shall cooperate with the networking and technical support bodies for local development set up by the ERDF, the ESF and the EAFRD as regards their local development activities and transnational cooperation.

TITLE VII

IMPLEMENTATION UNDER SHARED MANAGEMENT

CHAPTER I

General provisions

Article 93

Scope

This Title shall apply to measures financed under shared management as set out in Title V.

CHAPTER II

Delivery mechanism

Section 1

Support from the EMFF

Article 94

Determination of co-financing rates

1. When adopting implementing acts pursuant to Article 19 approving an operational programme, the Commission shall set the maximum EMFF contribution to that programme.
2. The EMFF contribution shall be calculated on the basis of the amount of eligible public expenditure. The operational programme shall establish the EMFF contribution rate applicable to the Union priorities set out in Article 6. The maximum EMFF contribution rate shall be 75% and the minimum EMFF contribution rate shall be 20% of eligible public expenditure.

3. By way of derogation from paragraph 2, the EMFF contribution shall be:

(a) 100% of the eligible public expenditure for the support under storage aid referred to in Article 67;
(b) 100% of the eligible public expenditure for the compensation regime referred to in Article 70;
(c) 50% of the eligible public expenditure for the support referred to in Articles 33, 34 and Article 41(2);
(d) 70% of the eligible public expenditure for the support referred to in point (e) of Article 76(2);
(e) 90% of the eligible public expenditure for the support referred to in points (a) to (d) and (f) to (l) of Article 76(2);
(f) 80% of the eligible expenditure for the support referred to in Article 77.

4. By way of derogation from paragraph 2, the maximum EMFF contribution rate applicable to the specific objectives under a Union priority shall be increased by ten percentage points, where the whole of the Union priority set out in Article 6(4) is delivered through community-led local development.

**Article 95**

**Intensity of public aid**

1. Member States shall apply a maximum intensity of public aid of 50% of the total eligible expenditure of the operation.

2. By way of derogation from paragraph 1, Member States may apply an intensity of public aid of 100% of the eligible expenditure of the operation where:

(a) the beneficiary is a public law body or an undertaking entrusted with the operation of services of general economic interest as referred to in Article 106(2) TFEU, where the aid is granted for the operation of such services;
(b) the operation is related to the storage aid referred to in Article 67;
(c) the operation is related to the compensation regime referred to in Article 70;
(d) the operation is related to the data collection referred to in Article 77;
(e) the operation is related to support under Article 33 or 34 or to compensation under Article 54, 55 or 56;
(f) the operation is related to the IMP measures referred to in Article 80.

3. By way of derogation from paragraph 1, Member States may apply an intensity of public aid between 50% and 100% of the total eligible expenditure where:

(a) the operation is implemented under Chapter I, II or IV of Title V and fulfils all of the following criteria:
   
   (i) it is of collective interest;
   
   (ii) it has a collective beneficiary;
   
   (iii) it has innovative features, where appropriate, at local level;

(b) the operation is implemented under Chapter III of Title V, fulfils one of the criteria referred to in points (a)(i), (ii) or (iii) of this paragraph and provides public access to its results.
4. By way of derogation from paragraph 1, additional percentage points of public aid intensity shall apply for specific types of operations as set out in Annex I.

5. The Commission shall adopt implementing acts establishing how the different percentage points of public aid intensity shall apply in case several conditions of Annex I are fulfilled. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3).

**Article 96**

**Calculation of additional costs or income foregone**

Where aid is granted on the basis of additional costs or income foregone, Member States shall ensure that the relevant calculations are adequate, accurate and established in advance on the basis of a fair, equitable and verifiable calculation.

**CHAPTER III**

**Management and control systems**

**Article 97**

**Managing authority**

1. In addition to the general rules set out in Article 125 of Regulation (EU) No 1303/2013, the managing authority shall:

   (a) by 31 March each year, provide the Commission with relevant cumulative data on operations selected for funding until the end of the previous calendar year, including key characteristics of the beneficiary and the operation itself;

   (b) ensure publicity for the operational programme by informing potential beneficiaries, professional organisations, the economic and social partners, bodies involved in promoting equality between men and women, and the non-governmental organisations concerned, including environmental organisations, of the possibilities offered by the programme and the rules for gaining access to programme funding;

   (c) ensure publicity for the operational programme by informing beneficiaries of the Union contribution and the general public of the role played by the Union in the programme.

2. The Commission shall adopt implementing acts laying down rules for the presentation of the data referred to in point (a) of paragraph 1. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 127(2).

**Article 98**

**Transmission of financial data**

1. By 31 January and 31 July, the Member States shall transmit, by electronic means, to the Commission a forecast of the amount for which they expect to submit payment applications for the current and for the subsequent financial year.

2. The Commission shall adopt an implementing act establishing the model to be used when submitting the financial data to the Commission. That implementing act shall be adopted in accordance with the examination procedure referred to in Article 127(3).

**CHAPTER IV**

**Control by Member States**

**Article 99**

**Financial corrections by Member States**

1. In addition to the financial corrections referred to in Article 143 of Regulation (EU) No 1303/2013, Member States shall make financial corrections if the beneficiary does not respect the obligations referred to in Article 10(2) of this Regulation.

2. In the cases of financial corrections referred to in paragraph 1, Member States shall determine the amount of the correction, which shall be proportionate, having regard to the nature, gravity, duration and repetition of the infringement or offence by the beneficiary and the importance of the EMFF contribution to the economic activity of the beneficiary.
CHAPTER V
Control by the Commission

Section 1

Interruption and suspension

Article 100

Interruption of the payment deadline

1. In addition to the criteria allowing for interruption listed in points (a), (b) and (c) of Article 83(1) of Regulation (EU) No 1303/2013, the authorising officer by delegation, within the meaning of Regulation (EU, Euratom) No 966/2012, may interrupt the payment deadline for an interim payment claim in the case of non-compliance by a Member State with its obligations under the CFP which is liable to affect the expenditure contained in a certified statement of expenditure for which the interim payment is requested.

2. Prior to the interruption of an interim payment deadline as referred to in paragraph 1, the Commission shall, adopt implementing acts recognising that there is evidence suggesting non-compliance with obligations under the CFP. Before the Commission adopts such implementing acts, it shall immediately inform the Member State concerned of such evidence or reliable information and the Member State shall be given the opportunity to present its observations within a reasonable period of time.

3. The interruption of all or part of the interim payments related to the expenditure referred to in paragraph 1 covered by the payment claim shall be proportionate, having regard to the nature, gravity, duration and repetition of the non-compliance.

Article 101

Suspension of payments

1. In addition to Article 142 of Regulation (EU) No 1303/2013, the Commission may adopt implementing acts suspending all or part of the interim payments under the operational programme in the case of a serious non-compliance by a Member State with its obligations under the CFP, which is liable to affect the expenditure contained in a certified statement of expenditure for which the interim payment is requested.

2. Prior to the suspension of an interim payment as referred to in paragraph 1, the Commission shall adopt an implementing act recognising that a Member State has failed to comply with its obligations under the CFP. Before the Commission adopts such an implementing act, it shall immediately inform the Member State concerned of such findings or reliable information and the Member State shall be given the opportunity to present its observations on the matter.

3. The suspension of all or part of the interim payments related to the expenditure referred to in paragraph 1 covered by the payment claim shall be proportionate, having regard to the nature, gravity, duration and repetition of the serious non-compliance.

Article 102

Commission powers

The Commission shall be empowered to adopt delegated acts, in accordance with Article 126, defining those cases of non-compliance, referred to in Article 100, and the cases of serious non-compliance, referred to in Article 101(1), deriving from the relevant CFP rules that are essential to the conservation of marine biological resources.

Section 2

Information exchange and financial corrections

Article 103

Access to information

On request by the Commission, Member States shall communicate to the Commission the laws, regulations and administrative provisions which they have adopted for implementing Union acts relating to the CFP, where those acts have a financial impact on the EMFF.

Article 104

Confidentiality

1. Member States and the Commission shall take all necessary steps to ensure the confidentiality of the information communicated or obtained during on-the-spot controls or in the context of the clearance of accounts implemented pursuant to this Regulation.
2. The principles referred to in Article 8 of Council Regulation (Euratom, EC) No 2185/96 (1) shall apply to the information referred to in paragraph 1 of this Article.

**Article 105**

**Financial corrections by the Commission**

1. In addition to the cases referred to in Article 22(7), Article 85 and Article 144(1) of Regulation (EU) No 1303/2013, the Commission shall adopt implementing acts making financial corrections by cancelling all or part of the Union contribution to an operational programme if, after carrying out the necessary examination, it concludes that:

(a) expenditure contained in a certified statement of expenditure is affected by cases in which the beneficiary does not respect the obligations referred to in Article 10(2) of this Regulation and has not been corrected by the Member State prior to the opening of the correction procedure under this paragraph;

(b) expenditure contained in a certified statement of expenditure is affected by cases of serious non-compliance with the CFP rules by the Member State which have resulted in the suspension of payment under Article 101 of this Regulation and where the Member State concerned still fails to demonstrate that it has taken the necessary remedial action to ensure compliance with and the enforcement of applicable rules in the future.

2. The Commission shall decide on the amount of the correction taking into account the nature, gravity, duration and repetition of the serious non-compliance by the Member State or beneficiary with the CFP rules and the importance of the EMFF contribution to the economic activity of the beneficiary concerned.

3. Where it is not possible to quantify precisely the amount of expenditure linked to non-compliance with the CFP rules by the Member State, the Commission shall apply a flat rate or extrapolated financial correction in accordance with paragraph 4.

4. The Commission shall be empowered to adopt delegated acts, in accordance with Article 126, determining the criteria for establishing the level of financial correction to be applied and the criteria for applying flat rates or extrapolated financial corrections.

**Article 106**

**Procedure**

Article 145 of Regulation (EU) No 1303/2013 shall apply mutatis mutandis where the Commission proposes a financial correction referred to in Article 105 of this Regulation.

**CHAPTER VI**

**Monitoring, evaluation, information and communication**

**Section 1**

**Establishment and objectives of a common monitoring and evaluation system**

**Article 107**

**Monitoring and evaluation system**

1. A common monitoring and evaluation system for EMFF operations under shared management shall be established with a view to measuring the performance of the EMFF. In order to ensure an effective performance measurement, the Commission shall be empowered to adopt delegated acts, in accordance with Article 126, defining the content and construction of that system.

2. The general impact of the EMFF shall be considered in relation to the Union priorities set out in Article 6.

The Commission may adopt implementing acts establishing the set of indicators specific to those Union priorities. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3).

3. Member States shall provide the Commission with all the information necessary to permit the monitoring and evaluation of the measures concerned. The Commission shall take into account the data needs and synergies between potential data sources, in particular their use for statistical purposes when appropriate. The Commission shall adopt implementing acts laying down rules on the information to be sent by Member States, as well as on the data needs and synergies between potential data sources. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3).

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4. The Commission shall present a report on the implementation of this Article to the European Parliament and to the Council every four years. The first report shall be presented by 31 December 2017.

Article 108

Objectives

The objectives of the common monitoring and evaluation system shall be:

(a) to demonstrate the progress and achievements of the CFP and the IMP, to consider the general impact and to assess the effectiveness, efficiency and relevance of EMFF operations;

(b) to contribute to better targeted support for the CFP and the IMP;

(c) to support a common learning process related to monitoring and evaluation;

(d) to provide robust, evidenced based evaluations of the EMFF operations that feed into the decision-making process.

Section 2

Technical provisions

Article 109

Common indicators

1. A list of common indicators relating to the initial situation as well as to the financial execution, outputs and results of the operational programme and applicable to each operational programme shall be specified in the monitoring and evaluation system provided for in Article 107 to allow for aggregation of data at Union level.

2. The common indicators shall be linked to the milestones and targets established in the operational programmes in accordance with the Union priorities set out in Article 6. Those common indicators shall be used for the performance review referred to in Article 21(1) of Regulation (EU) No 1303/2013, and shall allow assessment of the progress, efficiency and effectiveness of policy implementation against objectives and targets at Union and programme level.

Article 110

Electronic information system

1. Key information on the implementation of the operational programme, on each operation selected for funding, as well as on completed operations, needed for monitoring and evaluation, including the key characteristics of the beneficiary and the project, shall be recorded and maintained electronically.

2. The Commission shall ensure that there is an appropriate secure electronic system to record, maintain and manage key information and report on monitoring and evaluation.

Article 111

Provision of information

Beneficiaries of support under EMFF, including FLAGs, shall undertake to provide to the managing authority and/or to appointed evaluators or other bodies to which the performance of functions on its behalf is delegated, all the data and information necessary to permit monitoring and evaluation of the operational programme, in particular in relation to meeting specific objectives and priorities.

Section 3

Monitoring

Article 112

Monitoring procedures

1. The managing authority referred to in Article 97 of this Regulation and the monitoring committee referred to in Article 47 of Regulation (EU) No 1303/2013 shall monitor the quality of programme implementation.

2. The managing authority and the monitoring committee shall carry out monitoring of the operational programme by means of financial, output and result indicators.
Article 113

Functions of the monitoring committee

In addition to the functions provided for in Article 49 of Regulation (EU) No 1303/2013, the monitoring committee shall verify the performance of the operational programme and the effectiveness of its implementation. For that purpose, the monitoring committee shall:

(a) be consulted and shall approve, within six months of the decision approving the programme, the selection criteria for the financed operations; the selection criteria shall be revised in accordance with programming needs;

(b) examine the activities and outputs related to the evaluation plan of the programme;

(c) examine actions in the programme relating to the fulfilment of specific ex ante conditionalities;

(d) examine and approve the annual implementation reports before they are sent to the Commission;

(e) examine actions to promote equality between men and women, equal opportunities, and non-discrimination, including accessibility for disabled persons.

The monitoring committee shall not be consulted on the work plans for data collection referred to in Article 21.

Article 114

Annual implementation report

1. By 31 May 2016, and by 31 May of each subsequent year up to and including 2023, Member States shall submit to the Commission an annual implementation report on the implementation of the operational programme in the previous calendar year. The report submitted in 2016 shall cover the calendar years 2014 and 2015.

2. In addition to the provisions of Article 50 of Regulation (EU) No 1303/2013, annual implementation reports shall include:

(a) information on financial commitments and expenditure by measure;

(b) a summary of the activities undertaken in relation to the evaluation plan;

(c) information on the actions taken in cases of serious infringements as referred to in Article 10(1) of this Regulation, and of non-respect of the conditions laid down in Article 10(2) of this Regulation, as well as on remedy actions;

(d) information on actions taken to comply with Article 41(10) of this Regulation;

(e) information on the actions taken to ensure the publication of beneficiaries in accordance with Annex V to this Regulation, for natural persons in accordance with national law, including any applicable threshold.

3. The Commission shall adopt implementing acts laying down rules concerning the format and presentation of the annual implementation reports. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3).

Section 4

Evaluation

Article 115

General provisions

1. The Commission shall adopt implementing acts laying down the elements to be contained in ex ante evaluation reports referred to in Article 55 of Regulation (EU) No 1303/2013 and establishing the minimum requirements for the evaluation plan referred to in Article 56 of that Regulation. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 127(3) of this Regulation.

2. Member States shall ensure that the evaluations conform to the common monitoring and evaluation system agreed in accordance with Article 107, shall organise the production and gathering of the necessary data, and shall supply the various pieces of information provided by the monitoring system to the evaluators.
3. The evaluation reports shall be made available by Member States on the internet and by the Commission on the Union website.

**Article 116**

**Ex ante evaluation**

Member States shall ensure that the ex ante evaluator is involved from an early stage in the process of development of the operational programme, including the development of the analysis referred to in point (a) of Article 18(1), the design of the programme’s intervention logic and the establishment of the programme’s targets.

**Article 117**

**Ex post evaluation**

In accordance with Article 57 of Regulation (EU) No 1303/2013, an ex post evaluation report shall be prepared by the Commission in close cooperation with Member States.

**Article 118**

**Synthesis of evaluations**

A synthesis at Union level of the ex ante evaluation reports shall be undertaken under the responsibility of the Commission. The synthesis of the evaluation reports shall be completed at the latest by 31 December of the year following the submission of the relevant evaluations.

**Section 5**

**Information and communication**

**Article 119**

**Information and publicity**

1. The managing authority shall be responsible in accordance with point (b) of Article 97(1) for:

   (a) ensuring the establishment of a single website or a single website portal providing information on, and access to, the operational programme in the Member State;

   (b) informing potential beneficiaries about funding opportunities under the operational programme;

   (c) publicising to Union citizens the role and achievements of the EMFF through information and communication actions on the results and impact of partnership agreements, operational programmes and operations;

   (d) ensuring that a summary of measures designed to ensure compliance with the CFP rules, including cases of non-compliance by Member States or beneficiaries, as well as of remedy actions such as financial corrections taken, is made publicly available.

2. In order to ensure transparency concerning the support from the EMFF, Member States shall maintain a list of operations in CSV or XML format which shall be accessible through the single website or the single website portal, providing a list of operations and a summary of the operational programme.

The list of operations shall be updated at least every six months.

The minimum information to be set out in the list of operations, including specific information concerning operations under Articles 26, 39, 47, 54 and 56, is laid down in Annex V.

3. Detailed rules concerning the information and publicity measures for the public and information measures for applicants and beneficiaries are laid down in Annex V.

4. The Commission shall adopt implementing acts laying down the technical characteristics of information and publicity measures for the operation, instructions for creating the emblem and a definition of the standard colours. Those implementing acts shall be adopted in accordance with the advisory procedure referred to Article 127(2).
TITLE VIII
IMPLEMENTATION UNDER DIRECT MANAGEMENT

CHAPTER I
General provisions

Article 120
Scope
This Title shall apply to measures financed under direct management as set out in Title VI.

CHAPTER II
Control

Article 121
Protection of Union financial interests
1. The Commission shall take appropriate measures to ensure that, when operations financed under this Regulation are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective proportionate and dissuasive penalties.

2. The Commission or its representatives and the Court of Auditors shall have the power of audit, both on the basis of documents and on-the-spot checks, over all beneficiaries, contractors and sub-contractors who have received Union funds.

3. Without prejudice to paragraphs 1 and 2, cooperation agreements with third countries and international organisations, grant agreements, grant decisions and contracts resulting from the implementation of this Regulation shall contain provisions expressly empowering the Commission, the Court of Auditors and OLAF to conduct the audits, on-the-spot checks and inspections referred to in those paragraphs, in accordance with their respective competences.

Article 122
Audits
1. Officials of the Commission and of the Court of Auditors, or their representatives, may carry out on-the-spot audits on operations financed by this Regulation at any time with a notice of at least ten working days, except in urgent cases, for a period of up to three years after the final payment made by the Commission.

2. Officials of the Commission and of the Court of Auditors, or their representatives, duly empowered to carry out on-the-spot audits, shall have access to the books and all other documents, including documents and metadata drawn-up or received and recorded in an electronic format relating to expenditure financed under this Regulation.

3. The powers of audit referred to in paragraph 2 shall not affect the application of national provisions which reserve certain acts for agents specifically designated by national legislation. Officials of the Commission and of the Court of Auditors, or their representatives, shall not take part, inter alia, in home visits or the formal questioning of persons within the framework of the national legislation of the Member State concerned. However, they shall have access to information thereby obtained.

4. If any Union financial support granted under this Regulation is subsequently allocated to a third party as a final beneficiary, the initial beneficiary, being the recipient of the Union financial support, shall provide the Commission with all relevant information regarding the identity of that final beneficiary.

Article 123
Suspension of payments, reduction and cancellation of the financial contribution

1. If the Commission considers that Union funds have not been used in accordance with the conditions laid down in this Regulation or in any other applicable Union legal act, it shall notify the beneficiaries who shall have one month from the date of such notification to provide the Commission with their observations.

2. If the beneficiaries do not reply within the period referred to in paragraph 1 of this Article or if their observations are not considered satisfactory, the Commission shall reduce or cancel the financial contribution granted or suspend the payments. Any amount unduly paid shall be repaid to the general budget of the Union. Interest shall be added to any sums not repaid in due time under the conditions laid down in Regulation (EU, Euratom) No 966/2012.

CHAPTER III
Evaluation and reporting

Article 124
Evaluation

1. Operations financed under this Regulation shall be monitored regularly in order to follow their implementation.

2. The Commission shall ensure the regular, independent, external evaluation of the operations financed.

Article 125
Reporting

The Commission shall submit to the European Parliament and the Council:

(a) by 31 March 2017, an interim evaluation report on the results obtained and the qualitative and quantitative aspects of the implementation of the operations financed under this Regulation;

(b) by 31 August 2018, a communication on the continuation of the operations financed under this Regulation.

TITLE IX
PROCEDURAL PROVISIONS

Article 126
Exercise of 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 Articles 10, 14, 32, 40, 41, 72, 102, 105, 107 and 129 shall be conferred until 31 December 2020.

3. The delegation of power referred to in Articles 10, 14, 32, 40, 41, 72, 102, 105, 107 and 129 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 powers 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 Articles 10, 14, 32, 40, 41, 72, 102, 105, 107 and 129 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 127

Committee procedure

1. The Commission shall be assisted by a Committee for the European Maritime and Fisheries Fund. 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.

3. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Where the committee delivers no opinion on a draft implementing act to be adopted pursuant to Article 95(5) of this Regulation, the Commission shall not adopt the draft implementing act and the third subparagraph of Article 5(4) of Regulation (EU) No 182/2011 shall apply.

TITLE X

FINAL PROVISIONS

Article 128

Repeal


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

Article 129

Transitional provisions

1. In order to facilitate the transition from the support schemes established by Regulations (EC) No 861/2006, (EC) No 1198/2006, (EC) No 791/2007 and (EU) No 1255/2011 to the scheme established by this Regulation, the Commission shall be empowered to adopt delegated acts, in accordance with Article 126, laying down the conditions under which support approved by the Commission under those Regulations may be integrated into support provided for under this Regulation, including for technical assistance and for the ex post evaluations.

2. This Regulation shall not affect the continuation or modification, including the total or partial cancellation, of the projects concerned, until their closure, or of assistance approved by the Commission on the basis of Regulations (EC) No 2328/2003, (EC) No 861/2006, (EC) No 1198/2006, (EC) No 791/2007 and (EU) No 1255/2011 and Article 103 of Regulation (EC) No 1224/2009 or any other legislation applying to that assistance on 31 December 2013, which shall continue to apply to such projects or assistance.


Article 130

Entry into force and date of application

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 apply from 1 January 2014.

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

Done at Brussels, 15 May 2014.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
D. KOURKOULAS
ANNEX I

SPECIFIC AID INTENSITY

<table>
<thead>
<tr>
<th>Type of operations</th>
<th>Percentage points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations related to small-scale coastal fisheries may benefit from an increase by</td>
<td>30</td>
</tr>
<tr>
<td>Operations located in the remote Greek Islands and in the Croatian islands of Dugi Otok, Vis, Mljet and Lastovo may benefit from an increase by</td>
<td>35</td>
</tr>
<tr>
<td>Operations located in the outermost regions may benefit from an increase by</td>
<td>35</td>
</tr>
<tr>
<td>Operations implemented by organisations of fishermen or other collective beneficiaries outside Chapter III of Title V may benefit from an increase by</td>
<td>10</td>
</tr>
<tr>
<td>Operations implemented by producer organisations, associations of producer organisations or interbranch organisations may benefit from an increase by</td>
<td>25</td>
</tr>
<tr>
<td>Operations under Article 76 on control and enforcement may benefit from an increase by</td>
<td>30</td>
</tr>
<tr>
<td>Operations under Article 76 on control and enforcement related to small-scale coastal fisheries may benefit from an increase by</td>
<td>40</td>
</tr>
<tr>
<td>Operations under Article 41(2) concerning replacement or modernisation of main or ancillary engines shall be reduced by</td>
<td>20</td>
</tr>
<tr>
<td>Operations implemented by enterprises that fall outside the definition of SMEs shall be reduced by</td>
<td>20</td>
</tr>
</tbody>
</table>
### ANNUAL BREAKDOWN OF COMMITMENT APPROPRIATIONS FOR 2014 TO 2020

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EMFF shared</td>
<td></td>
<td>788,060,689</td>
<td>798,128,031</td>
<td>805,423,852</td>
<td>818,476,679</td>
<td>837,523,233</td>
<td>843,250,018</td>
<td>858,467,679</td>
<td>5,749,331,600</td>
</tr>
<tr>
<td>management</td>
<td></td>
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</tr>
</tbody>
</table>
ANNEX III

INDICATIVE DISTRIBUTION OF FUNDS UNDER CHAPTERS I AND II OF TITLE VI AMONG THE OBJECTIVES SET OUT IN ARTICLES 82 AND 85 (1)

Objectives set out in Article 82:
1. Development and implementation of an integrated governance of maritime and coastal affairs – 5 %
2. Development of cross-sectorial initiatives – 33 %
3. Support for sustainable economic growth, employment, innovation and new technologies – 2 %
4. Promotion of the protection of the marine environment – 5 %

Objectives set out in Article 85:
1. Collection, management and dissemination of scientific advice under the CFP – 11 %
2. Specific control and enforcement measures under the CFP – 19 %
3. Voluntary contributions to international organisations – 10 %
4. Advisory Councils and communication activities under the CFP and the IMP – 9 %
5. Market intelligence, including the establishment of electronic markets – 6 %

(1) The percentages apply to the amount set out in Article 14 excluding the allocation under Article 92.
### ANNEX IV

<table>
<thead>
<tr>
<th>Specific objective under the Union priority for EMFF/thematic objective (TO)</th>
<th>Ex ante conditionality</th>
<th>Criteria for fulfilment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EMFF priority:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Promoting environmentally sustainable, resource efficient, innovative, competitive and knowledge-based fisheries.</td>
<td>Report on fishing capacity has been submitted in accordance with Article 22(2) of Regulation (EU) No 1380/2013.</td>
<td>The report is made in accordance with common guidelines issued by the Commission.</td>
</tr>
<tr>
<td>Specific objectives: (a) - (f).</td>
<td></td>
<td>Fishing capacity does not exceed the fishing capacity ceiling set up in Annex II to Regulation (EU) No 1380/2013</td>
</tr>
<tr>
<td>TO 3: enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF);</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TO 6: preserving and protecting the environment and promoting resource efficiency;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TO 8: promoting sustainable and quality employment and supporting labour mobility.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EMFF priority:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Fostering environmentally sustainable, resource efficient, innovative, competitive and knowledge-based aquaculture.</td>
<td>The establishment of a multiannual national strategic plan on aquaculture, as referred to in Article 34 of Regulation (EU) No 1380/2013, by 2014.</td>
<td>A multiannual national strategic plan on aquaculture is transmitted to the Commission at the latest by the day of transmission of the operational programme</td>
</tr>
<tr>
<td>Specific objectives: (a), (b) and (c).</td>
<td></td>
<td>The operational programme includes information on the complementarities with the multiannual national strategic plan on aquaculture</td>
</tr>
<tr>
<td>TO 3: enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF);</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TO 6: preserving and protecting the environment and promoting resource efficiency;</td>
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<td>Specific objective under the Union priority for EMFF/thematic objective (TO)</td>
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<td>Criteria for fulfilment</td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
</tr>
</tbody>
</table>
| **EMFF priority:**  
3. Fostering the implementation of the CFP.  
Specific objective (a).  
TO 6: preserving and protecting the environment and promoting resource efficiency. | Administrative capacity: administrative capacity is available to comply with the data requirements for fisheries management set out in Article 25 of Regulation (EU) No 1380/2013 and Article 4 of Regulation (EC) No 199/2008. | A description of the administrative capacity to prepare and apply a multiannual programme for data collection, to be reviewed by STECF and accepted by the Commission. |
| **EMFF priority:**  
3. Fostering the implementation of the CFP.  
Specific objective (b).  
TO 6: preserving and protecting the environment and promoting resource efficiency. | Administrative capacity: administrative capacity is available to comply with the implementation of a Union control, inspection and enforcement system as provided for in Article 36 of Regulation (EU) No 1380/2013 and further specified in Regulation (EC) No 1224/2009. | The specific actions include:  
A description of the administrative capacity to prepare and implement the national control financing programme as referred to in point (o) of Article 18(1).  
A description of the administrative capacity to prepare and implement the national control action programme for multiannual plans, as provided for in Article 46 of Regulation (EC) No 1224/2009.  
A description of the administrative capacity to prepare and implement a common control programme that may be developed with other Member States, as provided for in Article 94 of Regulation (EC) No 1224/2009.  
A description of the administrative capacity to prepare and implement the specific control and inspection programmes, as provided for in Article 95 of Regulation (EC) No 1224/2009.  
A description of the administrative capacity to apply a system of effective, proportionate and dissuasive sanctions for serious infringements, as provided for in Article 90 of Regulation (EC) No 1224/2009.  
A description of the administrative capacity to apply the point system for serious infringements, as provided for in Article 92 of Regulation (EC) No 1224/2009. |
ANNEX V

INFORMATION AND COMMUNICATION ON SUPPORT FROM THE EMFF

1. List of operations

The list of operations referred to in Article 119 shall contain, in at least one of the official languages of the Member State, the following data fields:

— beneficiary name (only legal entities and natural persons in accordance with national law);

— Community fleet register (CFR) identification number as referred to in Article 10 of Regulation (EC) No 26/2004 (to be completed only where the operation is linked to a fishing vessel);

— operation name;

— operation summary;

— operation start date;

— operation end date (expected date for physical completion or full implementation of the operation);

— total eligible expenditure;

— amount of Union contribution;

— operation postcode;

— country;

— name of Union priority;

— date of the last update of the list of operations.

2. Information and publicity measures for the public

1. The Member State shall ensure that the information and publicity measures aim at the widest possible media coverage using various forms and methods of communication at the appropriate level.

2. The Member State shall be responsible for organising at least the following information and publicity measures:

(a) a major information activity publicising the launch of the operational programme;

(b) at least twice during the programming period major information activity which promotes the funding opportunities and the strategies pursued and presents the achievements of the operational programme;

(c) displaying the flag or emblem, as appropriate, of the Union in front of, or at a place visible to the public, at the premises of each managing authority;

(d) publishing electronically the list of operations in accordance with section 1;

(e) giving examples of operations, by operational programme, on the single website or on the operational programme’s website that is accessible through the single website portal; the examples should be in a widely spoken official language of the Union other than the official language or languages of the Member State concerned;
(f) ensuring that a specific section of the single website is dedicated to give a short summary of innovation and eco-innovation operations;

(g) updating information about the operational programme's implementation, including its main achievements, on the single website or on the operational programme's website that is accessible through the single website portal;

(h) ensuring that a summary of measures designed to ensure compliance with the CFP rules, including cases of non-compliance by Member States or beneficiaries, as well as of remedy actions such as financial corrections taken, is made publicly available.

3. The managing authority shall involve in information and publicity measures, in accordance with national laws and practices, the following bodies:

(a) the partners referred to in Article 5 of Regulation (EU) No 1303/2013;

(b) information centres on Europe, as well as Commission representation offices in Member States;

(c) educational and research institutions.

Those bodies shall widely disseminate the information referred to in points (a) and (b) of Article 119(1).

3. Information measures for potential beneficiaries and beneficiaries

3.1. Information measures for potential beneficiaries

1. The managing authority shall ensure that the operational programme's objectives and funding opportunities offered by the EMFF are disseminated widely to potential beneficiaries and all interested parties.

2. The managing authority shall ensure that potential beneficiaries are informed of at least the following:

(a) the conditions of eligibility of expenditure to be met in order to qualify for support under an operational programme;

(b) a description of the admissibility conditions for applications, procedures for examining applications for funding and of the time periods involved;

(c) the criteria for selecting the operations to be supported;

(d) the contacts at national, regional or local level that are able to provide information on the operational programmes;

(e) that applications should propose communication activities, proportionate to the size of the operation, in order to inform the public about the operation's aims and the Union support to the operation.

3.2. Information measures for beneficiaries

The managing authority shall inform beneficiaries that acceptance of funding constitutes an acceptance of their inclusion in the list of operations published in accordance with Article 119(2).
EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT

The EAFRD contributes to the Europe 2020 strategy by promoting sustainable rural development throughout the Union together with other instruments of the CAP, the cohesion policy and the common fisheries policy. It shall contribute to the development of rural areas, in particular by fostering a Union agricultural sector that is more territorially and environmentally balanced, climate-friendly and resilient and competitive and innovative.

In line with the Europe 2020 strategy and the overall CAP objectives, the EU rural development policy for 2014-2020 has three following long-term strategic objectives:

- fostering the competitiveness of agriculture;
- ensuring sustainable management of natural resources, and climate action;
- achieving a balanced territorial development of rural economies and communities, including the creation and maintenance of employment.

The policy will continue being implemented through national and/or regional rural development programmes (RDPs) running for seven years.

As general rule, RDPs should be based upon at least four of the six common EU priorities:

- fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
- enhancing the viability / competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management;
- promoting food chain organisation, animal welfare and risk management in agriculture;
- restoring, preserving and enhancing ecosystems related to agriculture and forestry;
- promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
- promoting social inclusion, poverty reduction and economic development in rural areas.

In turn, each rural development priority is broken down into more detailed areas of intervention (focus areas). Within their RDPs, Member States / regions set out quantified targets against these focus areas, on the basis of an analysis of the needs of the territory covered by the RDP. They then set out measures to achieve these targets, including the related EAFRD funding. Support provided by rural development covers investments, business set-up, infrastructures, human capital building activities, and payments for the provision of public goods such as enhancing the environment and ensuring the sustainable management of natural resources.

The new structure of programmes introduced by the 2013 reform provides enhanced flexibility in the use of the measures and, thus, the potential to better address specific needs in targeted programming areas through effective combination of measures. The reform has also strengthened the result orientation of the programmes, simplified implementation rules where possible and introduced closer links with other ESI Funds.

In order to ensure adequate environmental action and promotion of bottom-up forms of local development strategies, at least 30 % of each programme’s budget will have to be dedicated to specific environmental and climate-related measures and at least 5 % to the LEADER approach for local development.
REGULATION (EU) No 1305/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 17 December 2013
on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005

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 42 and Article 43(2) 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 Court of Auditors,

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

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

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled "The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future" set out the potential challenges, objectives and orientations for the common agricultural policy ("the CAP") after 2013. In the light of the debate on that Communication, the CAP should be reformed with effect from 1 January 2014. That reform should cover all the main instruments of the CAP, including Council Regulation (EC) No 1698/2005 (1). In view of the scope of the reform, it is appropriate to repeal Regulation (EC) No 1698/2005 and to replace it with a new text.

(2) A rural development policy should be established to accompany and complement direct payments and market measures of the CAP and thereby to contribute to that policy's objectives as laid down in the Treaty on the Functioning of the European Union ("TFEU"), Such rural development policy should also integrate the major policy objectives set out in the Communication from the Commission of 3 March 2010 entitled "Europe 2020 - A strategy for smart, sustainable and inclusive growth" ("the Europe 2020 Strategy") and should be coherent with the general objectives for the economic and social cohesion policy, as set out in the TFEU.

(3) Since the objective of this Regulation, namely rural development, cannot be sufficiently achieved by the Member States, given the links between rural development and the other instruments of the CAP, the extent of the disparities that exist between the various rural areas and the limits on the financial resources of the Member States in an enlarged Union but can rather, by reason of the multi-annual guarantee of Union finance and by concentrating on its priorities, be better achieved at Union level. the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union ("TEU"). In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

(4) To ensure the sustainable development of rural areas, it is necessary to focus on a limited number of core priorities relating to knowledge transfer and innovation in agriculture, forestry and rural areas, to farm viability, to the competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests, to the organisation of the food chain, including the processing and marketing of agricultural products, to animal welfare, to risk management in agriculture, restoring, preserving and enhancing ecosystems that are related to agriculture and forestry, to the promotion of resource efficiency and the shift towards a low carbon economy in the agricultural, food and forestry sectors, and to promoting social inclusion, poverty reduction in and the economic development of rural areas. In doing so, account should be taken of the diversity of the situations that affect rural areas with different characteristics or different categories of potential beneficiaries and of the cross-cutting objectives of innovation, environment and climate change mitigation and adaptation. Mitigation action should relate both to limiting emissions in agriculture and forestry from key activities such as livestock production, fertilizer use and to preserving carbon sinks and enhancing carbon sequestration with regard to land use, land use change and the forestry sector. The Union priority for rural development relating to knowledge transfer and innovation in agriculture,
forestry and rural areas should apply horizontally in relation to the other Union priorities for rural development.

(5) The Union’s priorities for rural development should be pursued in the framework of sustainable development and the Union’s promotion of the aim of protecting and improving the environment, as set out in Article 11 TFEU, taking into account the polluter pays principle. The Member States should, provide information on the support for climate change objectives in line with the ambition to devote at least 20 % of the Union budget to this end using a methodology adopted by the Commission.

(6) The activities of the European Agricultural Fund for Rural Development (the EAFRD) and the operations to which it contributes should be consistent and compatible with support from other instruments of the CAP.

(7) In order to ensure the immediate start and efficient implementation of rural development programmes, support from the EAFRD should be based on the existence of administrative framework conditions that are sound. Member States should therefore assess the applicability and fulfilment of certain ex ante conditionalities. Each Member State should prepare either a national rural development programme for its entire territory or a set of regional programmes or both a national programme and a set of regional programmes. Each programme should identify a strategy for meeting targets in relation to the Union priorities for rural development and a selection of measures. Programming should comply with Union priorities for rural development, whilst at the same time adapting to national contexts and complementing the other Union policies, in particular the agricultural market policy, the cohesion policy and the common fisheries policy. Member States which opt for preparing a set of regional programmes should also be able to prepare a national framework, without a separate budgetary allocation, in order to facilitate co-ordination among the regions in addressing nation-wide challenges.

(8) Member States should be able to include in their rural development programmes thematic sub-programmes to address specific needs in areas of particular importance to them. Thematic sub-programmes should concern, among others, young farmers, small farms, mountain areas, the creation of short supply chains, women in rural areas and climate change mitigation and adaptation and biodiversity. Thematic sub-programmes should also be used to provide for the possibility to contribute to the restructuring of agricultural sectors which have a strong impact on the development of rural areas. As a means of increasing the efficient intervention of certain thematic sub-programmes Member States should be allowed to provide for higher support rates for certain operations covered by those thematic sub-programmes.

(9) Rural development programmes should identify the needs of the area covered and describe a coherent strategy to meet them in the light of the Union priorities for rural development. That strategy should be based on the setting of targets. The links between the needs identified, the targets set and the choice of measures selected to meet them should be established. Rural development programmes should also contain all the information required to assess their conformity with the requirements of this Regulation.

(10) Targets are to be established in rural development programmes against a common set of target indicators for all Member States and where necessary, against programme specific indicators. In order to facilitate this exercise the areas covered by these indicators should be defined, in line with the Union priorities for rural development. Given the horizontal application of the Union priority for rural development relating to knowledge transfer in agriculture and forestry, interventions under this priority are to be considered as instrumental to the target indicators defined for the remaining Union priorities.

(11) It is necessary to establish certain rules for programming and revising rural development programmes. A simplified procedure should be provided for revisions that do not affect the strategy of the programmes or the respective Union financial contributions.

(12) The evolution and specialisation of agriculture and forestry and the particular challenges faced by micro and small and medium-sized enterprises ("SMEs") in rural areas require an appropriate level of technical and economic training as well as an increased capacity to access and exchange knowledge and information including through the diffusion of best agricultural and forestry production practices. Knowledge transfer and information actions should not only take the form of traditional training courses but should also be adapted to the needs of rural actors. Workshops, coaching, demonstration activities, information actions and also short-term farm and forest-exchange schemes and visits should therefore also be supported. The knowledge and information acquired should enable farmers, forest holders, persons engaged in the food sector and rural SMEs to, in particular, enhance their competitiveness.
Farm advisory services help farmers, young farmers, forest holders, other land managers and SMEs in rural areas to improve the sustainable management and overall performance of their holding or business. Therefore both the setting up of such services and the use of advice by farmers, young farmers, forest holders, other land managers and SMEs should be encouraged. In order to enhance the quality and effectiveness of the advice offered, provision should be made for the minimum qualifications and regular training of advisors. As provided for in Regulation (EU) No 1306/2013 of the European Parliament and of the Council (1) farm advisory services should help farmers to assess the performance of their agricultural holding and to identify the necessary improvements as regards the statutory management requirements, good agricultural and environmental conditions, agricultural practices beneficial to the climate and the environment set out in Regulation (EU) No 1307/2013 of the European Parliament and of the Council (2) and measures at farm level provided for in the rural development programmes aiming at farm modernisation, competitiveness building, sectoral integration, innovation, market orientation as well as the promotion of entrepreneurship. Farm advisory services should also help farmers to identify the necessary improvements as regards requirements laid down for the implementation of Article 11(3) of Directive 2000/60/EC of the European Parliament and of the Council (3) ("the Water Framework Directive"), as well as requirements for the implementation of Article 55 of Regulation (EC) No 1107/2009 of the European Parliament and of the Council (4) and Article 14 of Directive 2009/128/EC of the European Parliament and of the Council (5), in particular in relation to the compliance with the general principles of integrated pest management. Where relevant, advice should also cover occupational or safety standards linked to the farm as well as specific advice for farmers setting up for the first time. It should also be possible for advice to cover the setting up by young farmers, the sustainable development of the economic activities of the holding and local processing and marketing issues, linked to the economic, agricultural and environmental performance of the holding or enterprise. Specific advice may also be provided on climate change mitigation and adaptation, biodiversity, the protection of water, the development of short supply chains, organic farming and health aspects of animal husbandry. When providing support to SMEs, Member States have the possibility to give priority to SMEs linked to the agriculture and forestry sectors. Farm management and farm relief services should help farmers improve and facilitate management of their holding.

Union or national quality schemes, including farm certification schemes for agricultural products and food, provide consumers with assurances on the quality and characteristics of the product or the production process used as a result of the participation of farmers in such schemes, achieve added value for the products concerned and enhance their market opportunities. Farmers and groups of farmers should therefore be encouraged to participate in those schemes. In order to ensure the effective use of EAFRD resources, support should be limited to active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013. As it is at the moment of entering into such schemes and in the early years of participation that additional costs and obligations imposed on farmers as a result of their participation are not fully remunerated by the market, support should be provided for new participation and should cover a period of no more than five years. Given the special characteristics of cotton as a farm product, quality schemes for cotton should also be covered. Support should also be made available for


information and promotion activities concerning products covered by the quality and certification schemes receiving support pursuant to this Regulation.

(15) In order to improve the economic and environmental performance of agricultural holdings and rural enterprises, to improve the efficiency of the agricultural products marketing and processing sector, including the setting up of small scale processing and marketing facilities in the context of short supply chains and local markets, to provide infrastructure needed for the development of agriculture and forestry and to support non-remunerative investments necessary to achieve environmental aims, support should be provided for physical investments contributing to these aims. During the 2007-2013 programming period a variety of measures covered different areas of intervention. In the interest of simplification, but also of allowing beneficiaries to design and realise integrated projects with increased added value, a single measure should cover most types of physical investments. Member States should direct the support to farms eligible for aid for investments related to supporting farm viability based on the results of the strengths, weaknesses, opportunities and threats ("SWOT") analysis as a means of better targeting that aid. In order to facilitate the setting up by young farmers for the first time an additional period of eligibility for investments to comply with Union standards can be granted. In order to foster the implementation of new Union standards, investments related to compliance with those standards should be eligible for an additional period after they have become mandatory for the agricultural holding.

(16) The agricultural sector, more than other sectors, is subject to damage to its productive potential caused by natural disasters, adverse climatic events and catastrophic events. In order to help farm viability and competitiveness in the face of such disasters or events, support should be provided to help farmers restore agricultural potential which has been damaged. Member States should also ensure that no overcompensation of damages occurs as a result of the combination of Union (in particular the risk management measure under this Regulation), national and private compensation schemes.

(17) For the development of rural areas, the creation and development of new economic activity in the form of new farms, the diversification into non-agricultural activities including the provision of services to agriculture and forestry, activities related to health care, social integration and tourist activities are essential. It is also possible for diversification into non-agricultural activities to address the sustainable management of cynegetic resources. A farm and business development measure should facilitate the initial establishment of young farmers and the structural adjustment of their agricultural holding after the initial setting up. Furthermore, diversification of farmers into non-agricultural activities and the setting up and development of non-agricultural SMEs in rural areas should be promoted. That measure should also encourage entrepreneurship of women in rural areas. The development of small farms, which are potentially economically viable should also be encouraged. In order to ensure the viability of new economic activities supported under that measure, support should be made conditional on the submission of a business plan. Support for a business start up should cover only the initial period of the life of such a business and should not become an operating aid. Therefore, where Member States opt to grant aid in instalments, such instalments should be made over a period of no more than five years. In addition, in order to encourage the restructuring of the agricultural sector, support, in the form of annual or one-off payments, should be provided for farmers eligible for the small farmers scheme established by Title V of Regulation (EU) No 1307/2013 ("the small farmer's scheme") who commit to transfer their entire holding and the corresponding payment entitlements to another farmer.

In order to address problems of young farmers related to access to land Member States are also able to offer this support in combination with other forms of support, for example, through the use of financial instruments.

(18) SMEs are the backbone of the rural economy of the Union. Farm and non-agricultural business development should be aimed at employment promotion and the setting up of quality jobs in rural areas, the maintenance of existing jobs, the reduction of seasonality fluctuations in employment, the development of non-agricultural sectors outside agriculture and agricultural and food processing. At the same time it should foster business integration and local inter-sectoral links. Projects that bring together agriculture and, rural tourism through the promotion of sustainable and responsible tourism in rural areas, and natural and cultural heritage should be encouraged as well as renewable energy investments.

(19) The development of local infrastructure and local basic services in rural areas, including leisure and culture services, the renewal of villages and activities aimed at the restoration and upgrading of the cultural and natural heritage of villages and rural landscapes is an essential element of any effort to realise the growth potential and to promote the sustainability of rural areas. Support should therefore be granted to operations with that
Forestry is an integral part of rural development and support for sustainable and climate friendly land use should include forest area development and sustainable management of forests. During the 2007-2013 programming period, a variety of measures covered different types of support for forestry investments and management. In the interests of simplification and of allowing beneficiaries to design and realise integrated projects with increased added value, a single measure should cover all types of support for forestry investments and management. That measure should cover the extension and improvement of forest resources through the afforestation of land and the creation of agroforestry systems combining extensive agriculture with forestry systems. It should also cover the restoration of forests damaged by fire or other natural disasters and catastrophic events and relevant prevention measures; investments in forestry technologies and in the processing; the mobilising and marketing of forest products aimed at improving the economic and environmental performance of forest holders; and non-revenue investments which improve ecosystem and climate resilience and environmental value of forest ecosystems. Support should not distort competition and should be market neutral. As a result, limitations relating to the size and legal status of beneficiaries should be imposed. Preventive actions against fires should be undertaken in areas classified by Member States as medium or high fire risk. All preventive actions should be part of a forest protection plan. In the case of an action undertaken for the restoration of damaged forest potential, the occurrence of a natural disaster should be subject to formal recognition by a scientific public organisation.

The forestry measure should be adopted in the light of undertakings given by the Union and Member States at international level, and should be based on Member States' national or sub-national forest plans or equivalent instruments which should take into account the commitments made in the Ministerial Conferences on the Protection of Forests in Europe. It should contribute to the implementation of the Union Forest Strategy in line with the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled "A new EU Forest Strategy: for forests and the forest-based sector".

Producer groups and organisations help farmers to face together the challenges posed by increased competition and consolidation of downstream markets in relation to the marketing of their products including in local markets. The setting up of producer groups and organisations should therefore be encouraged. In order to ensure the best use of limited financial resources only producer groups and organisations that qualify as SMEs should benefit from support. Member States have the possibility to give priority to producer groups and organisations of quality products covered by the measure on quality schemes for agricultural products and foodstuffs in this Regulation. In order to ensure that the producer group or organisation becomes a viable entity, a business plan should be submitted to the Member States, as a condition for granting support to a producer group or organisation. In order to avoid providing operating aid and in order to maintain the incentive role of the support, the maximum duration of the support should be limited to five years from the date of recognition of the producer group or organisation on the basis of its business plan.

Agri-environment-climate payments should continue to play a prominent role in supporting the sustainable development of rural areas and in responding to society's increasing demands for environmental services. They should further encourage farmers and other land managers to serve society as a whole by introducing or continuing to apply agricultural practices that contribute to climate change mitigation and adaptation and that are compatible with the protection and improvement of the environment, the landscape and its features, natural resources, and the soil and genetic diversity. In that context the conservation of genetic resources in agriculture and the additional needs of farming systems that are of high nature value should be given specific attention. Payments should contribute to covering additional costs and income foregone resulting from the commitments undertaken and should only cover commitments going beyond relevant mandatory standards and requirements, in accordance with the "polluter pays principle". Member States should also ensure that payments to farmers do not lead to double funding under this Regulation and Regulation (EU) No 1307/2013. In many situations the synergies resulting from commitments undertaken jointly by a group of farmers multiply the environmental and climate benefit. However, joint actions involve additional
transaction costs which should be compensated adequately. In addition, in order to ensure that farmers and other land managers are in a position to correctly implement the commitments they have undertaken, Member States should endeavour to provide them with the required skills and knowledge.

Member States should maintain the level of efforts made during the 2007-2013 programming period and should be required to spend a minimum of 30 % of the total contribution from the EAFRD to each rural development programme on climate change mitigation and adaptation as well as environmental issues. Such spending should be made through agri-environment-climate and organic farming payments and payments to areas facing natural or other specific constraints, through payments for forestry, payments for Natura 2000 areas and climate and environment-related investment support.

(23) Payments to farmers for the converting to, or maintaining, organic farming should encourage them to participate in such schemes thereby responding to the increasing demand of society for the use of environmentally friendly farm practices and for high standards of animal welfare. In order to increase synergy in biodiversity, benefits delivered by the organic farming measure, collective contracts or co-operation between farmers should be encouraged to cover larger, adjacent areas. In order to avoid a large-scale return by farmers to conventional farming support should be given to both conversion and maintenance measures. Payments should contribute to covering additional costs incurred and income foregone as a result of the commitment and should cover only commitments that go beyond relevant mandatory standards and requirements. Member States should also ensure that payments to farmers do not lead to double funding under this Regulation and Regulation (EU) No 1307/2013 (DP). In order to ensure the effective use of EAFRD resources, support should be limited to active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013.

(24) Support should continue to be granted to farmers and forest holders to help address specific disadvantages in the areas concerned resulting from the implementation of Directive 2009/147/EC of the European Parliament and of the Council (1) and Council Directive 92/43/EEC (2) and in order to contribute to the effective management of Natura 2000 sites. Support should also be made available to farmers to help address disadvantages in river basin areas resulting from the implementation of the Water Framework Directive. Support should be linked to specific requirements described in the rural development programme that go beyond relevant mandatory standards and requirements. Member States should also ensure that payments to farmers do not lead to double funding under this Regulation and Regulation (EU) No 1307/2013. Furthermore, the specific needs of Natura 2000 areas should be taken into account by Member States in the overall design of their rural development programmes.

(25) Payments to farmers in mountain areas or in other areas facing natural or other specific constraints should, by encouraging continued use of agricultural land, contribute to maintaining the countryside as well as to maintaining and promoting sustainable farming systems. In order to ensure the efficiency of such support, payments should compensate farmers for income foregone and additional costs linked to the disadvantage of the area concerned. In order to ensure the effective use of EAFRD resources, support should be limited to active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013.

(26) In order to ensure the efficient use of Union funds and equal treatment for farmers across the Union, mountain areas and areas facing natural or other specific constraints should be defined in accordance with objective criteria. In the case of areas facing natural constraints, those criteria should be bio-physical and underpinned by robust scientific evidence. Transitional arrangements should be adopted in order to facilitate the phasing-out of payments in areas that, as a result of the application of these criteria, will no longer be considered to be areas facing natural constraints.

(27) Farmers should continue to be encouraged to adopt high standards of animal welfare by providing support for farmers who undertake to adopt standards of animal husbandry, which go beyond the relevant mandatory standards. In order to ensure the effective use of EAFRD resources, support should be limited to active farmers within the meaning of Article 9 of Regulation (EU) 1307/2013.


(28) Payments should continue to be granted to forest holders who provide environment-friendly or climate-friendly forest conservation services by undertaking commitments to enhance biodiversity, preserve high-value forest ecosystems, improve their climate change mitigation and adaptation potential, and reinforce the protective value of forests with respect to soil erosion, maintenance of water resources and natural hazards. In that context, specific attention should be paid to the conservation and promotion of forest genetic resources. Payments should be granted for forest environmental commitments going beyond relevant mandatory standards established by national law.

(29) During the 2007-2013 programming period the only type of co-operation which was explicitly supported under rural development policy was co-operation for the development of new products, processes and technologies in the agriculture and food sector and the forestry sector. Support for that type of co-operation is still necessary but should be adapted in order to better meet the requirements of the knowledge economy. In that context, there should be the possibility for projects by a single operator to be financed under that measure, on condition that the results obtained are disseminated, thus achieving the aim of diffusing new practices, processes or products. In addition, it has become clear that supporting a much broader range of types of co-operation, with a wider range of beneficiaries, from smaller operators to larger ones, can contribute to achieving the objectives of rural development policy by helping operators in rural areas overcome the economic, environmental and other disadvantages of fragmentation. Therefore, that measure should be widened. Support to small operators for organising joint work processes and sharing facilities and resources should help them to be economically viable despite their small scale. Support for joint approaches to environmental projects and practices should help to produce greater and more consistent environmental and climate benefits than those which can be delivered by individual operators acting without reference to others (for example, through practices applied on larger, unbroken areas of land).

(30) Nowadays, farmers are exposed to increasing economic and environmental risks as a consequence of climate change and increased price volatility. In this context, the effective management of risks has an increased importance for farmers. Consequently, a risk management measure should be set up to assist farmers in addressing the most common risks faced by them. That measure should therefore help farmers to cover the premiums they pay for crop, animal and plant insurance as well as help with the setting up of mutual funds and the compensation paid by such funds to farmers for losses suffered as a result of adverse climatic events, the outbreak of animal or plant diseases, pest infestation or environmental incidents. It should also include an income stabilisation tool in the form of a mutual fund to support farmers facing a severe drop in their incomes. In order to ensure that farmers receive equal treatment across the Union, that competition is not distorted and that the international obligations of the Union are respected, specific conditions should be provided for the granting of support under these measures. In order to ensure the effective use of EAFRD resources, support should be limited to active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013.

(31) The LEADER approach for local development has, over a number of years, proven its effectiveness in promoting the development of rural areas by fully taking into account the multi-sectoral needs for endogenous rural development through its bottom-up approach. LEADER should therefore be continued in the future and its application should remain compulsory for rural development programmes at national and/or regional level.
(32) Support for LEADER local development from the EAFRD should also cover inter-territorial co-operation projects between groups within a Member State or transnational co-operation projects between groups in several Member States or co-operation projects between groups in Member States and in third countries.

(33) In order to enable partners in rural areas who do not yet apply LEADER to test and prepare for the design and implementation of a local development strategy, a "LEADER start-up kit" should also be financed. Support should not be conditional on the submission of a local development strategy.

(34) Investments are common to many of the rural development measures under this Regulation and may relate to operations of a very diverse nature. In order to ensure clarity in the implementation of those operations certain common rules for all investments should be laid down. Those common rules should define the types of expenditure that may be considered to be investment expenditure and should ensure that only such investments that create new value in agriculture receive support. In order to facilitate the implementation of investment projects Member States should have the possibility to pay advances. To ensure the effectiveness, fairness and sustainable impact of EAFRD assistance, rules should be laid down to ensure that investments related to operations are durable and that EAFRD support is not used to distort competition.

(35) It should be possible for the EAFRD to support investments in irrigation to provide economic and environmental benefits, provided that the sustainability of the irrigation concerned is ensured. Consequently, in every case, support should be granted only if a river basin management plan is in place in the area concerned as required by the Water Framework Directive, and if there is already water metering in place at the level of the investment or it is put in place as part of the investment. Investments in improvements to existing irrigation infrastructure or equipment should lead to a minimum gain in terms of water efficiency, expressed as a potential water saving. If the water body affected by the investment is under stress for reasons related to water quantity as set out in the analytical framework established by the Water Framework Directive, half of the gain in terms of water efficiency should be translated into a real reduction in water use at the level of the supported investment, in order to reduce the stress on the water body concerned. Certain cases should be set out in which it is not possible or necessary for the requirements of potential or effective water savings to apply, including those concerning investments in recycling or re-using water. In addition to supporting investments in improvements to existing equipment provision should be made for the EAFRD to support investments in new irrigation subject to the findings of an environmental analysis. With certain exceptions, support should, however, not be granted for new irrigation where the affected water body is already under stress, in view of the very high risk that granting support in such circumstances would worsen existing environmental problems.

(36) Certain area-related measures under this Regulation require beneficiaries to undertake commitments for at least five years. During that period, it is possible that changes occur to the situation of either the holding or of the beneficiary. Rules should therefore be laid down in order to determine what should happen in such cases.

(37) Certain measures under this Regulation make support conditional upon beneficiaries undertake commitments that go beyond a relevant baseline defined in terms of mandatory standards or requirements. In view of possible changes to the law during the period of the commitments resulting in the modification of the baseline, provision should be made the contracts concerned to be revised in order to ensure continued compliance with that condition.

(38) In order to ensure that financial resources for rural development are used in the best possible way and to target measures under rural development programmes in accordance with the Union priorities for rural development and in order to guarantee equal treatment of applicants, Member States should establish selection criteria for the selection of projects. Exception to this rule should be made only for payments under agri-environmental-climate, organic farming, Natura 2000 and the Water Framework Directive, areas facing natural or other specific constraints, animal welfare, forest-environmental and climate services and risk management related measures. When applying the selection criteria the size of the operation should be taken into account in accordance with the principle of proportionality.

(39) The EAFRD should support, through technical assistance, actions relating to the implementation of rural development programmes, including the costs related to the protection of symbols and abbreviations relating to Union quality schemes for participation in which support may be granted under this Regulation and costs of the Member States for the delimitation of areas facing natural constraints.
(40) The networking of national networks, organisations and administrations involved in the various stages of programme implementation, organised in the context of the European network for rural development, has proven that it can play a very important role in improving the quality of rural development programmes by increasing the involvement of stakeholders in the governance of rural development as well as in informing the broader public of its benefits. It should, therefore, be financed as part of technical assistance at Union level. To take account of the specific needs of evaluation, a European evaluation capacity for rural development should be set up as part of the European network for rural development in order to bring together all actors involved and thereby to facilitate the exchange of expertise in the field.

(41) The EIP for agricultural productivity and sustainability should contribute to the achievement of the Europe 2020 objectives of smart, sustainable and inclusive growth. It is important that it brings together all relevant actors at Union, national and regional levels, presenting new ideas to Member States on how to streamline, simplify and better coordinate existing instruments and initiatives and complement them with new actions where necessary.

(42) In order to contribute to the achievement of the aims of the EIP for agricultural productivity and sustainability a EIP network should be set up in order to network operational groups, advisory services and researchers involved in the implementation of actions targeting innovation in agriculture. It should be financed as part of technical assistance at Union level.

(43) Member States should reserve a portion of the total amount of each rural development programme devoted to technical assistance in order to finance the setting up and operation of a national rural network that brings together organisations and administrations involved in rural development, including the EIP, with the aim of increasing their involvement in the implementation of the programme and improving the quality of rural development programmes. To this end, national rural networks should prepare and implement an action plan.

(44) Rural development programmes should provide for innovative actions promoting a resource-efficient, productive and low-emission agricultural sector, with the support of the EIP for agricultural productivity and sustainability. The EIP should aim to promote a faster and wider transposition of innovative solutions into practice. The EIP should create added value by enhancing the uptake and effectiveness of innovation-related instruments and enhancing synergies between them. The EIP should fill gaps by better linking research and practical farming.

(45) The implementation of innovative projects in the context of the EIP for agricultural productivity and sustainability should be undertaken by operational groups that bring together farmers, forest managers, rural communities, researchers, NGOs advisors, businesses and other actors concerned by innovation in the agricultural sector. In order to ensure that the results of such projects benefit the sector as a whole, those results in the field of innovation and knowledge exchanges within the Union and with third countries should be disseminated.

(46) Provision should be made for the determination of the total amount of Union support for rural development under this Regulation for the period from 1 January 2014 to 31 December 2020, in accordance with the Multi-annual Financial Framework for the period 2014 to 2020. The appropriations available should be indexed on a flat-rate basis for programming.

(47) In order to facilitate the management of EAFRD funds, a single contribution rate for support from the EAFRD to rural development programming should be set in relation to public expenditure in the Member States. In order to take account of their particular importance or nature, specific contribution rates should be set in relation to certain types of operations. In order to mitigate the specific constraints resulting from the level of development the remoteness and insularity, an appropriate EAFRD contribution rate should be set for less developed regions, the outermost regions referred to in the TFEU and the smaller Aegean islands, as well as transition regions.

(48) Member States should take all steps necessary to ensure that their rural development measures are verifiable and controllable, including putting in place adequate provisions. To that end, the Managing Authority and Paying Agency should provide an ex ante assessment and undertake to assess measures throughout the implementation of the programme. Measures that do not comply with that condition should be adjusted.

(49) The Commission and Member States should take all steps necessary to ensure the sound management of rural development programmes. In this context the Commission should carry out adequate measures and controls and the Member States should take measures to guarantee the sound functioning of their management systems.
Member States should reserve a portion of the total position of innovative solutions into practice. The EIP for agricultural productivity and sustainability development programmes. To this end, national rural increasing their involvement in the implementation of together organisations and administrations involved in increasing the amount of each rural development programme devoted assistance at Union level.

The EIP network should be set up in order to network operations for rural development in order to bring together new actions where necessary. The EIP presents new ideas to Member States on how to contribute to the achievement of the Europe systems.

In order to improve its quality and demonstrate its achievements, each rural development programme should be subject to evaluation.

Articles 107, 108 and 109 TFEU should apply to the support for the rural development measures under this Regulation. Nevertheless, given the specific characteristics of the agricultural sector, those TFEU provisions should not apply to rural development measures concerning operations falling within the scope of Article 42 TFEU, that are carried out under and in conformity with this Regulation or to payments made by Member States, intended to provide additional national financing for rural development operations for which Union support is granted and which fall within the scope of Article 42 TFEU.

Moreover, with a view to ensuring consistency with the rural development measures eligible for Union support and in order to simplify procedures, payments made by the Member States, intended to provide additional national financing for rural development operations for which Union support is granted and which fall within the scope of Article 42 TFEU, should be included in the rural development programme for assessment and approval in accordance with the provisions of this Regulation. In order to ensure that additional national financing is not implemented unless it has been authorised by the Commission, the Member States concerned should be precluded from putting its proposed additional financing for rural development into effect until it has been approved. Payments made by Member States intended to provide additional national financing for rural development operations for which Union support is granted and which fall outside the scope of Article 42 TFEU should be notified to the Commission pursuant to Article 108(3) TFEU, unless they fall under a regulation, adopted pursuant to Council Regulation 994/98 (1), and Member States should be precluded from putting them into effect until the notification procedure has resulted in a final approval by the Commission.

In order to provide an efficient and secure exchange of data of common interest as well as to record, maintain and manage key information and report on monitoring and evaluation, an electronic information system should be established.

(59) Union law on the protection of individuals with regard to the processing of personal data and on the free movement of such data, in particular Directive 95/46/EC of the European Parliament and of the Council (1) and Regulation (EC) No 45/2001 of the European Parliament and of the Council (2) should apply.

(60) In order to supplement or amend certain non-essential elements of this Regulation, the power to adopt delegated acts in accordance with Article 290 TFEU should be delegated to the Commission. It is of particular importance that the Commission carry 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.

(61) That empowerment should cover: the conditions under which a legal person is considered to be a young farmer and the setting of a period of grace for the acquisition of skills; the duration and content of farm and forest exchange schemes and farm and forest visits. It should also cover: the specific Union schemes under Article 17(1)(a) and the characteristics of groups of producers and types of actions that may receive support under paragraph 2 of Article 17, as well as the setting of conditions to prevent distortion of competition to prevent discrimination against products and to exclude commercial brands from support.

(62) In addition, that empowerment should cover: the minimum content of business plans and the criteria to be used by Member states for setting the thresholds referred to in Article 19(4); the definition and the minimum environmental requirements for afforestation and the creation of woodland; the conditions applicable to agri-environment-climate commitments to extensify livestock farming, rear local breeds in danger of being lost to farming or preserve plant genetic resources under threat of genetic erosion, as well as the definition of eligible operations for the conservation and for the sustainable use and development of genetic resources. It should also cover: the calculation method to be used in order to avoid double funding of the practices referred to in Article 43 of Regulation (EU) No 1307/2013 for the agri-environment-climate, organic farming, measures under Natura 2000 and measures under the Water Framework Directive; the definition of the areas in which animal welfare commitments shall provide upgraded standards of production methods; the type of operations eligible for support under the conservation and promotion of forest genetic resources; the specification of the characteristics of pilot projects, clusters, networks, short supply chains and local markets that will be eligible for support under the co-operation measure, as well as the conditions for granting aid to the types of operation listed under that measure.

(63) Furthermore, that empowerment should cover: the minimum and maximum duration of commercial loans to mutual funds under the risk management measure under this Regulation; the conditions under which costs related to leasing contracts or second hand equipment may be considered as eligible investment expenditure, as well as the definition of types of renewable energy infrastructure eligible for investment; the conditions applicable to conversion or adjustment of commitments under the measures referred to in Articles 28, 29, 33 and 34, as well as the definition of other situations in which reimbursement of the aid shall not be required. It should also cover: the review of the ceilings set out in Annex I; the conditions under which support approved by the Commission under Regulation (EC) No 1698/2005 may be integrated into support provided for under this Regulation, including for technical assistance and for the ex-post evaluations, in order to facilitate a smooth transition from the system established by Regulation (EC) No 1698/2005 to the system established by this Regulation. In order to take account of the Treaty of Accession of the Republic of Croatia those delegated acts should also cover, for Croatia, the transition from support for rural development under Council Regulation (EC) No 1085/2006 (3), where necessary.

(64) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission, in relation to the content of rural development programmes and national frameworks, the approval of programmes and of modifications thereto, the procedures and timetables for approval of programmes, the procedures and timetables for the approval of modifications to programmes and to national frameworks, including their entry in to force thereto, the procedures and timetables for approval of modifications to programmes and to national frameworks, including their entry in to force and frequency of submission, the rules on payment methods for participants' costs for knowledge transfer and information actions, specific conditions for the implementation of rural development measures, the structure and operation of networks set up by this Regulation, the information and publicity requirements, the adoption of the monitoring and evaluation system and the rules for the operation of the information system, and the rules concerning the presentation of the annual

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implementation reports. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and the Council (1).

(65) The European Data Protection Supervisor was consulted and adopted an opinion on 14 December 2011 (2).

(66) Due to the urgency of preparing the smooth implementation of the measures envisaged, this Regulation should enter into force on the day of its publication in the Official Journal of the European Union.

(67) The new support scheme provided for by this Regulation replaces the support scheme set up by Regulation (EC) No 1698/2003. Regulation (EC) No 1698/2003 should therefore be repealed.

HAVE ADOPTED THIS REGULATION:

TITLE I

OBJECTIVES AND STRATEGY

CHAPTER I

Subject matter and Definitions

Article 1

Subject matter

1. This Regulation lays down general rules governing Union support for rural development, financed by the European Agricultural Fund for Rural Development ("the EAFRD") and established by Regulation (EU) No 1306/2013. It sets out the objectives to which rural development policy is to contribute and the relevant Union priorities for rural development. It outlines the strategic context for rural development policy and defines the measures to be adopted in order to implement rural development policy. In addition, it lays down rules on programming, networking, management, monitoring and evaluation on the basis of responsibilities shared between the Member States and the Commission and rules to ensure coordination of the EAFRD with other Union instruments.

2. This Regulation complements the provisions of Part Two of Regulation (EU) No 1303/2013 of the European Parliament and the Council (3).

Article 2

Definitions

1. For the purposes of this Regulation, the definitions of "programme", "operation", "beneficiary", "community-led local development strategy", "public expenditure", "SMEs", "completed operation" and "financial instruments" as laid down or referred to in Article 2 and of "less developed regions" and "transition regions" as laid down in points (a) and (b) in Article 90(2) of Regulation (EU) No 1303/2013 apply.

In addition, the following definitions shall apply:

(a) "programming": means the process of organisation, decision making and allocation of financial resources in several stages, with the involvement of partners, intended to implement, on a multi-annual basis, joint action by the Union and the Member States to achieve the Union priorities for rural development.

(b) "region" means a territorial unit corresponding to level 1 or 2 of the Nomenclature of territorial units for statistics (NUTS level 1 and 2) within the meaning of Regulation (EC) No 1059/2003 of the European Parliament and of the Council (4);

(c) "measure" means a set of operations contributing to one or more of the Union priorities for rural development;

(d) "support rate" means the rate of public contribution to an operation;

(e) "transaction cost" means an additional cost linked to fulfilling a commitment, but not directly attributable to its implementation or not included in the costs or income foregone that are compensated directly; and which can be calculated on a standard cost basis;

(f) "agricultural area" means any area taken up by arable land, permanent grassland and permanent pasture or permanent crops as defined in Article 4 of Regulation (EU) No 1307/2013;

(g) "economic losses" means any additional cost incurred by a farmer as a result of exceptional measures taken by the farmer with the objective of reducing supply on the market concerned or any substantial loss of production;

(h) "adverse climatic event" means weather conditions, such as frost, storms and hail, ice, heavy rain or severe drought, which can be assimilated to a natural disaster;


(i) "animal diseases" means diseases mentioned in the list of animal diseases established by the World Organisation for Animal Health or in the Annex to Council Decision 2009/470/EC (1);

(j) "environmental incident" means a specific occurrence of pollution, contamination or degradation in the quality of the environment which is related to a specific event and is of limited geographical scope: but does not cover general environmental risks not connected with a specific event, such as climate change or atmospheric pollution;

(k) "natural disaster": means a naturally occurring event of a biotic or abiotic nature that leads to important disturbances in agricultural production systems or forest structures, eventually causing important economic damage to the farming or forestry sectors;

(l) "catastrophic event": means an unforeseen event of a biotic or abiotic nature caused by human action that leads to important disturbances in agricultural production systems or forest structures, eventually causing important economic damage to the farming or forestry sectors;

(m) "short supply chain": means a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers, processors and consumers;

(n) "young farmer": means a person who is no more than 40 years of age at the moment of submitting the application, possesses adequate occupational skills and competence and is setting up for the first time in an agricultural holding as head of that holding;

(o) "thematic objectives": means the thematic objectives defined in Article 9 of Regulation (EU) No 1303/2013.

(p) "Common Strategic Framework" ("CSF"): means the Common Strategic Framework referred to in Article 10 of Regulation (EU) No 1303/2013;

(q) "cluster": means a grouping of independent undertakings, including start-ups, small, medium and large undertakings as well as advisory bodies and/or research organisations - designed to stimulate economic/innovative activity by promoting intensive interactions, the sharing of facilities and the exchange of knowledge and expertise, as well as contributing effectively to knowledge transfer, networking and information dissemination among the undertakings in the cluster;

(r) "forest": means an area of land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ; and does not include land that is predominantly under agricultural or urban land use, subject to paragraph 2.

2. A Member State or region may choose to apply a forest definition, other than the one in point (r) of paragraph 1, based on existing national law or inventory system. The Member States or regions shall provide such definition in the rural development programme;

3. In order to ensure a coherent approach in the treatment of beneficiaries and to take into account the need for an adaptation period, as regards the definition of young farmer laid down in paragraph 1(n), the Commission shall be empowered to adopt delegated acts in accordance with Article 83 concerning the conditions under which a legal person may be considered to be a 'young farmer', and the setting of a grace period for the acquisition of occupational skills.

CHAPTER II
Mission, objectives and priorities

Article 3
Mission
The EAFRD shall contribute to the Europe 2020 Strategy by promoting sustainable rural development throughout the Union in a manner that complements the other instruments of the CAP, the cohesion policy and the common fisheries policy. It shall contribute to the development of a Union agricultural sector that is more territorially and environmentally balanced, climate-friendly and resilient and competitive and innovative. It shall also contribute to the development of rural territories.

Article 4
Objectives
Within the overall framework of the CAP, support for rural development, including for activities in the food and non-food sector and in forestry, shall contribute to achieving the following objectives:

(a) fostering the competitiveness of agriculture;

(b) ensuring the sustainable management of natural resources, and climate action;

(c) achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment.

Article 5

Union priorities for rural development

The achievement of the objectives of rural development, which contribute to the Europe 2020 strategy for smart, sustainable and inclusive growth, shall be pursued through the following six Union priorities for rural development, which reflect the relevant Thematic Objectives of the CSF:

(1) fostering knowledge transfer and innovation in agriculture, forestry, and rural areas with a focus on the following areas:

(a) fostering innovation, cooperation, and the development of the knowledge base in rural areas;

(b) strengthening the links between agriculture, food production and forestry and research and innovation, including for the purpose of improved environmental management and performance;

(c) fostering lifelong learning and vocational training in the agricultural and forestry sectors.

(2) enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests, with a focus on the following areas:

(a) improving the economic performance of all farms and facilitating farm restructuring and modernisation, notably with a view to increasing market participation and orientation as well as agricultural diversification;

(b) facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal.

(3) promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture, with a focus on the following areas:

(a) improving competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply circuits, producer groups and organisations and inter-branch organisations;

(b) supporting farm risk prevention and management.

(4) restoring, preserving and enhancing ecosystems related to agriculture and forestry, with a focus on the following areas:

(a) restoring, preserving and enhancing biodiversity, including in Natura 2000 areas, and in areas facing natural or other specific constraints, and high nature value farming, as well as the state of European landscapes;

(b) improving water management, including fertiliser and pesticide management;

(c) preventing soil erosion and improving soil management.

(5) promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors, with a focus on the following areas:

(a) increasing efficiency in water use by agriculture;

(b) increasing efficiency in energy use in agriculture and food processing;

(c) facilitating the supply and use of renewable sources of energy, of by-products, wastes and residues and of other non food raw material, for the purposes of the bio-economy;

(d) reducing green house gas and ammonia emissions from agriculture;

(e) fostering carbon conservation and sequestration in agriculture and forestry;

(6) promoting social inclusion, poverty reduction and economic development in rural areas, with a focus on the following areas:

(a) facilitating diversification, creation and development of small enterprises, as well as job creation;

(b) fostering local development in rural areas;

(c) enhancing the accessibility, use and quality of information and communication technologies (ICT) in rural areas.
All those priorities shall contribute to the cross-cutting objectives of innovation, environment and climate change mitigation and adaptation. Programmes may address fewer than six priorities if justified on the basis of the analysis of the situation in terms of strengths, weaknesses, opportunities and threats ("the SWOT") and the ex ante evaluation. At least four priorities shall be addressed by each programme. When a Member State submits a national programme and a set of regional programmes, the national programme may address fewer than four priorities.

Other focus areas may be included in programmes in order to pursue one of the priorities if justified and measurable.

TITLE II
PROGRAMMING
CHAPTER I
Programming content
Article 6

Rural development programmes
1. The EAFRD shall act in the Member States through rural development programmes. Those programmes shall implement a strategy to meet the Union priorities for rural development through a set of measures as defined in Title III. Support from the EAFRD shall be sought for the achievement of the objectives of rural development pursued through Union priorities.

2. A Member State may submit either a single programme for its entire territory or a set of regional programmes. Alternatively, in duly justified cases, it may submit a national programme and a set of regional programmes. If a Member State submits a national programme and a set of regional programmes, measures and/or types of operations shall be programmed either at national level or at regional level, and coherence between the strategies of the national and regional programmes shall be ensured.

3. Member States with regional programmes may also submit, for approval in accordance with Article 10(2), a national framework containing common elements for these programmes without a separate budgetary allocation.

National frameworks of Member States with regional programmes may also contain a table summarising, by region and by year, the total EAFRD contribution to the Member State concerned for the whole programming period.

Article 7

Thematic sub-programmes
1. With the aim of contributing to the achievement of the Union priorities for rural development, Member States may include within their rural development programmes thematic sub-programmes that address specific needs. Such thematic sub-programmes may, inter alia, relate to:

(a) young farmers;

(b) small farms as referred to in the third subparagraph of Article 19(2);

(c) mountain areas as referred to in Article 32(2);

(d) short supply chains;

(e) women in rural areas;

(f) climate change mitigation and adaptation and biodiversity.

An indicative list of measures and types of operations of particular relevance to each thematic sub-programme is set out in Annex IV.

2. Thematic sub-programmes may also address specific needs relating to the restructuring of agricultural sectors with a significant impact on the development of a specific rural area.

3. The support rates laid down in Annex II may be increased by 10 additional percentage points for operations supported in the framework of thematic sub-programmes concerning small farms and short supply chains, climate change mitigation and adaptation and biodiversity. In the case of young farmers and mountain areas, the maximum support rates may be increased in accordance with Annex II. However, the maximum combined support rate shall not exceed 90 %.

Article 8

Content of rural development programmes
1. In addition to the elements referred to in Article 27 of Regulation (EU) No 1303/2013, each rural development programme shall include:

(a) the ex ante evaluation referred to in Article 55 of Regulation (EU) No 1303/2013;

(b) a SWOT analysis of the situation and an identification of the needs that have to be addressed in the geographical area covered by the programme.

The analysis shall be structured around the Union priorities for rural development. Specific needs concerning the environment, climate change mitigation and adaptation and innovation shall be assessed across Union priorities for rural development, in order to identify relevant responses in these three areas at the level of each priority;
Union priorities for rural development, Member States may program. Programmes may also contain a table summarising, by region, national framework containing common elements for these submit, for approval in accordance with Article 10(2), a coherence between the strategies of the national and regional programmes, measures and/or types of operations shall be State submits a national programme and a set of regional programmes. Alter priorities if justified on the basis of the analysis of the situation. Programmes may address fewer than six programmes, the national programme may address fewer than four priorities.

1. The EAFRD shall act in the Member States through rural development programmes; the EAFRD shall be sought for the achievement of the objectives through a set of measures as defined in Title III. Support from a strategy to meet the Union priorities for rural development, in order to identify relevant responses in these three areas at the level of each priority; for rural development, in order to identify relevant environment, climate change mitigation and adaptation. Programmes shall contribute to the cross-cutting and innovation shall be assessed across Union priorities for rural development, including the EIP for agricultural productivity and sustainability, towards the environment, including the specific needs of Natura 2000 areas, and towards climate change mitigation and adaptation is integrated into the programme.

2. Each programme shall include:

- (a) an appropriate approach towards innovation with a view to achieving the Union priorities for rural development, including the EIP for agricultural productivity and sustainability, towards the environment, including the specific needs of Natura 2000 areas, and towards climate change mitigation and adaptation is integrated into the programme;
- (b) measures have been taken to ensure the availability of sufficient advisory capacity on the regulatory requirements and on actions related to innovation;
- (c) for each ex ante conditionality, established in accordance with Article 19, and part II of Annex XI to Regulation (EU) No 1303/2013 for the general ex ante conditionality, and in accordance with Annex V to this Regulation, an assessment of which of the ex ante conditionality are applicable to the programme and which of them are fulfilled at the date of submission of the Partnership Agreement and the programme. Where the applicable ex ante conditionality are not fulfilled, the programme shall contain a description of the actions to be taken, the bodies responsible and a timetable for such actions in accordance with the summary submitted in the Partnership Agreement.
- (d) a description of the performance framework established for the purpose of Article 21 of Regulation (EU) No 1303/2013;
- (e) a description of each of the measures selected;
- (f) the evaluation plan referred to in Article 56 of Regulation (EU) No 1303/2013. The Member States shall provide sufficient resources to address the needs which have been identified and to ensure proper monitoring and evaluation;
- (g) a financing plan comprising:
  - (i) a table setting out, in accordance with Article 58(4), the total EAFRD contribution planned for each year. When applicable this table shall indicate separately within the total EAFRD contribution the appropriations provided for the less developed regions and the funds transferred to the EAFRD in application of Article 7(2) of Regulation (EU) No 1307/2013. The planned annual EAFRD contribution shall be compatible with the Multi-annual Financial Framework;
  - (ii) a table setting out, for each measure, for each type of operation with a specific EAFRD contribution rate and for technical assistance, the total Union contribution planned and the applicable EAFRD contribution rate. Where applicable, this table shall indicate separately the EAFRD contribution rate for less developed regions and for other regions;
  - (iii) the provisions to ensure that the programme is publicised, including through the national rural network referred to in Article 54;
  - (iv) a description of the approach laying down principles with regard to the establishment of selection criteria for operations and local development strategies that takes into account relevant targets; in this context Member States may provide for priority to be given to SMEs linked to the agriculture and forestry sector.
  - (j) where applicable, a table on additional national financing per measure in accordance with Article 82;
  - (k) where applicable, the list of aid schemes falling under Article 81(1) to be used for the implementation of the programmes;
  - (l) information on the complementarity with measures financed by the other common agricultural policy instruments, and by the European Structural and Investment Funds ("ESI");
  - (m) programme implementing arrangements including:
    - (i) the designation by the Member State of all authorities referred to in Article 63(2) and, for information, a summary description of the management and control structure;
    - (ii) a description of the monitoring and evaluation procedures, as well as the composition of the Monitoring Committee;
    - (iii) the provisions to ensure that the programme is publicised, including through the national rural network referred to in Article 54;
(v) in relation to local development, where applicable, a description of the mechanisms to ensure coherence between activities envisaged under the local development strategies, the "Cooperation" measure referred to in Article 35, and the "Basic services and village renewal in rural areas" measure referred to in Article 20 including urban-rural links;

(n) the actions taken to involve the partners referred to in Article 5 of Regulation (EU) No 1303/2013 and a summary of the results of the consultation of the partners;

(o) where applicable, the structure of the national rural network as referred to in Article 54(3), and provisions for its management, which would constitute the basis for its annual actions plans.

2. Where thematic sub-programmes are included in a rural development programme, each sub-programme shall include:

(a) a specific analysis of the situation based on SWOT methodology and an identification of the needs that are to be addressed by the sub-programme;

(b) specific targets at sub-programme level and a selection of measures, based on a thorough definition of the intervention logic of the sub-programme, including an assessment of the expected contribution of the measures chosen to achieve the targets;

(c) a separate specific indicator plan, with planned outputs and planned expenditure for each rural development measure selected in relation to a corresponding focus area.

3. The Commission shall adopt implementing acts laying down rules for the presentation of the elements described in paragraphs 1 and 2 in rural development programmes and rules for the content of national frameworks referred to in Article 6(3). Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

CHAPTER II
Preparation, approval and modification of rural development programmes

Article 9
Ex ante conditionalities

In addition to the general ex ante conditionalities, referred to in part II of Annex XI to Regulation (EU) No 1303/2013, the ex ante conditionalities referred to in Annex V to this Regulation shall apply to the EAFRD programming, if relevant and applicable to the specific objectives pursued within the priorities of the programme.

Article 10
Approval of rural development programmes

1. Member States shall submit to the Commission a proposal for each rural development programme, containing the information referred to in Article 8.

2. Each rural development programme shall be approved by the Commission by means of an implementing act

Article 11
Amendment of rural development programmes

Requests by Member States to amend programmes shall be approved in accordance with the following procedures:

(a) The Commission shall decide, by means of implementing acts, on requests to amend programmes that concern one or more of the following:

(i) a change in the programme strategy through a change of more than 50 % in the quantified target linked to a focus area;

(ii) a change in the EAFRD contribution rate of one or more measures;

(iii) a change of the entire Union contribution or its annual distribution at programme level;

(b) The Commission shall approve, by means of implementing acts, requests to amend the programme in all other cases. These shall include, in particular:

(i) the introduction or withdrawal of measures or types of operations;

(ii) changes in the description of measures, including changes of eligibility conditions;

(iii) a transfer of funds between measures implemented under different EAFRD contribution rates;

However, for the purposes of points (b)(i) and (ii), and point (b)(iii) where the transfer of funds concerns less than 20 % of the allocation to a measure and less than 5 % of the total EAFRD contribution to the programme, the approval shall be deemed to be given, if the Commission has not taken a decision on the request after a period of 42 working days from the receipt of the request. That period shall not include the period starting on the day following the date on which the Commission has sent its observations to the Member State and ending on the day that the Member State responded to the observations.
(c) The approval of the Commission shall not be required for corrections of a purely clerical or editorial nature that do not affect the implementation of the policy and the measures. Member States shall inform the Commission of such amendments.

Article 12

Rules on procedures and timetables

The Commission shall adopt implementing acts, laying down rules on procedures and timetables for:

(a) the approval of rural development programmes and national frameworks;

(b) the submission and approval of proposals for amendments to rural development programmes and proposals for amendments to national frameworks, including their entry into force and the frequency with which they are to be submitted during the programming period.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

TITLE III

RURAL DEVELOPMENT SUPPORT

CHAPTER I

Measures

Article 13

Measures

Each rural development measure shall be programmed to contribute specifically to the achievement of one or more Union priorities for rural development. An indicative list of measures of particular relevance to the Union priorities is set out in Annex VI.

Article 14

Knowledge transfer and information actions

1. Support under this measure shall cover vocational training and skills acquisition actions, demonstration activities and information actions. Vocational training and skills acquisition actions may include training courses, workshops and coaching.

Support may also cover short-term farm and forest management exchanges as well as farm and forest visits.

2. Support under this measure shall be for the benefit of persons engaged in the agricultural, food and forestry sector, land managers and other economic actors which are SMEs operating in rural areas.

The training or other knowledge transfer and information action provider shall be the beneficiary of the support.

3. Support under this measure shall not include courses of instruction or training, which form part of normal education programmes or systems at secondary or higher levels.

Bodies providing knowledge transfer and information services shall have the appropriate capacities in the form of staff qualifications and regular training to carry out this task.

4. Eligible costs under this measure shall be the costs of organising and delivering the knowledge transfer or information action. In the case of demonstration projects, support may also cover relevant investment costs. Costs for travel, accommodation and per diem expenses of participants as well as the cost of the replacement of farmers shall also be eligible for support. All costs identified under this paragraph shall be paid to the beneficiary.

5. In order to ensure that farm and forest exchange schemes and visits are clearly demarcated in relation to similar actions under other Union schemes, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 concerning the duration and content of farm and forest exchange schemes and farm and forest visits.

6. The Commission shall adopt implementing acts laying down the rules on payment modalities for participants’ costs, including through the use of vouchers or other similar forms.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

Article 15

Advisory services, farm management and farm relief services

1. Support under this measure shall be granted in order to:

(a) help farmers, young farmers as defined in this Regulation, forest holders, other land managers and SMEs in rural areas benefit from the use of advisory services for the improvement of the economic and environmental performance as well as the climate friendliness and resilience of their holding, enterprise and/or investment;
(b) promote the setting up of farm management, farm relief and farm advisory services, as well as forestry advisory services, including the Farm Advisory System referred to in Articles 12 to 14 of Regulation (EU) No 1306/2013;  

(c) promote the training of advisors.

2. The beneficiary of support provided in paragraph 1(a) and (c) shall be the provider of advice or training. Support under paragraph 1(b) shall be granted to the authority or body selected to set up the farm management, farm relief, farm advisory or forestry advisory service.

3. The authorities or bodies selected to provide advice shall have appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields in which they advise. The beneficiaries under this measure shall be chosen through calls for tenders. The selection procedure shall be governed by public procurement law and shall be open to both public and private bodies. It shall be objective and shall exclude candidates with conflicts of interest.

When providing advice, advisory services shall respect the non-disclosure obligations referred to in Article 13(2) of Regulation (EU) No 1306/2013.

4. Advice to the individual farmers, young farmers as defined in this Regulation and other land managers shall be linked to at least one Union priority for rural development and shall cover as a minimum one of the following elements:

(a) obligations at farm level deriving from the statutory management requirements and/or standards for good agricultural and environmental conditions provided for in Chapter I of Title VI of Regulation (EU) No 1306/2013;

(b) where applicable, the agricultural practices beneficial for the climate and the environment as laid down in Chapter 3 of Title III of Regulation (EU) No 1307/2013 and the maintenance of the agricultural area as referred to in point (c) of Article 4(1) of Regulation (EU) No 1307/2013;

(c) measures at farm level provided for in rural development programmes aiming at farm modernisation, competitiveness building, sectoral integration, innovation and market orientation, as well as the promotion of entrepreneurship;

(d) requirements as defined by Member States for implementing Article 11(3) of the Water Framework Directive;

(e) requirements as defined by Member States, for implementing Article 55 of Regulation (EC) No 1107/2009, in particular compliance with the general principles of integrated pest management as referred to in Article 14 of Directive 2009/128/EC; or

(f) where relevant, occupational safety standards or safety standards linked to the farm;

(g) specific advice for farmers setting up for the first time.

Advice may also cover other issues and in particular the information related to climate change mitigation and adaptation, biodiversity and the protection of water as laid down in Annex I to Regulation (EU) No 1307/2013 or issues linked to the economic and environmental performance of the agricultural holding, including competitiveness aspects. This may include advice for the development of short supply chains, organic farming and health aspects of animal husbandry.

5. Advice to forest holders shall cover, as a minimum, the relevant obligations under Directives 92/43/EEC, 2009/147/EC and the Water Framework Directive. It may also cover issues linked to the economic and environmental performance of the forest holding.

6. Advice to SMEs may cover issues linked to the economic and environmental performance of the enterprise.

7. Where duly justified and appropriate, advice may be provided partly in a group, while taking into account the situations of the individual user of advisory services.

8. Support under points (a) and (c) of paragraph 1 shall be limited to the maximum amounts laid down in Annex II. Support under point (b) of paragraph 1 shall be degressive over a maximum period of five years from setting up.

Article 16

Quality schemes for agricultural products, and foodstuffs

1. Support under this measure shall cover new participation by farmers and groups of farmers in:

(a) quality schemes established under the following Regulations and provisions:
(ii) Council Regulation (EC) No 834/2007 (\(^{\text{1}}\));


(iv) Council Regulation (EEC) No 1601/91 (\(^{\text{3}}\));

(v) Part II, Title II, Chapter I, Section 2 of Council Regulation (EU) No 1308/2013 as concerns wine.

(b) quality schemes, including farm certification schemes, for agricultural products, cotton or foodstuffs, recognised by the Member States as complying with the following criteria:

(i) the specificity of the final product under such schemes is derived from clear obligations to guarantee any of the following:

— specific product characteristics,

— specific farming or production methods, or

— a quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;

(ii) the scheme is open to all producers;

(iii) the scheme involves binding product specifications and compliance with those specifications is verified by public authorities or by an independent inspection body;

(iv) the scheme is transparent and assures complete traceability of products; or

(c) voluntary agricultural product certification schemes recognised by the Member States as meeting the Union best practice guidelines for the operation of voluntary certification schemes relating to agricultural products and foodstuffs.

2. Support under this measure may also cover costs arising from information and promotion activities implemented by groups of producers in the internal market, concerning products covered by a quality scheme receiving support in accordance with paragraph 1.

3. Support under paragraph 1 shall be granted as an annual incentive payment, the level of which shall be determined according to the level of the fixed costs arising from participation in supported schemes, for a maximum duration of five years.

For the purposes of this paragraph, "fixed costs" means the costs incurred for entering a supported quality scheme and the annual contribution for participating in that scheme, including, where necessary, expenditure on checks required to verify compliance with the specifications of the scheme.

For the purposes of this Article, "farmer" means active farmer within the meaning of Article 9 of Regulation (EU) No 1307/2013.

4. Support shall be limited to the maximum support rate and amount laid down in Annex II.

5. In order to take into account new Union law that may affect support under this measure and in order to ensure consistency with other Union instruments on promotion of agricultural measures and prevent distortion of competition, the Commission shall be empowered to adopt delegated acts, in accordance with Article 83 concerning, the specific Union schemes to be covered by point (a) of paragraph 1 and the characteristics of groups of producers and the types of actions that may receive support under paragraph 2, the setting of conditions to prevent discrimination against certain products; and the setting of conditions on the basis of which commercial brands are to be excluded from support.

\textbf{Article 17}

\textbf{Investments in physical assets}

1. Support under this measure shall cover tangible and/or intangible investments which:

(a) improve the overall performance and sustainability of the agricultural holding;

(b) concern the processing, marketing and/or development of agricultural products covered by Annex I to the Treaty or cotton, except fishery products; the output of the production process may be a product not covered by that Annex;
(c) concern infrastructure related to the development, modernisation or adaptation of agriculture and forestry, including access to farm and forest land, land consolidation and improvement, and the supply and saving of energy and water; or

(d) are non-productive investments linked to the achievement of agri-environment-climate objectives as pursued under this regulation, including biodiversity conservation status of species and habitat as well as enhancing the public amenity value of a Natura 2000 area or other high nature value systems to be defined in the programme.

2. Support under point (a) of paragraph 1 shall be granted to farmers or groups of farmers.

In the case of investments to support farm restructuring, Member States shall target the support to farms in accordance with the SWOT analysis carried out in relation to the Union priority for rural development "enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forests".

3. Support under points (a) and (b) of paragraph 1 shall be limited to the maximum support rates laid down in Annex II. Those maximum rates may be increased for young farmers, for collective investments, including those linked to a merger of Producer Organisations, and for integrated projects involving support under more than one measure, for investments in areas facing natural and other specific constraints as referred to in Article 32, for investments linked to operations under Articles 28 and 29 and for operations supported in the framework of the EIP for agricultural productivity and sustainability in accordance with the support rates laid down in Annex II. However, the maximum combined support rate may not exceed 90%.

4. Support under points (c) and (d) of paragraph 1 shall be subject to the support rates laid down in Annex II.

5. Support may be granted to young farmers setting up for the first time in an agricultural holding as head of the holding in respect of investments to comply with Union standards applying to agricultural production, including occupational safety. Such support may be provided for a maximum of 24 months from the date of setting up.

6. Where Union law imposes new requirements on farmers support may be granted for investments to comply with those requirements for a maximum of 12 months from the date on which they become mandatory for the agricultural holding.

Article 18

Restoring agricultural production potential damaged by natural disasters and catastrophic events and introduction of appropriate prevention actions

1. Support under this measure shall cover:

(a) investments in preventive actions aimed at reducing the consequences of probable natural disasters, adverse climatic events and catastrophic events;

(b) investments for the restoration of agricultural land and production potential damaged by natural disasters, adverse climatic events and catastrophic events.

2. Support shall be granted to farmers or groups of farmers. Support may also be granted to public entities where a link between the investment undertaken by such entities and agricultural production potential is established.

3. Support under point (b) of paragraph 1 shall be subject to the formal recognition by the competent public authorities of Member States that a natural disaster has occurred and that this disaster or measures adopted in accordance with Council Directive 2000/29/EC (1) to eradicate or contain a plant disease or pest has caused the destruction of at least 30% of the relevant agricultural potential.

4. No support under this measure shall be granted for loss of income resulting from the natural disaster or catastrophic event.

Member States shall ensure that overcompensation as a result of the combination of this measure and other national or Union support instruments or private insurance schemes is avoided.

5. Support under point (a) of paragraph 1 shall be limited to the maximum support rates laid down in Annex II.

Article 19

Farm and business development

1. Support under this measure shall cover:

(a) business start-up aid for:

(i) young farmers;

(ii) non-agricultural activities in rural areas;

(iii) the development of small farms;

(b) investments in creation and development of non-agricultural activities;

(c) annual payments or one-off payments for farmers eligible for the small farmers scheme established by Title V of Regulation (EU) No 1307/2013 ("the small farmers scheme") who permanently transfer their holding to another farmer;

2. Support under point (a)(i) of paragraph 1 shall be granted to young farmers.

Support under point (a)(ii) of paragraph 1 shall be granted to farmers or members of a farm household who diversify into non-agricultural activities and to micro- and small- enterprises and natural persons in rural areas.

Support under point (a)(iii) of paragraph 1 shall be granted to small farms as defined by Member States.

Support under point (b) of paragraph 1 shall be granted to micro- and small enterprises and natural persons in rural areas, as well as to farmers or members of a farm household.

Support under point (c) of paragraph 1 shall be granted to farmers eligible to participate in the small farmers scheme who, at the time of submitting their application for support, have been so eligible for at least one year and who undertake to permanently transfer their entire holding and the corresponding payment entitlements to another farmer. Support shall be paid from the date of the transfer until 31 December 2020 or calculated in respect of that period and paid in the form of a one-off payment.

3. Any natural or legal person or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, may be considered to be a member of a farm household, with the exception of farm workers. Where a legal person or a group of legal persons is considered to be a member of the farm household, that member must exercise an agricultural activity on the farm at the time of the support application.

4. Support under point (a) of paragraph 1 shall be conditional on the submission of a business plan. Implementation of the business plan must start within nine months from the date of the decision granting the aid.

For young farmers receiving support under point (a)(i) of paragraph 1, the business plan shall provide that the young farmer complies with Article 9 of Regulation (EU) No 1307/2013, regarding active farmers within 18 months from the date of setting up.

5. Support under point (a) of paragraph 1 shall be paid in at least two instalments over a period of maximum five years. Instalments may be degressive. The payment of the last instalment, under points (a)(i) and (a)(ii) of paragraph 1 shall be conditional upon the correct implementation of the business plan.

6. The maximum amount of support under point (a) of paragraph 1 is laid down in Annex II. Member States shall define the amount of support under points (a)(i) and (a)(ii) of paragraph 1 also taking into account the socio-economic situation of the programme area.

7. Support under point (c) of paragraph 1 shall be equal to 120 % of the annual payment that the beneficiary is eligible to receive under the small farmers scheme.

8. In order to ensure the efficient and effective use of EAFRD resources, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 laying down the minimum content of business plans and the criteria to be used by Member states for setting the thresholds referred to in paragraph 4 of this Article.

**Article 20**

**Basic services and village renewal in rural areas**

1. Support under this measure shall cover, in particular:

- (a) the drawing up and updating of plans for the development of municipalities and villages in rural areas and their basic services and of protection and management plans relating to Natura 2000 sites and other areas of high nature value;

- (b) investments in the creation, improvement or expansion of all types of small scale infrastructure, including investments in renewable energy and energy saving;

- (c) broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and public e-government solutions;

- (d) investments in the setting up, improvement or expansion of local basic services for the rural population, including leisure and culture, and the related infrastructure;
(e) investments for public use in recreational infrastructure, tourist information and small scale tourism infrastructure;

(f) studies and investments associated with the maintenance, restoration and upgrading of the cultural and natural heritage of villages, rural landscapes and high nature value sites, including related socio-economic aspects, as well as environmental awareness actions;

(g) investments targeting the relocation of activities and conversion of buildings or other facilities located within or close to rural settlements, with a view to improving the quality of life or increasing the environmental performance of the settlement.

2. Support under this measure shall only concern small-scale infrastructure, as defined by each Member State in the programme. However, rural development programmes may provide for specific derogations from this rule for investments in broadband and renewable energy. In this case, clear criteria ensuring complementarity with support under other Union instruments shall be provided.

3. Investments under paragraph 1 shall be eligible for support where the relevant operations are implemented in accordance with plans for the development of municipalities and villages in rural areas and their basic services, where such plans exist and shall be consistent with any relevant local development strategy.

Article 21
Investments in forest area development and improvement of the viability of forests

1. Support under this measure shall concern:

(a) afforestation and creation of woodland;

(b) establishment of agroforestry systems;

(c) prevention and restoration of damage to forests from forest fires, natural disasters and catastrophic events, including pest and disease outbreaks, and climate related threats;

(d) investments improving the resilience and environmental value as well as the mitigation potential of forest ecosystems;

(e) investments in forestry technologies and in the processing, the mobilising and the marketing of forest products.

2. Limitations on ownership of forests provided for in Articles 22 to 26 shall not apply to the tropical or subtropical forests and to the wooded areas of the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands within the meaning of Council Regulation (EEC) No 2019/93 (1) and the French overseas departments.

For holdings above a certain size, to be determined by the Member States in the programme, support shall be conditional on the presentation of the relevant information from a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Ministerial Conference on the Protection of Forests in Europe of 1993.

Article 22
Afforestation and creation of woodland

1. Support under point (a) of Article 21(1) shall be granted to public and private land-holders and their associations and shall cover the costs of establishment and an annual premium per hectare to cover the costs of agricultural income foregone and maintenance, including early and late cleanings, for a maximum period of twelve years. In the case of state-owned land, support may only be granted if the body managing such land is a private body or a municipality.

Support for afforestation of land owned by public authorities or for fast growing trees shall cover only the costs of establishment.

2. Both agricultural and non-agricultural land shall be eligible. Species planted shall be adapted to the environmental and climatic conditions of the area and shall comply with minimum environmental requirements. No support shall be granted for the planting of trees for short rotation coppicing, Christmas trees or fast growing trees for energy production. In areas where afforestation is made difficult by severe pedo-climatic conditions support may be provided for planting other perennial woody species such as shrubs or bushes suitable to the local conditions.

3. In order to ensure that afforestation of agricultural land is in line with the aims of environmental policy, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 concerning the definition of the minimum environmental requirements referred to in paragraph 2 of this Article.

Article 23
Establishment of agroforestry systems

1. Support under point (b) of Article 21(1) shall be granted to private land-holders, municipalities and their associations and shall cover the costs of establishment and an annual premium per hectare to cover the costs of maintenance for a maximum period of five years.

2. Both agricultural and non-agricultural land shall be eligible. Species planted shall be adapted to the environmental and climatic conditions of the area and shall comply with minimum environmental requirements. No support shall be granted for the planting of trees for short rotation coppicing, Christmas trees or fast growing trees for energy production. In areas where afforestation is made difficult by severe pedo-climatic conditions support may be provided for planting other perennial woody species such as shrubs or bushes suitable to the local conditions.

3. In order to ensure that afforestation of agricultural land is in line with the aims of environmental policy, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 concerning the definition of the minimum environmental requirements referred to in paragraph 2 of this Article.

2. For the purposes of this Article, agroforestry systems means land use systems in which trees are grown in combination with agriculture on the same land. The minimum and maximum number of trees per hectare shall be determined by the Member States taking account of local pedo-climatic and environmental conditions, forestry species and the need to ensure sustainable agricultural use of the land.

3. Support shall be limited to the maximum support rate laid down in Annex II.

Article 24
Prevention and restoration of damage to forests from forest fires and natural disasters and catastrophic events

1. Support under point (c) Article 21(1) shall be granted to private and public forest-holders and other private law and public bodies and their associations and shall cover the costs for:

(a) the establishment of protective infrastructure. In the case of firebreaks, support may also cover aid contributing to maintenance costs. No support shall be granted to agricultural related activities in areas covered by agri-environment commitments;

(b) local, small scale prevention activities against fire or other natural hazards; including the use of grazing animals;

(c) establishing and improving forest fire, pest and diseases monitoring facilities and communication equipment; and

(d) restoring forest potential damaged from fires and other natural disasters including pests, diseases as well as catastrophic events and climate change related events.

2. In the case of preventive actions concerning pests and diseases, the risk of a relevant disaster occurrence must be supported by scientific evidence and acknowledged by scientific public organisations. Where relevant, the list of species of organisms harmful to plants which may cause a disaster must be provided in the programme.

Eligible operations shall be consistent with the forest protection plan established by the Member States. For holdings above a certain size, to be determined by the Member States in the programme, support shall be conditional on the presentation of the relevant information from a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Ministerial Conference on the Protection of Forests in Europe of 1993 detailing the preventive objectives.

3. Support under point (d) of paragraph 1 shall be subject to the formal recognition by the competent public authorities of Member States that a natural disaster has occurred and that that disaster, or measures adopted in accordance with Directive 2000/29/EC to eradicate or contain a plant disease or pest has caused the destruction of at least 20% of the relevant forest potential.

4. No support under this measure shall be granted for loss of income resulting from the natural disaster.

Member States shall ensure that overcompensation as a result of the combination of this measure and other national or Union support instruments or private insurance schemes is avoided.

Article 25
Investments improving the resilience and environmental value of forest ecosystems

1. Support under point (d) of Article 21(1) shall be granted to natural persons, private and public forest-holders, and other private law and public bodies and their associations.

2. Investments shall be aimed at the achievement of commitments for environmental aims, for the provision of ecosystem services and/or for the enhancement of the public amenity value of forest and wooded land in the area concerned or the improvement of the climate change mitigation potential of ecosystems, without excluding economic benefits in the long term.

Article 26
Investments in forestry technologies and in processing, in mobilising and in the marketing of forest products

1. Support under point (e) of Article 21(1) shall be granted to private forest-holders, municipalities and their associations and to SMEs for investments enhancing forestry potential or relating to processing, mobilising and marketing adding value to forest products. In the territories of the Azores, Madeira, the Canary islands, the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 and the French overseas departments support may also be granted to enterprises that are not SMEs.

2. Investments related to the improvement of the economic value of forests shall be justified in relation to expected improvements to forests on one or more holdings and may include investments for soil-friendly and resource-friendly harvesting machinery and practices.
3. Investments related to the use of wood as a raw material or energy source shall be limited to all working operations prior to industrial processing.

4. Support shall be limited to the maximum support rates laid down in Annex II.

**Article 27**

**Setting up of producer groups and organisations**

1. Support under this measure shall be granted in order to facilitate the setting up of producer groups and organisations in the agriculture and forestry sectors for the purpose of:

(a) adapting the production and output of producers who are members of such groups or organisations to market requirements;

(b) jointly placing goods on the market, including preparation for sale, centralisation of sales and supply to bulk buyers;

(c) establishing common rules on production information, with particular regard to harvesting and availability; and

(d) other activities that may be carried out by producer groups and organisations, such as the development of business and marketing skills and the organisation and facilitation of the innovation processes.

2. Support shall be granted to producer groups and organisations which are officially recognised by a Member State’s competent authority on the basis of a business plan. It shall be limited to producer groups and organisations that are SMEs.

Member States shall verify that the objectives of the business plan have been reached within five years after recognition of the producer group or organisation.

3. Support shall be paid on the basis of a business plan as a flat rate aid in annual instalments for no more than five years following the date on which the producer group or organisation was recognised, and shall be degressive. It shall be calculated on the basis of the annual marketed production of the group or organisation. Member States shall pay the last instalment only after having verified the correct implementation of the business plan.

In the first year Member States may pay support to the producer group or organisation calculated on the basis of the average marketed production of the members of the group or organisation over the last five years before the recognition, excluding the highest and the lowest value.

4. Support shall be limited to the maximum rates and amounts laid down in Annex II.

5. Member States may continue support for setting up of producer groups even after they have been recognised as producer organisations under the conditions of Regulation (EU) No 1308/2013 (1).

**Article 28**

**Agri-environment-climate**

1. Member States shall make support under this measure available throughout their territories, in accordance with their national, regional or local specific needs and priorities. This measure shall aim to preserve and promote the necessary changes to agricultural practices that make a positive contribution to the environment and climate. Its inclusion in rural development programmes shall be compulsory at national and/or regional level.

2. Agri-environment-climate payments shall be granted to farmers, groups of farmers or groups of farmers and other land-managers who undertake, on a voluntary basis, to carry out operations consisting of one or more agri-environment-climate commitments on agricultural land to be defined by Member States, including but not limited to the agricultural area defined under Article 2 of this Regulation. Where duly justified to achieve environmental objectives, agri-environment-climate payments may be granted to other land-managers or groups of other land-managers.

3. Agri-environment-climate payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No 1306/2013, the relevant criteria and minimum activities as established pursuant to points (c)(iii) and (c)(iii) of Article 4(1) of Regulation (EU) No 1307/2013, and relevant minimum requirements for fertiliser and plant protection products use as well as other relevant mandatory requirements established by national law. All such mandatory requirements shall be identified in the programme.

4. Member States shall endeavour to ensure that persons undertaking to carry out operations under this measure are provided with the knowledge and information required to implement such operations. They may do so through, inter alia, commitment-related expert advice and/or by making support under this measure conditional on obtaining relevant training.

5. Commitments under this measure shall be undertaken for a period of five to seven years. However, where necessary in order to achieve or maintain the environmental benefits sought, Member States may determine a longer period in their rural development programmes for particular types of commitments, including by means of providing for their annual extension after the termination of the initial period. For new commitments directly following the commitment performed in the initial period, Member States may determine a shorter period in their rural development programmes.

6. Payments shall be granted annually and shall compensate beneficiaries for all or part of the additional costs and income foregone resulting from the commitments made. Where necessary, they may also cover transaction costs up to a value of 20 % of the premium paid for the agri-environment-climate commitments. Where commitments are undertaken by groups of farmers or groups of farmers and other land managers, the maximum level shall be 30 %.

When calculating the payments referred to in the first sub-paragraph, Member States shall deduct the amount necessary in order to exclude double funding of the practices referred to in Article 43 of Regulation (EU) No 1306/2013.

In duly justified cases for operations concerning environmental conservation, support may be granted at a flat-rate or as a one-off payment per unit for commitments to renounce commercial use of areas, calculated on the basis of additional costs incurred and income foregone.

7. Where required in order to ensure the efficient application of the measure, Member States may use the procedure referred to in Article 49(3) for the selection of beneficiaries.

8. Support shall be limited to the maximum amounts laid down in Annex II.

No support under this measure may be granted for commitments that are covered under the organic farming measure.

9. Support may be provided for the conservation and for the sustainable use and development of genetic resources in agriculture for operations not covered by the provisions under paragraphs 1 to 8. Such commitments may be carried out by beneficiaries other than those referred to in paragraph 2.

10. In order to ensure that agri-environment-climate commitments are defined in accordance with the Union priorities for rural development, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 concerning the following:

(a) the conditions applicable to commitments to extensify livestock farming;

(b) the conditions applicable to commitments to rear local breeds that are in danger of being lost to farming or to preserve plant genetic resources that are under threat of genetic erosion, and

(c) the definition of eligible operations under paragraph 9.

11. In order to ensure that double funding, as referred to in the second subparagraph of paragraph 6 is excluded, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 laying down the calculation method to be used, including in the case of equivalent measures under Article 43 of Regulation (EU) No 1306/2013.

**Article 29**

**Organic farming**

1. Support under this measure shall be granted, per hectare of agricultural area, to farmers or groups of farmers who undertake, on a voluntary basis, to convert to or maintain organic farming practices and methods as defined in Regulation (EC) No 834/2007 and who are active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013.

2. Support shall only be granted for commitments going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No 1306/2013, the relevant criteria and minimum activities as established pursuant to points (c)(ii) and (c)(iii) of Article 4(1) of Regulation (EU) No DP/2013, relevant minimum requirements for fertiliser and plant protection products use as well as other relevant mandatory requirements established by national law. All such requirements shall be identified in the programme.

3. Commitments under this measure shall be made for a period of five to seven years. Where support is granted for conversion to organic farming Member States may determine a shorter initial period corresponding to the period of conversion. Where support is granted for the maintenance of organic farming, Member States may provide in their rural development programmes for annual extension after the termination of the initial period. For new commitments concerning maintenance that directly follow the commitment performed in the initial period, Member States may determine a shorter period in their rural development programmes.

4. Payments shall be granted annually and shall compensate beneficiaries for all or part of the additional costs and income foregone resulting from the commitments made. Where necessary they may also cover transaction costs to a value of up to 20 % of the premium paid for the commitments. Where commitments are undertaken by groups of farmers, the maximum level shall be 30 %.

When calculating the payments referred to in the first sub-paragraph, Member States shall deduct the amount necessary in order to exclude double funding of the practices referred to in Article 43 of Regulation (EU) No 1307/2013.
5. Support shall be limited to the maximum amounts laid down in Annex II.

6. In order to ensure that double funding, as referred to in the second subparagraph of paragraph 4 is excluded, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 laying down the calculation method to be used.

Natura 2000 and Water Framework Directive payments

1. Support under this measure shall be granted annually per hectare of agricultural area or per hectare of forest in order to compensate beneficiaries for additional costs and income foregone resulting from disadvantages in the areas concerned, related to the implementation of Directives 92/43/EEC and Directive 2009/147/EC and the Water Framework Directive. When calculating support under this measure, Member States shall deduct the amount necessary in order to exclude double funding of the practices referred to in Article 43 of Regulation (EU) No 1307/2013.

2. Support shall be granted to farmers and to private forest holders and associations of private forest holders. In duly justified cases it may also be granted to other land managers.

3. Support to farmers, linked to Directives 92/43/EEC and 2009/147/EC shall only be granted in relation to disadvantages resulting from requirements that go beyond the good agricultural and environmental condition provided for in Article 94 and Annex II of Council Regulation (EU) No 1306/2013 and the relevant criteria and minimum activities established pursuant to points (c)(ii) and (c)(iii) of Article 4(1) of point (c) of Article 4(1) of Regulation (EU) No 1307/2013.

4. Support to farmers, linked to the Water Framework Directive shall only be granted in relation to specific requirements that:

(a) were introduced by the Water Framework Directive, are in accordance with the programmes of measures of the river basin management plans for the purpose of achieving the environmental objectives of that Directive and go beyond the measures required to implement other Union law for the protection of water;

(b) go beyond the statutory management requirements and the good agricultural and environmental condition provided for in Chapter I of Title VI of Regulation (EU) No 1306/2013 and the relevant criteria and minimum activities as established pursuant to points (c)(ii) and (c)(iii) of Article 4(1) of Regulation (EU) No 1307/2013;

5. The requirements referred to in paragraphs 3 and 4 shall be identified in the programme.

6. The following areas shall be eligible for payments:

(a) Natura 2000 agricultural and forest areas designated pursuant to Directives 92/43/EEC and 2009/147/EC;

(b) other delimited nature protection areas with environmental restrictions applicable to farming or forests which contribute to the implementation of Article 10 of Directive 92/43/EC provided that, per rural development programme, those areas do not exceed 5 % of the designated Natura 2000 areas covered by its territorial scope;

7. Support shall be limited to the maximum amounts laid down in Annex II.

8. In order to ensure that double funding, as referred to in the second subparagraph of paragraph 1 is excluded, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 laying down the calculation method to be used.

Payments to areas facing natural or other specific constraints

1. Payments to farmers in mountain areas and other areas facing natural or other specific constraints shall be granted annually per hectare of agricultural area in order to compensate farmers for all or part of the additional costs and income foregone related to the constraints for agricultural production in the area concerned.

Additional costs and income foregone shall be calculated in comparison to areas which are not affected by natural or other specific constraints, taking into account payments pursuant to Chapter 3 of Title III of Regulation (EU) No 1307/2013.
When calculating additional costs and income foregone, Member States may, where duly justified, differentiate the level of payment taking into account:

— the severity of the identified permanent constraint affecting farming activities;

— the farming system.

2. Payments shall be granted to farmers who undertake to pursue their farming activity in the areas designated pursuant to Article 32 and are active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013.

3. Payments shall be fixed between the minimum and maximum amount laid down in Annex II. These payments may be increased in duly substantiated cases taking into account specific circumstances to be justified in the rural development programmes.

4. Member States shall provide for degressivity of payments above a threshold level of area per holding, to be defined in the programme, except if the grant covers only the minimum payment per hectare per year as laid down in Annex II.

In the case of a legal person, or a group of natural or legal persons, Member States may apply the degressivity of payments at the level of the members of these legal persons or groups on condition that:

(a) national law provides for the individual members to assume rights and obligations comparable to those of individual farmers who have the status of head of holding, in particular as regards their economic, social and tax status; and

(b) those individual members have contributed to strengthening the agricultural structures of the legal persons or groups concerned.

5. In addition to the payments provided for in paragraph 2, Member States may grant payments under this measure between 2014 and 2020 to beneficiaries in areas which were eligible under Article 36(a)(ii) of Regulation (EC) No 1698/2005 during the 2007-2013 programming period. For beneficiaries in areas that are no longer eligible following the new delimitation referred to in Article 32(3), those payments shall be degressive over a maximum period of four years. That period shall start on the date that the delimitation in accordance with Article 32(3) is completed and at the latest in 2018. Those payments shall start at no more than 80 % of the average payment fixed in the programme for the programming period 2007-2013 in accordance with Article 36(a)(ii) of Regulation (EC) No 1698/2005, and shall end in 2020 at the latest at no more than 20 %. When the application of degressivity results in the level of the payment reaching EUR 25, the Member State can continue payments at this level until the phasing out period is completed.

Following completion of the delimitation, beneficiaries in the areas that remain eligible shall receive full payment under this measure.

Article 32

Designation of areas facing natural and other specific constraints

1. Member States shall, on the basis of paragraphs 2, 3 and 4, designate areas eligible for payments provided for in Article 31 under the following categories:

(a) mountain areas;

(b) areas, other than mountain areas, facing significant natural constraints; and

(c) other areas affected by specific constraints.

2. In order to be eligible for payments under Article 31, mountain areas shall be characterized by a considerable limitation of the possibilities for using the land and by an appreciable increase in production costs due to:

(a) the existence, because of altitude, of very difficult climatic conditions, the effect of which is to substantially shorten the growing season;

(b) at a lower altitude, the presence over the greater part of the area in question of slopes too steep for the use of machinery or requiring the use of very expensive special equipment, or a combination of these two factors, where the constraints resulting from each taken separately are less acute but the combination of the two gives rise to an equivalent constraints.

Areas north of the 62nd parallel and certain adjacent areas shall be considered to be mountain areas.

3. In order to be eligible for payments under Article 31, areas, other than mountain areas, shall be considered to be facing significant natural constraints if, at least 60 % of the agricultural area meets at least one of the criteria listed in Annex III at the threshold value indicated.

Compliance with those conditions shall be ensured at the level of local administrative units ("LAU 2" level) or at the level of a clearly delineated local unit which covers a single clear-contiguous geographical area with a definable economic and administrative identity.
When delimiting the areas concerned by this paragraph, Member States shall carry out a fine-tuning exercise, based on objective criteria, with the purpose of excluding areas in which significant natural constraints, referred to in the first subparagraph have been documented but have been overcome by investments or by, economic activity, or by evidence of normal land productivity, or in which production methods or farming systems have offset the income loss or added costs referred to in Article 31(1).

4. Areas other than those referred to in paragraphs 2 and 3 shall be eligible for payments under Article 31 if they are affected by specific constraints and if it is necessary for land management to be continued in order to conserve or improve the environment, to maintain the countryside, to preserve the tourist potential of the area or to protect the coastline.

Areas affected by specific constraints shall comprise farming areas within which the natural production conditions are similar and the total extent of which does not exceed 10% of the area of the Member State concerned.

In addition, areas may also be eligible for payments under this paragraph, where:

— at least 60% of the agricultural area meets at least two of the criteria listed in Annex III each within a margin of not more than 20% of the threshold value indicated, or

— at least 60% of the agricultural area is composed of areas meeting at least one of the criteria listed in Annex III at the threshold value indicated, and areas meeting at least two of the criteria listed in Annex III each within a margin of not more than 20% of the threshold value indicated.

Compliance with those conditions shall be ensured at LAU2 level or at the level of a clearly delineated local unit which covers a single clear contiguous geographical area with a definable economic and administrative identity. When delimiting areas concerned by this subparagraph, Member States shall undertake a fine-tuning exercise as described in Article 32(3). Areas considered eligible pursuant to this subparagraph, shall be taken into account for calculating the 10% limit referred to in the second subparagraph.

By way of derogation, the first sub-paragraph shall not apply to Member States the entire territory of which was considered as an area facing specific handicaps under Regulations (EC) No 1698/2005 and (EC) No 1257/1999.

5. Member States shall attach to their rural development programmes:

(a) the existing or amended delimitation pursuant to paragraphs 2 and 4;

(b) the new delimitation of the areas referred to in paragraph 3.

### Article 33

**Animal welfare**

1. Animal welfare payments under this measure shall be granted to farmers who undertake, on a voluntary basis, to carry out operations consisting of one or more animal welfare commitments and who are active farmers within the meaning of Article 9 of Regulation (EU) No 1307/2013.

2. Animal welfare payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No 1306/2013 and other relevant mandatory requirements. These relevant requirements shall be identified in the programme.

Those commitments shall be undertaken for a renewable period of one to seven years.

3. The payments shall be granted annually and shall compensate farmers for all or part of the additional costs and income foregone resulting from the commitment made. Where necessary, they may also cover transaction costs to the value of up to 20% of the premium paid for the animal welfare commitments.

Support shall be limited to the maximum amount laid down in Annex II.

4. In order to ensure that animal welfare commitments are in accordance with the overall Union policy in this field, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 concerning the definition of the areas in which animal welfare commitments are to provide upgraded standards of production methods.

### Article 34

**Forest-environmental and climate services and forest conservation**

1. Support under this measure shall be granted per hectare of forest to public and private forest-holders and other private law and public bodies and their associations who undertake, on a voluntary basis, to carry out operations consisting of one or more forest-environment and climate commitments. In the case of state owned forests, support may only be granted if the body managing such a forest is a private body or a municipality.

For forest holdings above a certain threshold to be determined by Member States in their rural development programmes, support under paragraph 1 shall be conditional on the presentation of the relevant information from a forest management plan or equivalent instrument in line with sustainable forest management as defined by the Ministerial Conference on the Protection of Forests in Europe of 1993.
2. Payments shall cover only those commitments going beyond the relevant mandatory requirements established by the national forestry act or other relevant national law. All such requirements shall be identified in the programme.

Commitments shall be undertaken for a period of between five and seven years. However, where necessary and duly justified, Member States may determine a longer period in their rural development programmes for particular types of commitments.

3. Payments shall compensate beneficiaries for all or part of the additional costs and income foregone resulting from the commitments made. Where it is necessary they may also cover transaction costs to a value of up to 20% of the premium paid for the forest-environment commitments. Support shall be limited to the maximum amount laid down in Annex II.

In duly justified cases for operations concerning environmental conservation, support may be granted as a flat-rate or one-off payment per unit for commitments to renounce commercial use of trees and forests, calculated on basis of additional costs incurred and income foregone.

4. Support may be provided to public and private entities for the conservation and promotion of forest genetic resources for operations not covered under paragraphs 1, 2 and 3.

5. In order to ensure the efficient use of EAFRD budgetary resources, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 concerning the types of operations eligible for support under paragraph 4 of this Article.

Article 35
Co-operation

1. Support under this measure shall be granted in order to promote forms of co-operation involving at least two entities and in particular:

(a) co-operation approaches among different actors in the Union agriculture sector, forestry sector and food chain and other actors that contribute to achieving the objectives and priorities of rural development policy, including producer groups, cooperatives and inter-branch organisations;

(b) the creation of clusters and networks;

(c) the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability as referred to in Article 56.

2. Co-operation under paragraph 1 shall relate, in particular, to the following:

(a) pilot projects;

(b) the development of new products, practices, processes and technologies in the agriculture, food and forestry sectors;

(c) co-operation among small operators in organising joint work processes and sharing facilities and resources and for the development and/or marketing of tourism services relating to rural tourism;

(d) horizontal and vertical co-operation among supply chain actors for the establishment and the development of short supply chains and local markets;

(e) promotion activities in a local context relating to the development of short supply chains and local markets;

(f) joint action undertaken with a view to mitigating or adapting to climate change;

(g) joint approaches to environmental projects and ongoing environmental practices, including efficient water management, the use of renewable energy and the preservation of agricultural landscapes;

(h) horizontal and vertical co-operation among supply chain actors in the sustainable provision of biomass for use in food and energy production and industrial processes;

(i) implementation, in particular by groups of public and private partners other than those defined in point (b) of Article 32(2) of Regulation (EU) No 1303/2013, of local development strategies other than those defined in Article 2(19) of Regulation (EU) 1303/2013 addressing one or more of the Union priorities for rural development;

(j) drawing up of forest management plans or equivalent instruments;

(k) diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food.

3. Support under point (b) of paragraph 1 shall be granted only to newly formed clusters and networks and those commencing an activity that is new to them.

Support for operations under points (a) and (b) of paragraph 2 may be granted also to individual actors where this possibility is provided for in the rural development programme.
4. The results of pilot projects under point (a) of paragraph 2 and operations under point (b) of paragraph 2 carried out by individual actors as provided for in paragraph 3 shall be disseminated.

5. The following costs, linked to the forms of co-operation referred to in paragraph 1 shall be eligible for support under this measure:

(a) the cost of studies of the area concerned, of feasibility studies, and of drawing up a business plan or a forest management plan or equivalent or a local development strategy other than the one referred to in Article 33 of Regulation (EU) No 1303/2013;

(b) the cost of animation of the area concerned in order to make feasible a collective territorial project or a project to be carried out by an operational group of the EIP for Agricultural Productivity and Sustainability as referred to in Article 56. In the case of clusters, animation may also concern the organisation of training, networking between members and the recruitment of new members;

(c) the running costs of the co-operation;

(d) the direct costs of specific projects linked to the implementation of a business plan an environmental plan, a forest management plan or equivalent, a local development strategy other than the one referred to in Article 33 of Regulation (EU) No 1303/2013 or direct costs of other actions targeted towards innovation, including testing;

(e) the cost of promotion activities.

6. Where a business plan or an environmental plan or a forest management plan or equivalent or a development strategy is implemented, Member States may grant the aid either as a global amount covering the costs of co-operation and the costs of the projects implemented or cover only the costs of the co-operation and use funds from other measures or other Union Funds for project implementation.

Where support is paid as a global amount and the project implemented is of a type covered under another measure of this Regulation, the relevant maximum amount or rate of support shall apply.

7. Co-operation among actors located in different regions or Member States shall also be eligible for support.

8. Support shall be limited to a maximum period of seven years except for collective environmental action in duly justified cases.

9. Co-operation under this measure may be combined with projects supported by Union funds other than the EAFRD in the same territory. Member States shall ensure that overcompensation as a result of the combination of this measure with other national or Union support instruments is avoided.

10. In order to ensure the efficient use of EAFRD budgetary resources, the Commission shall be empowered to adopt delegated acts in accordance with Article 83, concerning the further specification of the characteristics of pilot projects, clusters, networks, short supply chains and local markets that will be eligible for support, as well as concerning the conditions for granting aid to the types of operation listed in paragraph 2 of this Article.

Article 36
Risk management

1. Support under this measure shall cover:

(a) financial contributions to premiums for crop, animal and plant insurance against economic losses to farmers caused by adverse climatic events, animal or plant diseases, pest infestation, or an environmental incident;

(b) financial contributions to mutual funds to pay financial compensations to farmers, for economic losses caused by adverse climatic events or by the outbreak of an animal or plant disease or pest infestation or an environmental incident;

(c) an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers for a severe drop in their income.

2. For the purposes of this article, "farmer" means active farmer within the meaning of Article 9 of Regulation (EU) No 1307/2013.

3. For the purpose of points (b) and (c) of paragraph 1, 'mutual fund' means a scheme accredited by the Member State in accordance with its national law for affiliated farmers to insure themselves, whereby compensation payments are made to affiliated farmers for economic losses caused by the outbreak of adverse climatic events or an animal or plant disease or pest infestation or an environmental incident, or for a severe drop in their income.

4. Member States shall ensure that overcompensation as a result of the combination of this measure with other national or Union support instruments or private insurance schemes is avoided.
5. In order to ensure the efficient use of EAFRD budgetary resource, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 concerning the minimum and maximum duration of the commercial loans to mutual funds referred to in point (b) of Article 38(3) and Article 39(4).

Member States may limit the amount of the premium that is eligible for support by applying appropriate ceilings.

5. Support shall be limited to the maximum rate laid down in Annex II.

Article 38

Mutual funds for adverse climatic events, animal and plant diseases, pest infestations and environmental incidents

1. In order to be eligible for support the mutual fund concerned shall:

(a) be accredited by the competent authority in accordance with national law;

(b) have a transparent policy towards payments into and withdrawals from the fund;

(c) have clear rules attributing responsibilities for any debts incurred.

2. Member States shall define the rules for the constitution and management of the mutual funds, in particular for the granting of compensation payments and the eligibility of farmers in the event of crisis, as well as for the administration and monitoring of compliance with these rules. Member States shall ensure that the fund arrangements provide for penalties in case of negligence on the part of the farmer.

The occurrence of incidents mentioned in point (b) of Article 36(1) must be formally recognised as such by the competent authority of the Member State concerned.

3. The financial contributions referred to in Article 36(1)(b) may only relate to:

(a) the administrative costs of setting up the mutual fund, spread over a maximum of three years in a degressive manner;

(b) the amounts paid by the mutual fund as financial compensation to farmers. In addition, the financial contribution may relate to interest on commercial loans taken out by the mutual fund for the purpose of paying the financial compensation to farmers in case of crisis.

Support under point (b) of Article 36(1) shall only be granted to cover for loss caused by the outbreak of adverse climatic events, an animal or plant disease, a pest infestation, or a measure adopted in accordance with Directive 2000/29/EC to eradicate or contain a plant disease or pest or an environmental incident, which destroy more than 30% of the average annual production of the farmer in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and lowest entry. Indexes may be used
in order to calculate the annual production of the farmer. The calculation method used shall permit the determination of the actual loss of an individual farmer in a given year.

No contribution by public funds shall be made to initial capital stock.

4. As regards animal diseases, financial compensation under point (b) of Article 36(1) may be granted in respect of diseases mentioned in the list of animal diseases established by the World Organisation for Animal Health or in the Annex to Decision 2009/470/EC.

5. Support shall be limited to the maximum support rate laid down in Annex II.

Member States may limit the costs that are eligible for support by applying:

(a) ceilings per fund;

(b) appropriate per unit ceilings.

### Article 39

**Income stabilisation tool**

1. Support under point (c) of Article 36(1) shall only be granted where the drop of income exceeds 30 % of the average annual income of the individual farmer in the preceding three-year period or a three-year average based on the preceding five-year period excluding the highest and lowest entry. Income for the purposes of point (c) of Article 36(1) shall refer to the sum of revenues the farmer receives from the market, including any form of public support, deducting input costs. Payments by the mutual fund to farmers shall compensate for less than 70 % of the income lost in the year the producer becomes eligible to receive this assistance.

2. In order to be eligible for support the mutual fund concerned shall:

(a) be accredited by the competent authority in accordance with national law;

(b) have a transparent policy towards payments into and withdrawals from the fund;

(c) have clear rules attributing responsibilities for any debts incurred.

3. Member States shall define the rules for the constitution and management of the mutual funds, in particular for the granting of compensation payments to farmers in the event of crisis and for the administration and monitoring of compliance with these rules. Member States shall ensure that the fund arrangements provide for penalties in case of negligence on the part of the farmer.

4. The financial contributions referred to in point (c) of Article 36(1) may only relate to:

(a) the administrative costs of setting up the mutual fund, spread over a maximum of three years in a degressive manner;

(b) the amounts paid by the mutual fund as financial compensation to farmers. In addition, the financial contribution may relate to interest on commercial loans taken out by the mutual fund for the purpose of paying the financial compensation to farmers in case of crisis. No contribution by public funds shall be made to initial capital stock.

5. Support shall be limited to the maximum rate laid down in Annex II.

### Article 40

**Financing of complementary national direct payments for Croatia**

1. Support may be granted to farmers eligible for complementary national direct payments under Article 19 of Regulation (EU) No 1307/2013. The conditions laid down in that Article shall also apply to the support to be granted under this Article.

2. The support granted to a farmer in respect of the years 2014, 2015 and 2016 shall not exceed the difference between:

(a) the level of direct payments applicable in Croatia for the year concerned in accordance with Article 17 of Regulation (EU) No 1307/2013; and

(b) 45 % of the corresponding level of the direct payments as applied from 2022.

3. The Union contribution to support granted under this Article in Croatia in respect of the years 2014, 2015 and 2016 shall not exceed 20 % of its respective total annual EAFRD allocation.

4. The EAFRD contribution rate for the complements to direct payments shall not exceed 80 %.

### Article 41

**Rules on the implementation of the measures**

The Commission shall adopt implementing acts, laying down rules on the implementation of the measures in this section concerning:

(a) procedures for selection of authorities or bodies offering farm and forestry advisory services, farm management or farm relief services and the degressivity of the aid under the advisory services measure referred to in Article 15;
(b) the assessment by the Member State of the progress of the business plan, payment options as well as modalities for access to other measures for young farmers under the farm and business development measure referred to in Article 19;

(c) conversion to units other than those used in Annex II, and conversion rates of animals to livestock units (LU) under the measures referred to in Articles 28, 29, 33 and 34;

(d) the possibility of using standard assumptions of additional costs and income foregone under the measures of Articles 28 to 31, 33 and 34 and criteria for its calculation;

(e) calculation of the amount of support where an operation is eligible for support under more than one measures.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

**LEADER**

**Article 42**

**LEADER local action groups**

1. In addition to the tasks referred to in Article 34 of Regulation (EU) No 1303/2013 local action groups may also perform additional tasks delegated to them by the Managing Authority and/or the paying agency.

2. Local action groups may request the payment of an advance from the competent paying agency if such possibility is provided for in the rural development programme. The amount of the advances shall not exceed 50 % of the public support related to the running and animation costs.

**Article 43**

**LEADER start-up kit**

Support for LEADER local development may also include a "LEADER start-up kit" for local communities who did not implement LEADER in the 2007-2013 programming period. The "LEADER start-up kit" shall consist of support for capacity building and small pilot projects. Support under the "LEADER start-up kit" shall not be conditional on the submission of a LEADER local development strategy.

**Article 44**

**LEADER co-operation activities**

1. The support referred to in point (c) of Article 35(1) of Regulation (EU) No 1303/2013 shall be granted to

(a) co-operation projects within a Member State (inter-territorial co-operation) or co-operation projects between territories in several Member States or with territories in third countries (transnational co-operation).

(b) preparatory technical support for inter-territorial and transnational co-operation projects, on condition that local action groups are able to demonstrate that they are envisaging the implementation of a concrete project.

2. Apart from other local action groups, the partners of a local action group under the EAFRD may be:

(a) a group of local public and private partners in a rural territory that is implementing a local development strategy within or outside the Union;

(b) a group of local public and private partners in a non-rural territory that is implementing a local development strategy.

3. In cases where co-operation projects are not selected by the local action groups, Member States shall establish a system of ongoing application.

They shall make public the national or regional administrative procedures concerning the selection of transnational co-operation projects and a list of eligible costs at the latest two years after the date of approval of their rural development programmes.

Approval of co-operation projects by the competent authority shall take place no later than four months after the date of submission of the project application.

4. Member States shall communicate to the Commission the approved transnational co-operation projects.

**CHAPTER II**

**Common provisions for several measures**

**Article 45**

**Investments**

1. In order to be eligible for EAFRD support, investment operations shall be preceded by an assessment of the expected environmental impact in accordance with law specific to that kind of investment where the investment is likely to have negative effects on the environment.

2. Expenditure that is eligible for EAFRD support shall be limited to:

(a) the construction, acquisition, including leasing, or improvement of immovable property;

(b) the purchase or lease purchase of new machinery and equipment up to the market value of the asset;
(c) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies. Feasibility studies shall remain eligible expenditure even where, based on their results, no expenditure under points (a) and (b) is made;

(d) the following intangible investments: acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks;

(e) the costs of establishing forest management plans and their equivalent.

3. In the case of agricultural investments, the purchase of agricultural production rights, payment entitlements, animals, annual plants and their planting shall not be eligible for investment support. However, in case of the restoration of agricultural production potential damaged by natural disasters or catastrophic events, in accordance with point (b) of Article 18(1), expenditure for the purchase of animals may be eligible expenditure.

4. Beneficiaries of investment related support may request the payment of an advance of up to 50 % of the public aid related to the investment from the competent paying agencies if that option is included in the rural development programme.

5. Working capital that is ancillary to, and linked to a new investment in the agriculture or forestry sector, which receives EAFRD support through a financial instrument established in accordance with Article 37 of Regulation (EU) No 1303/2013, may be eligible expenditure. Such eligible expenditure shall not exceed 30 % of the total amount of the eligible expenditure for the investment. The relevant request shall be duly substantiated.

6. In order to take account of the special characteristics of particular types of investments, the Commission shall be empowered to adopt delegated acts in accordance with Article 83, laying down the conditions under which other costs connected with leasing contracts, second hand equipment may be considered to be eligible expenditure and specifying the types of renewable energy infrastructure that are to be eligible for support.

Article 46

Investments in irrigation

1. Without prejudice to Article 45 of this Regulation, in the case of irrigation in new and existing irrigated areas, only investments that fulfil the conditions in this Article shall be considered as eligible expenditure.

2. A river basin management plan, as required under the terms of the Water Framework Directive, shall have been notified to the Commission for the entire area in which the investment is to take place, as well as in any other areas whose environment may be affected by the investment. The measures taking effect under the river basin management plan in accordance with Article 11 of the Water Framework Directive and of relevance to the agricultural sector shall have been specified in the relevant programme of measures.

3. Water metering enabling measurement of water use at the level of the supported investment shall be in place or shall be put in place as part of the investment.

4. An investment in an improvement to an existing irrigation installation or element of irrigation infrastructure shall be eligible only if it is assessed ex ante as offering potential water savings of a minimum of between 5 % and 25 % according to the technical parameters of the existing installation or infrastructure.

If the investment affects bodies of ground- or surface water whose status has been identified as less than good in the relevant river basin management plan for reasons related to water quantity:

(a) the investment shall ensure an effective reduction in water use, at the level of the investment, amounting to at least 50 % of the potential water saving made possible by the investment;

(b) in the case of an investment on a single agricultural holding, it shall also result in a reduction to the holding's total water use amounting to at least 50 % of the potential water saving made possible at the level of the investment. The total water use of the holding shall include water sold by the holding.

None of the conditions in paragraph 4 shall apply to an investment in an existing installation which affects only energy efficiency or to an investment in the creation of a reservoir or to an investment in the use of recycled water which does not affect a body of ground or surface water.

5. An investment resulting in a net increase of the irrigated area affecting a given body of ground or surface water shall be eligible only if:

(a) the status of the water body has not been identified as less than good in the relevant river basin management plan for reasons related to water quantity; and

(b) an environmental analysis shows that there will be no significant negative environmental impact from the investment; such an environmental impact analysis shall be either carried out by or approved by the competent authority and may also refer to groups of holdings.
Areas which are not irrigated but in which an irrigation installation was active in the recent past, to be established and justified in the programme, may be considered as irrigated areas for the purpose of determining the net increase of the irrigated area.

6. By way of derogation from point (a) of paragraph 5 investments resulting in a net increase of the irrigated area may still be eligible if:

(a) the investment is combined with an investment in an existing irrigation installation or element of irrigation infrastructure assessed ex ante as offering potential water savings of a minimum of between 5 % and 25 % according to the technical parameters of the existing installation or infrastructure and

(b) the investment ensures an effective reduction in water use, at the level of the investment as a whole, amounting to at least 50 % of the potential water saving made possible by the investment in the existing irrigation installation or element of infrastructure.

Furthermore, by way of derogation, the condition in point (a) of paragraph 5 shall not apply to investments in the establishment of a new irrigation installation supplied with water from an existing reservoir approved by the competent authorities before 31 October 2013 if the following conditions are met:

— the reservoir in question is identified in the relevant river basin management plan and is subject to the control requirements set out in article 11(3)(e) of the Water Framework Directive;

— on 31 October 2013, there was in force either a maximum limit on total abstractions from the reservoir or a minimum required level of flow in water bodies affected by the reservoir;

— that maximum limit or minimum required level of flow complies with the conditions set out in Article 4 of the Water Framework Directive; and

— the investment in question does not result in abstractions beyond the maximum limit in force on 31 October 2013 or result in a reduction of the level of flow in affected water bodies below the minimum required level in force on 31 October 2013.

Article 47

Rules for area related payments

1. The number of hectares to which a commitment pursuant to Articles 28, 29 and 34 applies may vary from year to year where:

(a) this possibility is provided for in the rural development programme;

(b) the commitment in question does not apply to fixed parcels; and

(c) the achievement of the commitment's objective is not jeopardised.

2. Where all or part of the land under commitment or the entire holding is transferred to another person during the period of that commitment, the commitment, or part thereof corresponding to the land transferred, may be taken over for the remainder of the period by that other person or may expire and reimbursement shall not be required in respect of the period during which the commitment was effective.

3. Where a beneficiary is unable to continue to comply with commitments given because the holding or part of the holding is re-parcelled or is the subject of public land consolidation measures or land consolidation measures approved by the competent public authorities, Member States shall take the measures necessary to allow the commitments to be adapted to the new situation of the holding. If such adaptation proves impossible, the commitment shall expire and reimbursement shall not be required in respect of the period during which the commitment was effective.

4. Reimbursement of the aid received shall not be required in cases of force majeure and exceptional circumstances as referred to in Article 2 of Regulation (EU) No 1306/2013.

5. Paragraph 2, as regards cases of transfer of the entire holding, and paragraph 4 shall also apply to commitments under Article 33.

6. In order to ensure the efficient implementation of area related measures and secure the financial interests of the Union, the Commission shall be empowered to adopt delegated acts in accordance with Article 83 laying down conditions applicable to conversion or adjustment of commitments under the measures referred to in Articles 28, 29, 33 and 34 and, specifying other situations in which reimbursement of the aid shall not be required.

Article 48

Revision clause

A revision clause shall be provided for operations undertaken pursuant to Articles 28, 29, 33 and 34 in order to ensure their adjustment in the case of amendments to the relevant mandatory standards, requirements or obligations referred to in those Articles beyond which the commitments have to go. The revision clause shall also cover adjustments needed to avoid double funding of the practices referred to in Article 43 of Regulation (EU) No 1307/2013 in the case of amendments to those practices.

Operations undertaken pursuant to Articles 28, 29, 33 and 34 which extend beyond the current programming period shall contain a revision clause in order to allow for their adjustment to the legal framework of the following programming period.
If such adjustment is not accepted by the beneficiary, the commitment shall expire and reimbursement shall not be required in respect of the period during which the commitment was effective.

**Article 49**

**Selection of operations**

1. Without prejudice to point (d) of Article 34(3) of Regulation (EU) No 1303/2013, the Managing Authority of the rural development programme shall define selection criteria for operations following consultation with the Monitoring Committee. Selection criteria shall aim to ensure equal treatment of applicants, better use of financial resources and targeting of measures in accordance with the Union priorities for rural development. In defining and applying selection criteria the principle of proportionality shall be taken into account in relation to the size of the operation.

2. The Member State authority responsible for the selection of operations shall ensure that operations, with the exception of operations under Articles 28 to 31, 33 to 34 and 36 to 39, are selected in accordance with the selection criteria referred to in paragraph 1 and according to a transparent and well documented procedure.

3. Where appropriate, the beneficiaries may be selected on the basis of calls for proposals, applying economic and environmental efficiency criteria.

**Article 50**

**Rural area definition**

For the purposes of this Regulation the Managing Authority shall define "rural area" at programme level. Member States may establish such a definition for a measure or type of operation if duly justified.

**CHAPTER III**

**Technical assistance and networking**

**Article 51**

**Funding technical assistance**

1. In accordance with Article 6 of Regulation (EU) No 1306/2013 the EAFRD may use up to 0.25 % of its annual allocation to finance the tasks referred to in Article 58 of Regulation (EU) No 1303/2013, including the costs for setting up and operating the European network for rural development referred to in Article 52 and the EIP network referred to in Article 53 at the Commission's initiative and/or on its behalf.

2. At the initiative of the Member States up to 4 % of the total amount of each rural development programme may be devoted to the tasks referred to in Article 59 of Regulation (EC) No 1303/2013 and costs related to preparatory work for the delimitation of areas facing natural or other specific constraints referred to in Article 32.

3. In case of rural development programmes covering both less-developed regions and other regions, the EAFRD contribution rate for technical assistance referred to in Article 59(3) may be determined by taking into account the predominant type of regions, by their number, in the programme.

The EAFRD may also finance the actions provided for in Article 41(2) of Regulation (EU) No 1151/2012 of the European Parliament and of the Council (†), in relation to Union quality scheme indications and symbols.

Those actions shall be carried out in accordance with Article 58 of Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council (‡) and any other provisions of that Regulation and of its implementing provisions that are applicable to this form of execution of the budget.

Costs relating to the certification body referred to in Article 9 of Regulation (EU) No 1306/2013 shall not be eligible under this paragraph.

Within that 4 % limit an amount shall be reserved for establishing and operating the national rural network referred to in Article 54.

**Article 52**

**European network for rural development**

1. A European network for rural development for the networking of national networks, organisations, and administrations active in the field of rural development at Union level shall be put in place in accordance with Article 51(1).

2. Networking through the European network for rural development shall aim to:

   (a) increase the involvement of all stakeholders, and in particular agricultural, forestry and other rural development stakeholders in the implementation of rural development;

   (b) improve the quality of rural development programmes;

   (c) play a role in informing the broader public on the benefits of rural development policy.

   (d) support the evaluation of rural development programmes.


3. The tasks of the network shall be to:

(a) collect, analyse and disseminate information on action in the field of rural development;

(b) provide support on evaluation processes and on data collection and management;

(c) collect, consolidate and disseminate at Union level good rural development practices, including on evaluation methodologies and tools;

(d) set up and run thematic groups and/or workshops with a view to facilitating the exchange of expertise and to supporting the implementation, monitoring and further development of rural development policy;

(e) provide information on developments in rural areas of the Union and in third countries;

(f) organise meetings and seminars at Union level for those actively involved in rural development;

(g) support the national networks and transnational cooperation initiatives and the exchange concerning actions and experience in the field of rural development with networks in third countries;

(h) specifically for local action groups:

(i) create synergies with the activities carried out at national or regional level, or at both by the respective networks with regard to capacity building actions and exchange of experience; and

(ii) cooperate with the networking and technical support bodies for local development set up by the ERDF, the ESF and the EMFF as regards their local development activities and transnational co-operation.

4. The Commission shall adopt implementing acts, setting out the organisational structure and operation of the European network for rural development network. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

Article 53

European Innovation Partnership network

1. A EIP network shall be put in place to support the EIP for agricultural productivity and sustainability referred to in Article 55, in accordance with Article 51(1). It shall enable the networking of operational groups, advisory services and researchers.

2. The aim of the EIP network shall be to:

(a) facilitate the exchange of expertise and good practices;

(b) establish a dialogue between farmers and the research community and facilitate the inclusion of all stakeholders in the knowledge exchange process.

3. The tasks of the EIP network shall be to:

(a) provide a help desk function and provide information to key actors concerning the EIP;

(b) encourage the setting up of operational groups and provide information about the opportunities provided by Union policies;

(c) facilitate the setting up of cluster initiatives and pilot or demonstration projects which may relate, inter alia, to the following issues:

   (i) increased agricultural productivity, economic viability, sustainability, output and resource efficiency;

   (ii) innovation in support of the bio-based economy;

   (iii) biodiversity, ecosystem services, soil functionality and sustainable water management;

   (iv) innovative products and services for the integrated supply chain;

   (v) opening up new product and market opportunities for primary producers;

   (vi) food quality, food safety and healthy diet;

   (vii) reduce post-harvest losses and food wastage.

(d) Collect and disseminate information in the field of the EIP, including research findings and new technologies relevant to innovation and knowledge exchange and exchanges in the field of innovation with third countries.
Article 54

**National rural network**

1. Each Member State shall establish a national rural network, which groups the organisations and administrations involved in rural development. The partnership referred to in Article 5 of Regulation (EU) No 1303/2013 shall also be part of the national rural network.

Member States with regional programmes may submit for approval a specific programme for the establishment and the operation of their national rural network.

2. Networking by the national rural network shall aim to:
   (a) increase the involvement of stakeholders in the implementation of rural development;
   (b) improve the quality of implementation of rural development programmes;
   (c) inform the broader public and potential beneficiaries on rural development policy and funding opportunities;
   (d) foster innovation in agriculture, food production, forestry and rural areas.

3. EAFRD support under Article 51(3) shall be used:
   (a) for the structures needed to run the network;
   (b) for the preparation and implementation of an action plan covering at least the following:
      (i) activities regarding the collection of examples of projects covering all priorities of the rural development programmes;
      (ii) activities regarding the facilitation of thematic and analytical exchanges between rural development stakeholders, sharing and dissemination of findings;
      (iii) activities regarding the provision of training and networking for local action groups and in particular technical assistance for inter-territorial and transnational co-operation, facilitation of co-operation among local action groups and the search of partners for the measure referred to in Article 35;
      (iv) activities regarding the provision of networking for advisors and innovation support services;
      (v) activities regarding the sharing and dissemination of monitoring and evaluation findings;
      (vi) a communication plan including publicity and information concerning the rural development programme in agreement with the Managing Authorities and information and communication activities aimed at a broader public;
      (vii) activities regarding the participation in and contribution to the European network for rural development.

4. The Commission shall adopt implementing acts, laying down rules for the establishment and operation of national rural networks and the content of the specific programmes referred to in paragraph 1. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

**TITLE IV**

EIP FOR AGRICULTURAL PRODUCTIVITY AND SUSTAINABILITY

Article 55

**Aims**

1. The EIP for agricultural productivity and sustainability shall:
   (a) promote a resource efficient, economically viable, productive, competitive, low emission, climate friendly and resilient agricultural and forestry sector, working towards agro-ecological production systems and working in harmony with the essential natural resources on which farming and forestry depend;
   (b) help deliver a steady and sustainable supply of food, feed and biomaterials, including existing and new types;
   (c) improve processes to preserve the environment, adapt to climate change and mitigate it;
   (d) build bridges between cutting-edge research knowledge and technology and farmers, forest managers, rural communities, businesses, NGOs and advisory services.

2. The EIP for agricultural productivity and sustainability shall seek to achieve its aims by:
   (a) creating added value by better linking research and farming practice and encouraging the wider use of available innovation measures;
(b) promoting the faster and wider transposition of innovative solutions into practice; and

(c) informing the scientific community about the research needs of farming practice.

3. The EAFRD shall contribute to the aims of the EIP for agricultural productivity and sustainability through support, in accordance with Article 35, of the EIP operational groups referred to in Article 56 and the EIP network referred to in Article 53.

**Article 56**

**Operational groups**

1. EIP operational groups shall form part of the EIP for agricultural productivity and sustainability. They shall be set up by interested actors such as farmers, researchers, advisors and businesses involved in the agriculture and food sector, who are relevant for achieving the objectives of the EIP.

2. EIP operational groups shall establish internal procedures that ensure, that their operation and decision-making is transparent and that situations of conflict of interest are avoided.

3. The Member States shall decide within the framework of their programmes to what extent they will support the operational groups.

**Article 57**

**Tasks of operational groups**

1. EIP operational groups shall draw up a plan that contains the following:

(a) a description of the innovative project to be developed, tested, adapted or implemented;

(b) a description of the expected results and the contribution to the EIP objective of enhancing productivity and sustainable resource management.

2. When implementing their innovative projects operational groups shall:

(a) make decisions on the elaboration and implementation of innovative actions; and

(b) implement innovative actions through measures financed through the rural development programmes.

3. Operational groups shall disseminate the results of their project, in particular through the EIP network.

**TITLE V**

**FINANCIAL PROVISIONS**

**Article 58**

**Resources and their distribution**

1. Without prejudice to paragraphs 5, 6 and 7 of this Article, the total amount of Union support for rural development under this Regulation for the period from 1 January 2014 to 31 December 2020 shall be EUR 84 936 million, in 2011 prices, in accordance with the multiannual financial framework for the years 2014 to 2020.

2. 0,25 % of the resources referred to in paragraph 1 shall be devoted to technical assistance for the Commission, as referred to in Article 51(1).

3. For the purpose of their programming and subsequent inclusion in the general budget of the Union, the amounts referred to in paragraph 1 shall be indexed at 2 % per year.

4. The annual breakdown by Member State of the amounts referred to in paragraph 1, after deduction of the amount referred to in paragraph 2 is set out in Annex I.

5. Funds transferred by a Member State under Article 14(2) of Regulation (EU) No 1306/2013 shall be subtracted from the amounts allocated to that Member State in accordance with paragraph 4.

6. The funds transferred to the EAFRD in application of Articles 7(2) and 14(1) of Regulation (EU) No 1307/2013 and the funds transferred to the EAFRD in application of Articles 10b and 136 of Council Regulation (EC) No 73/2009 (1) in respect of calendar year 2013 shall also be included in the annual breakdown referred to in paragraph 4.

7. In order to take account of the developments relating to the annual breakdown referred to in paragraph 4, including the transfers referred to in paragraphs 5 and 6; to make technical adjustments without changing the overall allocations; or to take account of any other change provided for by a legislative act after the adoption of this Regulation, the Commission shall be empowered to adopt delegated acts, in accordance with Article 83, to review the ceilings set out in Annex I.

8. For the purposes of the allocation of the performance reserve referred to in Article 22(3) and (4) of Regulation (EU) No 1303/2013, available assigned revenue collected in accordance with Article 43 of Regulation (EU) No 1306/2013 for the EAFRD shall be added to the amounts referred to in Article 20 of Regulation (EU) No 1303/2013. That available assigned revenue shall be allocated to Member States in proportion to their share of the total amount of support from the EAFRD.

Article 59

Fund contribution

1. The decision approving a rural development programme shall set the maximum contribution from the EAFRD to the programme. The decision shall clearly identify, where necessary, the appropriations allocated to the less developed regions.

2. The EAFRD contribution shall be calculated on the basis of the amount of eligible public expenditure.

3. The rural development programmes shall establish a single EAFRD contribution rate applicable to all measures. Where applicable, a separate EAFRD contribution rate shall be established for less-developed regions, for outermost regions and for the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93, as well as for transition regions. The maximum EAFRD contribution rate shall be:

(a) 85 % of the eligible public expenditure in the less developed regions, in the outermost regions and in the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93;

(b) 75 % of the eligible public expenditure for all regions whose GDP per capita for the 2007-2013 period was less than 75 % of the average of the EU-25 for the reference period but whose GDP per capita is above 75 % of the GDP average of the EU-27;

(c) 63 % of the eligible public expenditure for the transition regions other than those referred to in point (b) of this paragraph;

(d) 53 % of the eligible public expenditure in the other regions.

The minimum EAFRD contribution rate shall be 20 %.

4. By way of derogation from paragraph 3, the maximum EAFRD contribution shall be:

(a) 80 % for the measures referred to in Articles 14, 27 and 35, for the LEADER local development referred to in Article 32 of Regulation (EU) No 1303/2013 and for operations under point (a)(i) of Article 19(1). That rate may be increased to a maximum of 90 % for the programmes of less developed, the outermost regions, of the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 and of transition regions referred to in points (b) and (c) of paragraph 3;

(b) 75 % for operations contributing to the objectives of environment and climate change mitigation and adaptation under Article 17, points (a) and (b) of Article 21(1), Articles 28 29, 30 31 and 34.

(c) 100 % for Union-level financial instruments referred to in point (a) of Article 38(1) of Regulation 1303/2013;

(d) the contribution rate applicable to the measure concerned increased by an additional 10 percentage points for contributions to financial instruments referred to in point (b) of Article 38(1) of Regulation 1303/2013.

(e) 100 % for operations receiving funding from funds transferred to the EAFRD in application of Article 7(2) and Article 14(1) of Regulation (EU) No 1306/2013.

(f) 100 % for an amount of EUR 500 million, in 2011 prices, allocated to Portugal and for an amount of EUR 7 million, in 2011 prices, allocated to Cyprus on condition that those Member States are receiving financial assistance in accordance with Articles 136 and 143 TFEU on 1 January 2014 or thereafter, until 2016, when the application of this provision shall be reassessed.

(g) For Member States receiving on 1 January 2014 or thereafter financial assistance in accordance with Article 136 and 143 TFEU, the EAFRD contribution rate resulting from the application of Article 24(1) of Regulation (EU) No 1303/2013 may be increased by a maximum of an additional 10 percentage points up to a total maximum of 95 %, for expenditure to be paid by these Member States in the first two years of implementation of the rural development programme. The EAFRD contribution rate which would be applicable without this derogation shall, however, be respected for the total public expenditure made during the programming period.

5. At least 5 %, and in the case of Croatia 2,5 %, of the total EAFRD contribution to the rural development programme shall be reserved for LEADER.

6. At least 30 % of the total EAFRD contribution to the rural development programme shall be reserved for measures under the following Articles: Article 17 for environment and climate related investments; Articles 21, 28, 29 and 30, with the exception of Water Framework Directive related payments; and Articles 31, 32 and 34.

The first subparagraph shall not apply to the outermost regions and the overseas territories of the Member States.
7. Where a Member State submits both a national programme and a set of regional programmes, paragraphs 5 and 6 shall not apply to the national programme. The EAFRD contribution to the national programme shall be taken into account for the purpose of calculating the percentages referred to in paragraphs 5 and 6 for each regional programme, in proportion to that regional programme's share of the national allocation.

8. An expenditure co-financed by the EAFRD shall not be co-financed by way of a contribution from the Structural Funds, from the Cohesion Fund or from any other Union financial instrument.

9. Public expenditure on aid to enterprises shall comply with the aid limits laid down in respect of State aid, unless this Regulation provides otherwise.

**Article 60**

**Eligibility of expenditure**

1. By way of derogation from Article 65(9) of Regulation (EU) No 1303/2013, in cases of emergency measures due to natural disasters, the rural development programmes may provide that eligibility of expenditure relating to programme changes may start from the date when the natural disaster occurred.

2. Expenditure shall be eligible for an EAFRD contribution only where incurred for operations decided upon by the Managing Authority of the programme in question or under its responsibility, in accordance with selection criteria referred to in Article 49.

With the exception of general costs as defined in Article 45(2)(c), in respect of investment operations under measures falling within the scope of Article 42 TFEU, only expenditure which has been incurred after an application has been submitted to the competent authority shall be considered eligible.

Member States may provide in their programmes that only expenditure which has been incurred after the application for support has been approved by the competent authority shall be eligible.

3. Paragraphs 1 and 2 shall not apply to Article 51(1) and (2).

4. Payments by beneficiaries shall be supported by invoices and documents proving payment. Where this cannot be done, payments shall be supported by documents of equivalent probative value, except for forms of support under points (b), (c) and (d) of Article 67(1) of Regulation (EU) No 1303/2013.

**Article 61**

**Eligible expenditure**

1. Where running costs are covered by support under this Regulation the following types of costs shall be eligible:

(a) operating costs;

(b) personnel costs;

(c) training costs;

(d) costs linked to public relations;

(e) financial costs;

(f) networking costs.

2. Studies shall only be eligible expenditure where they are linked to a specific operation under the programme or the specific objectives and targets of the programme.

3. Contributions in kind in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices or documents of equivalent probative value has been made, may be eligible for support provided that the conditions of Article 69 of Regulation (EU) No 1303/2013 are fulfilled.

**Article 62**

**Verifiability and controllability of measures**

1. Member States shall ensure that all the rural development measures that they intend to implement are verifiable and controllable. To this end, the Managing Authority and the paying agency of each rural development programme shall provide an ex ante assessment of the verifiability and controllability of the measures to be included in the rural development programme. The Managing Authority and paying agency shall also undertake the assessment of the verifiability and controllability of measures during the implementation of the rural development programme. Ex ante assessment and assessment during the implementation period shall take into account the results of controls in the previous and current programming period. Where the assessment reveals that the requirements of verifiability and controllability are not met, the measures concerned shall be adjusted accordingly.

2. Where aid is granted on the basis of standard costs or additional costs and income foregone, Member States shall ensure that the relevant calculations are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation. To this end, a body that is functionally independent from the authorities responsible for the programme implementation and possesses the appropriate expertise shall perform the calculations or confirm the adequacy and accuracy of the calculations. A statement confirming the adequacy and accuracy of the calculations shall be included in the rural development programme.
Article 63

Advances

1. Payment of advances shall be subject to the establishment of a bank guarantee or an equivalent guarantee corresponding to 100 % of the amount of the advance. As regards public beneficiaries, advances shall be paid to municipalities, regional authorities and associations thereof, as well as to public law bodies.

A facility provided as a guarantee by a public authority shall be considered equivalent to the guarantee referred to in the first subparagraph, provided that the authority undertakes to pay the amount covered by that guarantee if entitlement to the advance paid is not established.

2. The guarantee may be released when the competent paying agency establishes that the amount of actual expenditure corresponding to the public contribution related to the operation exceeds the amount of the advance.

TITLE VI
MANAGEMENT, CONTROL AND PUBLICITY

Article 64

Responsibilities of the Commission

To ensure, in the context of shared management, sound financial management in accordance with Article 317 TFEU, the Commission shall carry out the measures and controls laid down in Regulation (EU) No 1306/2013.

Article 65

Responsibilities of the Member States

1. Member States shall adopt all the legislative, statutory and administrative provisions in accordance with Article 58(1) of Regulation (EU) No 1306/2013 in order to ensure that the Union’s financial interests are protected effectively.

2. Member States shall designate, for each rural development programme, the following authorities:

(a) the Managing Authority, which may be either a public or private body acting at national or regional level, or the Member State itself when it carries out that task, to be in charge of the management of the programme concerned;

(b) the accredited paying agency within the meaning of Article 7 of Regulation (EU) No 1306/2013;

(c) the certification body within the meaning of Article 9 of Regulation (EU) No 1306/2013.

3. Member States shall ensure, for each rural development programme, that the relevant management and control system has been set up in such a way that ensures a clear allocation and separation of functions between the Managing Authority and other bodies. Member States shall be responsible for ensuring that the systems function effectively throughout the programme period.

4. Member States shall clearly define the tasks of the Managing Authority, the Paying Agency and the local action groups under LEADER as regards to the application of eligibility and selection criteria and the project selection procedure.

Article 66

Managing Authority

1. The Managing Authority shall be responsible for managing and implementing the programme in an efficient, effective and correct way and in particular for:

(a) ensuring that there is an appropriate secure electronic system to record, maintain, manage and report statistical information on the programme and its implementation required for the purposes of monitoring and evaluation and, in particular, information required to monitor progress towards the defined objectives and priorities;

(b) providing the Commission, by 31 January and 31 October in each year of the programme, with relevant indicator data on operations selected for funding, including information on output and financial indicators;

(c) ensuring that beneficiaries and other bodies involved in the implementation of operations:

(i) are informed of their obligations resulting from the aid granted, and maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation;

(ii) are aware of the requirements concerning the provision of data to the Managing Authority and the recording of outputs and results;

(d) ensuring that the ex ante evaluation referred to in Article 55 of Regulation (EU) No 1303/2013 conforms to the evaluation and monitoring system and accepting and submitting it to the Commission;

(e) ensuring that the evaluation plan referred to in Article 56 of Regulation (EU) No 1303/2013 is in place, that the ex post programme evaluation referred to in Article 57 of Regulation (EU) No 1303/2013 is conducted within the time limits laid down in that Regulation, ensuring that such evaluations conform to the monitoring and evaluation system and submitting them to the Monitoring Committee and the Commission;
(l) providing the Monitoring Committee with the information and documents needed to monitor implementation of the programme in the light of its specific objectives and priorities;

(g) drawing up the annual progress report, including aggregate monitoring tables, and, after approval by the Monitoring Committee, submitting it to the Commission;

(h) ensuring that the paying agency receives all necessary information, in particular on the procedures operated and any controls carried out in relation to operations selected for funding, before payments are authorised;

(i) ensuring publicity for the programme, including through the national rural network, by informing potential beneficiaries, professional organisations, the economic and social partners, bodies involved in promoting equality between men and women, and the non-governmental organisations concerned, including environmental organisations, of the possibilities offered by the programme and the rules for gaining access to programme funding as well as by informing beneficiaries of the Union contribution and the general public on the role played by the Union in the programme.

2. The Member State or the Managing Authority may designate one or more intermediate bodies including local authorities, regional development bodies or non-governmental organisations, to carry out the management and implementation of rural development operations.

When a part of its tasks is delegated to another body, the Managing Authority shall retain full responsibility for the efficiency and correctness of management and implementation of those tasks. The Managing Authority shall ensure that appropriate provisions are in place to allow the other body to obtain all necessary data and information for execution of these tasks.

3. Where a thematic sub-programme, as referred to in Article 7, is included in the rural development programme, the Managing Authority may designate one or more intermediate bodies, including local authorities, local action groups or non-governmental organisations, to carry out the management and implementation of that strategy. Paragraph 2 shall apply in this case.

The managing authority shall ensure that operations and outputs of this thematic sub-programme are identified separately for the purposes of the monitoring and evaluation system referred to in Article 67.

4. Subject to the role of the paying agencies and other bodies as set out in Regulation (EU) No 1306/2013, where a Member State has more than one programme, a coordinating body may be designated with the purpose of ensuring consistency in the management of the funds and of providing a link between the Commission and the national management authorities.

5. The Commission shall adopt implementing acts, laying down uniform conditions for the application of the information and publicity requirements referred to in point (i) of paragraph 1.

TITLE VII
MONITORING AND EVALUATION

CHAPTER I
General provisions

Section 1
Establishment and objectives of a monitoring and evaluation system

Article 67
Monitoring and evaluation system

In accordance with this Title, a common monitoring and evaluation system shall be drawn up in co-operation between the Commission and the Member States and shall be adopted by the Commission by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

Article 68
Objectives

The monitoring and evaluation system shall aim to:

(a) demonstrate the progress and achievements of rural development policy and assess the impact, effectiveness, efficiency and relevance of rural development policy interventions;

(b) contribute to better targeted support for rural development;

(c) support a common learning process related to monitoring and evaluation.

Section 2
Technical provisions

Article 69
Common indicators

1. A list of common indicators relating to the initial situation as well as to the financial execution, outputs, results and impact of the programme and applicable to each programme shall be specified in the monitoring and evaluation system provided for in Article 67 to allow for aggregation of data at Union level.

2. The common indicators shall be based on available data and linked to the structure and objectives of the rural development policy framework and shall allow assessment of the progress, efficiency and effectiveness of policy implementation against objectives and targets at Union, national and programme level. The common impact indicators shall be based on available data.
3. The evaluator shall quantify the impact of the programme measured by the impact indicators. Based on evidence in the evaluations on the CAP, including evaluations on Rural Development programmes, the Commission shall, with the help of the Member States, assess the combined impact of all CAP instruments.

Article 70
Electronic Information System
Key information on the implementation of the programme, on each operation selected for funding, as well as on completed operations, needed for monitoring and evaluation, including key information on each beneficiary and project, shall be recorded and maintained electronically.

Article 71
Provision of information
Beneficiaries of support under rural development measures and local action groups shall undertake to provide to the Managing Authority and/or to appointed evaluators or other bodies delegated to perform functions on its behalf, all the information necessary to permit monitoring and evaluation of the programme, in particular in relation to meeting specified objectives and priorities.

CHAPTER II
Monitoring
Article 72
Monitoring procedures
1. The Managing Authority and the Monitoring Committee referred to in Article 47 of Regulation (EU) No 1303/2013 shall monitor the quality of the implementation of the programme.

2. The Managing Authority and the Monitoring Committee shall carry out monitoring of each rural development programme by means of financial, output and target indicators.

Article 73
Monitoring Committee
Member States with regional programmes may establish a national Monitoring Committee to coordinate the implementation of these programmes in relation to the National Framework and the uptake of financial resources.

Article 74
Responsibilities of the Monitoring Committee
The Monitoring Committee shall satisfy itself as to the performance of the rural development programme and the effectiveness of its implementation. To that end, in addition to the functions referred to in Article 49 of Regulation (EU) No 1303/2013 the Monitoring Committee shall:

(a) be consulted and shall issue an opinion, within four months of the decision approving the programme, on the selection criteria for financed operations, which shall be revised according to programming needs;

(b) examine the activities and outputs related to the progress in the implementation of the evaluation plan of the programme;

(c) examine, in particular, actions in the programme relating to the fulfilment of ex ante conditionalities, which fall within the responsibilities of the Managing Authority, and be informed of actions relating to the fulfilment of other ex ante conditionalities;

(d) participate in the national rural network to exchange information on programme implementation; and

(e) consider and approve the annual implementation reports before they are sent to the Commission.

Article 75
Annual implementation report
1. By 30 June 2016 and by 30 June of each subsequent year until and including 2024, the Member State shall submit to the Commission an annual implementation report on implementation of the rural development programme in the previous calendar year. The report submitted in 2016 shall cover the calendar years 2014 and 2015.

2. In addition to complying with the requirements of Article 50 of Regulation (EU) No 1303/2013 annual implementation reports shall include information inter alia on financial commitments and expenditure by measure, and a summary of the activities undertaken in relation to the evaluation plan.

3. In addition to complying with the requirements of Article 50 of Regulation (EU) No 1303/2013, the annual implementation report submitted in 2017 shall also cover a description of the implementation of any sub-programmes included within the programme.

4. In addition to complying with the requirements of Article 50 of Regulation (EU) No 1303/2013, the annual implementation report submitted in 2019 shall also cover an assessment of progress made in ensuring an integrated approach to use of the EAFRD and other EU financial instruments to support the territorial development of rural areas, including through local development strategies.

5. The Commission shall adopt implementing acts, laying down rules concerning the presentation of the annual implementation reports. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.
CHAPTER III

Evaluation

Article 76

General provisions

1. The Commission may adopt implementing acts, specifying the elements to be contained in the ex ante and ex post evaluations referred to in Articles 55 and 57 of Regulation (EU) No 1303/2013 and establishing the minimum requirements for the evaluation plan referred to in Article 56 of Regulation (EU) No 1303/2013. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

2. Member States shall ensure that the evaluations are in accordance with the common evaluation approach agreed in accordance with Article 67, shall organise the production and gathering of the requisite data, and shall supply the various pieces of information provided by the monitoring system to the evaluators.

3. The evaluation reports shall be made available by the Member States on the internet and by the Commission on its website.

Article 77

Ex ante evaluation

Member States shall ensure that the ex ante evaluator is involved from an early stage in the process of development of the rural development programme, including in the development of the analysis referred to in Article 8(1)(b), in the design of the programme's intervention logic and in the establishment of the programme's targets.

Article 78

Ex post evaluation

In 2024, an ex post evaluation report shall be prepared by the Member States for each of their rural development programmes. That report shall be submitted to the Commission by 31 December 2024.

Article 79

Syntheses of evaluations

Syntheses at Union level of the ex ante and ex post evaluation reports shall be undertaken under the responsibility of the Commission.

The syntheses of the evaluation reports shall be completed at the latest by 31 December of the year following the submission of the relevant evaluations.
CHAPTER II
Common provisions

Article 85

Exchange of information and documents

1. The Commission, in collaboration with the Member States, shall establish an information system to enable the secure exchange of data of common interest between the Commission and each Member State. The Commission shall adopt implementing acts, laying down rules for the operation of that system. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 84.

2. The Commission shall ensure that there is an appropriate secure electronic system in which key information and report on monitoring and evaluation can be recorded, maintained and managed.

Article 86

Processing and protection of personal data

1. Member States and the Commission shall collect personal data for the purpose of carrying out their respective management control, monitoring and evaluation obligations under this Regulation, and in particular those laid down in Titles VI and VII, and shall not process this data in a way which is incompatible with this purpose.

2. Where personal data are processed for monitoring and evaluation purposes under Title VII using the secure electronic system referred to in Article 85, they shall be made anonymous, and processed in aggregated form only.

3. Personal data shall be processed in accordance with the rules of Directive 95/46/EC and Regulation (EC) No 45/2001. In particular, such data shall not be stored in a form which permits identification of data subjects for longer than is necessary for the purposes for which they were collected or for which they are further processed, taking into account the minimum retention periods laid down in the applicable national and Union law.

4. Member States shall inform the data subjects that their personal data may be processed by national and Union bodies in accordance with paragraph 1 and that in this respect they enjoy the rights set out in the data protection rules of, respectively, Directive 95/46/EC and Regulation (EC) No 45/2001.

5. Articles 111 to 114 in Regulation (EU) 1306/2013 shall apply to this Article.
Article 87

General CAP provisions

Regulation (EU) No 1306/2013 and the provisions adopted pursuant to it shall apply in relation to the measures set out in this Regulation.

CHAPTER III

Transitional and final provisions

Article 88

Regulation (EC) No 1698/2005

Regulation (EC) No 1698/2005 is repealed.

Regulation (EC) No 1698/2005 shall continue to apply to operations implemented pursuant to programmes approved by the Commission under that Regulation before 1 January 2014.

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

Done at Brussels, 17 December 2013.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
V. JUKNA

Article 89

Transitional provisions

In order to facilitate the transition from the system established by Regulation (EC) No 1698/2005 to the system established by this Regulation, the Commission shall be empowered to adopt delegated acts in accordance with Article 83, laying down the conditions under which support approved by the Commission under Regulation (EC) No 1698/2005 may be integrated into support provided for under this Regulation, including for technical assistance and for the ex-post evaluations. Those delegated acts may also provide conditions for the transition from rural development support for Croatia under Regulation (EC) No 1085/2006 to support provided for under this Regulation.

Article 90

Entry into force and application

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

It shall apply from 1 January 2014.
### ANNEX I

**BREAKDOWN OF UNION SUPPORT FOR RURAL DEVELOPMENT (2014 TO 2020)**

*current prices in EUR*

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<td>1 427 718 983</td>
<td>9 909 731 249</td>
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<tr>
<td><strong>Croatia</strong></td>
<td>332 167 500</td>
<td>332 167 500</td>
<td>332 167 500</td>
<td>332 167 500</td>
<td>332 167 500</td>
<td>332 167 500</td>
<td>332 167 500</td>
<td>2 325 172 500</td>
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<tr>
<td><strong>Italy</strong></td>
<td>1 480 213 402</td>
<td>1 483 373 476</td>
<td>1 486 595 990</td>
<td>1 489 882 162</td>
<td>1 493 236 530</td>
<td>1 496 609 799</td>
<td>1 499 799 408</td>
<td>10 429 710 767</td>
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<tr>
<td><strong>Cyprus</strong></td>
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<td>18 895 839</td>
<td>18 891 207</td>
<td>18 888 801</td>
<td>18 886 389</td>
<td>18 883 108</td>
<td>18 875 481</td>
<td>132 214 377</td>
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<tr>
<td><strong>Latvia</strong></td>
<td>138 327 376</td>
<td>138 361 424</td>
<td>138 396 059</td>
<td>138 431 289</td>
<td>138 467 528</td>
<td>138 498 589</td>
<td>138 499 517</td>
<td>968 981 782</td>
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<tr>
<td><strong>Lithuania</strong></td>
<td>230 392 975</td>
<td>230 412 316</td>
<td>230 431 887</td>
<td>230 451 686</td>
<td>230 472 391</td>
<td>230 483 599</td>
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<tr>
<td><strong>Luxembourg</strong></td>
<td>14 226 474</td>
<td>14 272 231</td>
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<td>14 415 051</td>
<td>14 464 074</td>
<td>14 511 390</td>
<td>100 574 600</td>
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<td><strong>Hungary</strong></td>
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<td>495 016 871</td>
<td>494 351 618</td>
<td>493 672 684</td>
<td>492 981 342</td>
<td>492 253 356</td>
<td>491 391 895</td>
<td>3 455 336 493</td>
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<tr>
<td><strong>Malta</strong></td>
<td>13 880 143</td>
<td>13 965 035</td>
<td>14 051 619</td>
<td>14 139 927</td>
<td>14 230 023</td>
<td>14 321 504</td>
<td>14 412 647</td>
<td>99 000 898</td>
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<tr>
<td><strong>Netherlands</strong></td>
<td>87 118 078</td>
<td>87 003 509</td>
<td>86 886 585</td>
<td>86 767 256</td>
<td>86 645 747</td>
<td>86 517 797</td>
<td>86 366 388</td>
<td>607 305 360</td>
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<tr>
<td><strong>Austria</strong></td>
<td>557 806 503</td>
<td>559 329 914</td>
<td>560 883 465</td>
<td>562 467 745</td>
<td>564 084 777</td>
<td>565 713 368</td>
<td>567 266 225</td>
<td>3 937 551 997</td>
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<tr>
<td><strong>Poland</strong></td>
<td>1 569 517 638</td>
<td>1 567 453 560</td>
<td>1 565 347 059</td>
<td>1 563 197 238</td>
<td>1 561 008 130</td>
<td>1 558 702 987</td>
<td>1 555 975 202</td>
<td>10 941 201 814</td>
</tr>
<tr>
<td>---------------</td>
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<td>---------------</td>
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<td>-----------------</td>
</tr>
<tr>
<td>Portugal</td>
<td>577 031 070</td>
<td>577 895 019</td>
<td>578 775 888</td>
<td>579 674 001</td>
<td>580 591 241</td>
<td>581 504 133</td>
<td>582 317 022</td>
<td>4 057 788 374</td>
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<td>Romania</td>
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<td>1 148 336 385</td>
<td>1 146 793 135</td>
<td>1 145 218 149</td>
<td>1 143 614 381</td>
<td>1 141 925 604</td>
<td>1 139 927 194</td>
<td>8 015 663 402</td>
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<tr>
<td>Slovenia</td>
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<td>119 006 876</td>
<td>119 342 187</td>
<td>119 684 133</td>
<td>120 033 142</td>
<td>120 384 760</td>
<td>120 720 633</td>
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<td>Slovakia</td>
<td>271 154 575</td>
<td>270 797 979</td>
<td>270 434 053</td>
<td>270 062 644</td>
<td>269 684 447</td>
<td>269 286 203</td>
<td>268 814 943</td>
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<tr>
<td>Finland</td>
<td>335 440 884</td>
<td>336 933 734</td>
<td>338 456 263</td>
<td>340 009 057</td>
<td>341 593 485</td>
<td>343 198 337</td>
<td>344 776 578</td>
<td>2 380 408 338</td>
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<td>Sweden</td>
<td>248 858 535</td>
<td>249 014 757</td>
<td>249 173 940</td>
<td>249 336 135</td>
<td>249 502 108</td>
<td>249 660 989</td>
<td>249 768 786</td>
<td>1 745 315 250</td>
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<tr>
<td>United Kingdom</td>
<td>371 473 873</td>
<td>370 520 030</td>
<td>369 548 156</td>
<td>368 557 938</td>
<td>367 544 511</td>
<td>366 577 113</td>
<td>365 935 870</td>
<td>2 580 157 491</td>
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<tr>
<td>Total EU-28</td>
<td>13 618 149 060</td>
<td>13 618 658 677</td>
<td>13 619 178 488</td>
<td>13 619 708 697</td>
<td>13 620 249 509</td>
<td>13 620 801 137</td>
<td>13 621 363 797</td>
<td>95 338 109 365</td>
</tr>
</tbody>
</table>

| Techinical assistance (0,25 %) | 34 130 699 | 34 131 977 | 34 133 279 | 34 134 608 | 34 135 964 | 34 137 346 | 34 138 756 | 238 942 629 |
| Total          | 13 652 279 759 | 13 652 790 654 | 13 653 311 767 | 13 653 843 305 | 13 654 385 473 | 13 654 938 483 | 13 655 502 553 | 95 577 051 994 |
### ANNEX II

#### AMOUNTS AND SUPPORT RATES

<table>
<thead>
<tr>
<th>Article</th>
<th>Subject</th>
<th>Maximum amount in EUR or rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>15(8)</td>
<td>Advisory services, farm management and farm relief services</td>
<td>1 500 Per advice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>200 000 Per three years for the training of advisors</td>
</tr>
<tr>
<td>16(2)</td>
<td>Information and promotion activities</td>
<td>70% Of the eligible costs of the action</td>
</tr>
<tr>
<td>16(4)</td>
<td>Quality schemes or agricultural products and foodstuffs</td>
<td>3 000 Per holding per year</td>
</tr>
<tr>
<td>17(3)</td>
<td>Investment in physical assets</td>
<td>Agricultural sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50% Of the amount of eligible investment in less developed regions and in all regions whose GDP per capita for the 2007 - 2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75% Of the amount of eligible investment in outermost regions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75% Of the amount of eligible investment in Croatia for the implementation of Council Directive 91/676/EEC within a maximum period of four years from the date of accession pursuant to Article 3(2) and Article 5(1) of that Directive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75% Of the amount of eligible investment in the smaller Aegean islands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40% Of the amount of eligible investment in other regions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The above rates may be increased by an additional 20 percentage points, provided that maximum combined support does not exceed 90%, for:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Young farmers as defined in this Regulation, or who have already set up during the five years preceding the application for support;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Collective investments and integrated projects, including those linked to a merger of producer organisations;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Areas facing natural constraints and other specific as referred to in Article 32;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Operations supported in the framework of the EIP;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Investments linked to operations under Articles 28 and 29</td>
</tr>
<tr>
<td>Article</td>
<td>Subject</td>
<td>Maximum amount in EUR or rate</td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Processing and marketing of products listed in Annex I to the TFEU</td>
</tr>
<tr>
<td>15(8)</td>
<td>Advisory services, farm management and farm relief services</td>
<td>1 500 Per advice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>200 000 Per three years for the training of advisors</td>
</tr>
<tr>
<td>16(2)</td>
<td>Information and promotion activities</td>
<td>70 % Of the eligible costs of the action</td>
</tr>
<tr>
<td>16(4)</td>
<td>Quality schemes or agricultural products and foodstuffs</td>
<td>3 000 Per holding per year</td>
</tr>
<tr>
<td>17(3)</td>
<td>Investment in physical assets Agricultural sector</td>
<td>50 % Of the amount of eligible investment in less developed regions and in all regions whose GDP per capita for the 2007 - 2013 period was less than 75 % of the average of the EU-25 for the reference period but whose GDP per capita is above 75 % of the GDP average of the EU-27</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75 % Of the amount of eligible investment in outermost regions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75 % Of the amount of eligible investment in the smaller Aegean islands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40 % Of the amount of eligible investment in other regions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The above rates may be increased by an additional 20 percentage points, provided that maximum combined support does not exceed 90 %, for operations supported in the framework of the EIP or those linked to a merger of producer organisations</td>
</tr>
<tr>
<td>17(4)</td>
<td>Investment in physical assets</td>
<td>100 % Non-productive investments and agricultural and forestry infrastructure</td>
</tr>
<tr>
<td>18(5)</td>
<td>Restoring agricultural production potential damaged by natural disasters and introduction of appropriate prevention actions</td>
<td>80 % Of the amount of eligible investment costs for prevention operations carried out by individual farmers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 % Of the amount of eligible investment costs for prevention operations carried out collectively by more than one beneficiary.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 % Of the amount of eligible investment costs for operations to restore agricultural land and production potential damaged by natural disasters and catastrophic events.</td>
</tr>
<tr>
<td>19(6)</td>
<td>Farm and business development</td>
<td>70 000 Per young farmer under Article 19(1)(a)(i)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>70 000 Per beneficiary under Article 19(1)(a)(ii)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15 000 Per small farm under Article 19(1)(a)(iii)</td>
</tr>
<tr>
<td>23(3)</td>
<td>Establishment of agroforestry systems</td>
<td>80 % Of the amount of eligible investment for the establishment of agroforestry systems</td>
</tr>
<tr>
<td>Article</td>
<td>Subject</td>
<td>Maximum amount in EUR or rate</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>26(4)</td>
<td>Investments in forestry technologies and in processing, in mobilising and in the marketing of forestry products</td>
<td>65% of the amount of eligible investment in less developed regions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75% of the amount of eligible investment in outermost regions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75% of the amount of eligible investment in the smaller Aegean islands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40% of the amount of eligible investment in other regions</td>
</tr>
<tr>
<td>27(4)</td>
<td>Setting up of producer groups and organisations</td>
<td>10% as a percentage of marketed production during the first five years following recognition. The support shall be degressive.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maximum amount per year in all cases.</td>
</tr>
<tr>
<td>28(8)</td>
<td>Agri-environment-climate</td>
<td>600 (*) per ha per year for annual crops</td>
</tr>
<tr>
<td></td>
<td></td>
<td>900 (*) per ha per year for specialised perennial crops</td>
</tr>
<tr>
<td></td>
<td></td>
<td>450 (*) per ha per year for other land uses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>200 (*) per livestock unit (“LU”) per year for local breeds in danger of being lost to farmers</td>
</tr>
<tr>
<td>29(5)</td>
<td>Organic farming</td>
<td>600 (*) per ha per year for annual crops</td>
</tr>
<tr>
<td></td>
<td></td>
<td>900 (*) per ha per year for specialised perennial crops</td>
</tr>
<tr>
<td></td>
<td></td>
<td>450 (*) per ha per year for other land uses</td>
</tr>
<tr>
<td>30(7)</td>
<td>Natura 2000 and Water Framework Directive payments</td>
<td>500 (*) per ha per year maximum in the initial period not exceeding five years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>200 (*) per ha per year maximum</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50 (**) per ha per year minimum for Water Framework Directive payments</td>
</tr>
<tr>
<td>31(3)</td>
<td>Payments to areas facing natural or other specific constraints</td>
<td>25 Minimum per ha per year on average of the area of the beneficiary receiving support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>250 (*) per ha per year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>450 (*) maximum per ha per year in mountain areas as defined in Article 32(2)</td>
</tr>
<tr>
<td>33(3)</td>
<td>Animal welfare</td>
<td>500 Per LU</td>
</tr>
<tr>
<td>Article</td>
<td>Subject</td>
<td>Maximum amount in EUR or rate</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>34(3)</td>
<td>Forest-environmental and climate services and forest conservation</td>
<td>200 (*)</td>
</tr>
<tr>
<td>37(5)</td>
<td>Crop, animal and plant insurance</td>
<td>65 %</td>
</tr>
<tr>
<td>38(5)</td>
<td>Mutual funds for adverse climatic events, animal and plant diseases,</td>
<td>65 %</td>
</tr>
<tr>
<td></td>
<td>pest infestations and environmental incidents</td>
<td></td>
</tr>
<tr>
<td>39(5)</td>
<td>Income stabilisation tool</td>
<td>65 %</td>
</tr>
</tbody>
</table>

(*) These amounts may be increased in duly substantiated cases taking into account specific circumstances to be justified in the rural development programmes.

(**) This amount may be decreased in duly substantiated cases taking into account specific circumstances to be justified in the rural development programmes.

NB: The aid intensities are without prejudice to Union State aid rules.
### ANNEX III

**BIOPHYSICAL CRITERIA FOR THE DELIMITATION OF AREAS FACING NATURAL CONSTRAINTS**

<table>
<thead>
<tr>
<th>CRITERION</th>
<th>DEFINITION</th>
<th>THRESHOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CLIMATE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Temperature (*)</td>
<td>Length of growing period (number of days) defined by number of days with daily average temperature &gt; 5 °C (LGPt5) or</td>
<td>≤ 180 days</td>
</tr>
<tr>
<td></td>
<td>Thermal-time sum (degree-days) for Growing Period defined by accumulated daily average temperature &gt; 5 °C</td>
<td>≤ 1 500 degree-days</td>
</tr>
<tr>
<td>Dryness</td>
<td>Ratio of the annual precipitation (P) to the annual potential evapotranspiration (PET)</td>
<td>P/PET ≤ 0.5</td>
</tr>
<tr>
<td><strong>CLIMATE AND SOIL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess Soil Moisture</td>
<td>Number of days at or above field capacity</td>
<td>≥ 230 days</td>
</tr>
<tr>
<td><strong>SOIL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited Soil Drainage (*)</td>
<td>Areas which are water logged for significant duration of the year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wet within 80 cm from the surface for over 6 months, or wet within 40 cm for over 11 months or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poorly or very poorly drained soil or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gleyic colour pattern within 40 cm from the surface</td>
<td></td>
</tr>
<tr>
<td>Unfavourable Texture and Stoniness (*)</td>
<td>Relative abundance of clay, silt, sand, organic matter (weight %) and coarse material (volumetric %) fractions</td>
<td>≥ 15 % of topsoil volume is coarse material, including rock outcrop, boulder or</td>
</tr>
<tr>
<td></td>
<td>Texture class in half or more (cumulatively) of the 100 cm soil surface is sand, loamy sand defined as:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Silt % + (2 × clay %) ≤ 30 % or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Topsoil texture class is heavy clay</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(≥ 60 % clay) or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organic soil (organic matter ≥ 30 %) of at least 40 cm or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Topsoil contains 30 % or more clay, and there are vertic properties within 100 cm of the soil surface</td>
<td></td>
</tr>
<tr>
<td>Shallow Rooting Depth</td>
<td>Depth (cm) from soil surface to coherent hard rock or hard pan</td>
<td>≤ 30 cm</td>
</tr>
<tr>
<td>CRITERION</td>
<td>DEFINITION</td>
<td>THRESHOLD</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>----------------------------------------------------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>Poor Chemical Properties (*)</td>
<td>Presence of salts, exchangeable sodium, excessive acidity</td>
<td>Salinity: ≥ 4 deci-Siemens per meter (dS/m) in topsoil or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sodicity: ≥ 6 Exchangeable Sodium Percentage (ESP) in half or more (cumulatively) of the 100 cm soil surface layer or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Soil Acidity: pH ≤ 5 (in water) in topsoil</td>
</tr>
<tr>
<td>TERRAIN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steep Slope</td>
<td>Change of elevation with respect to planimetric distance (%)</td>
<td>≥ 15 %</td>
</tr>
</tbody>
</table>

(*) Member States need only check fulfilment of this criterion against those of the thresholds that are relevant to the specific situation of an area.
ANNEX IV

INDICATIVE LIST OF MEASURES AND OPERATIONS OF PARTICULAR RELEVANCE TO THEMATIC SUB-PROGRAMMES REFERRED TO IN ARTICLE 7

Young farmers:

- Business start-up aid for young farmers setting up for the first time in an agricultural holding
- Investments in physical assets
- Knowledge transfer and information actions
- Advisory services, farm management and farm relief services
- Co-operation
- Investments in non-agricultural activities

Small farms:

- Business start-up aid for the development of small farms
- Investments in physical assets
- Quality schemes for agricultural products and foodstuffs
- Knowledge transfer and information actions
- Advisory services, farm management and farm relief services
- Co-operation
- Investments in non-agricultural activities
- Setting up of producer groups
- LEADER

Mountain areas:

- Payments to areas facing natural or other specific constraints
- Agri-environment climate operations
- Co-operation
- Investments in physical assets
- Farm and business development in rural areas
- Quality schemes for agricultural products and foodstuffs
- Establishment of agroforestry systems
- Basic services and village renewal in rural areas
- Knowledge transfer and information actions
- Advisory services, farm management and farm relief services
- Setting up of producer groups
- LEADER

Short supply chains:

- Co-operation
- Setting up of producer groups
- LEADER
- Quality schemes for agricultural products and foodstuffs
Basic services and village renewal in rural areas
Investments in physical assets
Knowledge transfer and information actions
Advisory services, farm management and farm relief services

Women in rural areas:
Knowledge transfer and information actions
Advisory services, farm management and farm relief services
Investments in physical assets
Farm and business development
Basic services and village renewal in rural areas
Co-operation
LEADER

Climate change mitigation and adaptation and biodiversity:
Knowledge transfer & information actions
Advisory services, farm management and farm relief services
Investments in physical assets
Restoring agricultural production potential damaged by natural disasters and catastrophic events and introduction of appropriate prevention action
Basic services & village renewal in rural areas
Investments in forest area development and improvement of the viability of forests
Agri-environment-climate
Organic farming
Natura 2000 and Water framework directive payments
Payments to areas facing natural and other specific constraints (biodiversity)
Forest-environmental and climate services and forest conservation
Co-operation
Risk management
ANNEX V

EX ANTE CONDITIONALITIES FOR RURAL DEVELOPMENT

1. PRIORITIES- LINKED CONDITIONALITIES

<table>
<thead>
<tr>
<th>EU priority for RD / CPR</th>
<th>Ex ante conditionality</th>
<th>Criteria for fulfillment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thematic Objective (TO)</td>
<td></td>
<td></td>
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</tbody>
</table>
| RD priority 3: promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture | 3.1. Risk prevention and risk management: the existence of national or regional risk assessments for disaster management, taking into account climate change adaptation | — A national or regional risk assessment with the following elements shall be in place:  
— A description of the process, methodology, methods and non-sensitive data used for risk assessment as well as of the risk-based criteria for the prioritisation of investment;  
— A description of single-risk and multi-risk scenarios;  
— Taking into account, where appropriate, national climate change adaptation strategies. |
| TO 5: promoting climate change adaptation, risk prevention and management |                        |                          |
| RD priority 4: restoring, preserving and enhancing ecosystems related to agriculture and forestry | 4.1 Good Agricultural and Environmental Conditions (GAEC): standards for good agricultural and environmental condition of land referred to in Chapter I of Title VI of Regulation (EU) 1306/2013 are established at national level | — GAEC standards are defined in national law and specified in the programmes; |
| TO 5: promoting climate change adaptation, risk prevention and management | 4.2 Minimum requirements for fertilisers and plant protection products: minimum requirements for fertilisers and plant protection products referred to in Article 28 of Chapter I of Title III of this Regulation are defined at national level | — minimum requirements for fertilisers and plant protection products referred to in Chapter I of Title III of this Regulation are specified in the programmes; |
| TO 6: Preserving and protecting the environment and promoting resource efficiency | 4.3 other relevant national standards: relevant mandatory national standards are defined for the purpose of Article 28 of Chapter I of Title III of this Regulation | — relevant mandatory national standards are specified in the programmes; |
| RD priority 5: promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in the agriculture and food sectors and the forestry sector | 5.1 Energy efficiency: Actions have been carried out to promote cost-effective improvements of energy end use efficiency and cost-effective investment in Energy efficiency when constructing or renovating buildings. | — The actions are:  
— Measures to ensure minimum requirements are in place related to the energy performance of buildings consistent with Articles 3, 4 and 5 of Directive 2010/31/EU of the European Parliament and the Council (1).  
— Measures necessary to establish a system of certification of the energy performance of buildings consistent with Article 11 of Directive 2010/31/EU  
— Measures to ensure strategic planning on energy efficiency, consistent with Article 3 of Directive 2012/27 EU of the European Parliament and the Council (2). |
| TO 4: supporting the shift towards a low-carbon economy in all sectors  
TO 6: Preserving and protecting the environment and promoting resource efficiency |                        |                          |
<table>
<thead>
<tr>
<th>EU priority for RD / CPR</th>
<th>Ex ante conditionality</th>
<th>Criteria for fulfilment</th>
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<tbody>
<tr>
<td>Thematic Objective (TO)</td>
<td></td>
<td>— Measures consistent with Article 13 of Directive 2006/32/EC of the European Parliament and the Council on energy end-use efficiency and energy services to ensure the provision to final customers of individual meters in so far as it is technically possible, financially reasonable and proportionate in relation to the potential energy savings.</td>
</tr>
<tr>
<td>TO 4: Supporting the shift to a low-carbon economy in the agriculture and food sector</td>
<td></td>
<td>— In sectors supported by the EAFRD, a Member State has ensured a contribution of the different water uses to the recovery of the costs of water services by sector consistent with Article 9, paragraph 1 first indent of the Water Framework Directive having regard where appropriate, to the social, environmental and economic effects of the recovery as well as the geographic and climatic conditions of the region or regions affected.</td>
</tr>
<tr>
<td>TO 5: Promoting the marketing of agricultural products</td>
<td></td>
<td>— A national or regional NGN Plan is in place that contains:</td>
</tr>
<tr>
<td>RD priority 5: Promoting renewable energy</td>
<td></td>
<td>— a plan of infrastructure investments based on an economic analysis taking account of existing private and public infrastructures and planned investments;</td>
</tr>
<tr>
<td>RD priority 6: Promoting social inclusion, poverty reduction and economic development in rural areas</td>
<td></td>
<td>— sustainable investment models that enhance competition and provide access to open, affordable, quality and future proof infrastructure and services;</td>
</tr>
<tr>
<td>TO 2: Enhancing access to and use of quality of information and communication technologies (Broadband target)</td>
<td></td>
<td>— measures to stimulate private investment.</td>
</tr>
<tr>
<td>5.2 Water sector: The existence of a) a water pricing policy which provides adequate incentives for users to use water resources efficiently and b) an adequate contribution of the different water uses to the recovery of the costs of water services at a rate determined in the approved river basin management plan for investment supported by the programmes.</td>
<td></td>
<td>— A Member State has adopted a national renewable energy action plan consistent with Article 4 of Directive 2009/28/EC.</td>
</tr>
<tr>
<td>5.3 Renewable energy: Actions have been carried out to promote the production and distribution of renewable energy sources (§).</td>
<td></td>
<td>— Transparent support schemes, priority in grid access or guaranteed access and priority in dispatching, as well as standard rules relating to the bearing and sharing of costs of technical adaptations which have been made public are in place consistent with Article 14(1) and Article 16(2) and (3) of Directive 2009/28/EC.</td>
</tr>
<tr>
<td>6. Next Generation Network (NGN) Infrastructure: The existence of national or regional NGN Plans which take account of regional actions in order to reach the Union high-speed Internet access targets, focusing on areas where the market fails to provide an open infrastructure at an affordable cost and of a quality in line with the Union competition and State aid rules and to provide accessible services to vulnerable groups.</td>
<td></td>
<td>— A national or regional NGN Plan is in place that contains:</td>
</tr>
</tbody>
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EAFRD REGULATION
ANNEX VI

INDICATIVE LIST OF MEASURES WITH RELEVANCE TO ONE OR MORE UNION PRIORITIES FOR RURAL DEVELOPMENT

Measures of particular relevance to several Union priorities

Article 15 Advisory services, farm management and farm relief services
Article 17 Investments in physical assets
Article 19 Farm and business development
Article 35 Co-operation
Article 42 - 44 LEADER

Measures of particular relevance to fostering knowledge transfer and innovation in agriculture, forestry, and rural areas

Article 14 Knowledge transfer and information actions
Article 26 Investments in forestry technologies and in processing in mobilising and in the marketing of forestry products

Measures of particular relevance for enhancing the competitiveness of all types of agriculture and enhancing farm viability

Article 16 Quality schemes for agricultural products and foodstuffs

Measures of particular relevance to promoting food chain organisation and risk management in agriculture

Article 18 Restoring agricultural production potential damaged by natural disasters and catastrophic events and introduction of appropriate prevention actions
Article 24 Prevention and restoration of damage to forests from forest fires and natural disasters and catastrophic events
Article 27 Setting up of producer groups
Article 33 Animal welfare
Article 36 Risk management
Article 37 Crop, animal, and plant insurance
Article 38 Mutual funds for animal and plant diseases and environmental incidents
Article 39 Income stabilisation tool

Measure of particular relevance to restoring, preserving and enhancing ecosystems dependent on agriculture and forestry and

Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors

Article 21(1)(a) Afforestation and creation of woodland
Article 21(1)(b) Establishment of agroforestry systems
<table>
<thead>
<tr>
<th>Article</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>21(1)(d)</td>
<td>Investments improving the resilience and environmental value as well as the mitigation of potential forest ecosystems</td>
</tr>
<tr>
<td>28</td>
<td>Agri-environment-climate</td>
</tr>
<tr>
<td>29</td>
<td>Organic farming</td>
</tr>
<tr>
<td>30</td>
<td>Natura 2000 and Water framework directive payments</td>
</tr>
<tr>
<td>31 - 32</td>
<td>Payments to areas facing natural or other specific constraints</td>
</tr>
<tr>
<td>34</td>
<td>Forest-environmental and climate services and forest conservation</td>
</tr>
</tbody>
</table>

Measures of particular relevance to promoting social inclusion, poverty reduction and economic development in rural areas

<table>
<thead>
<tr>
<th>Article</th>
<th>Description</th>
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<tbody>
<tr>
<td>20</td>
<td>Basic services and village renewal in rural areas</td>
</tr>
<tr>
<td>42 – 44</td>
<td>LEADER</td>
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</tbody>
</table>
European Territorial Cooperation (ETC), also referred to as Interreg, provides a framework for the implementation of joint actions and policy exchanges between national, regional and local actors from different Member States with a view to finding shared solutions to common challenges.

1. Eligibility

- **Cross-border cooperation**: NUTS 3 regions along all internal and some external land borders are eligible. Regions of the Union along maritime borders must be separated by a maximum of 150 km to be eligible.
- **Transnational cooperation** covers larger transnational territories, involving national, regional and local partners and also covers maritime cross-border cooperation in cases not covered by cross-border cooperation, with a view to achieving a higher degree of territorial integration of those territories.
- **Interregional cooperation** works at the pan-European level, covering all EU-28 Member States and some non-EU countries. It encourages and facilitates the exchange of experiences between regions on thematic objectives and urban development, including urban-rural linkages. Interregional cooperation showcases what regions do well, to the benefit of those still investing, and promotes exchanges between researchers and research institutions in both developed and less developed regions.

2. Concentration and investment priorities

Investments must be made in a more strategic and integrated way in order to achieve the overarching objective of delivering the Europe 2020 strategy. Interreg programmes will contribute directly to this concentration effort, while retaining their specific focus on improving institutional cooperation across borders as specified under Article 7 of the ETC Regulation. At least 80 % of the ERDF allocation to each cross-border cooperation and transnational programme will be focused on a maximum of four of the eleven thematic objectives described in the CPR (Article 9).

In the case of the PEACE cross-border programme and within the thematic objective of promoting social inclusion, combating poverty and any discrimination, the ERDF will also contribute to promoting social and economic stability in the regions concerned, in particular through actions to promote cohesion between communities.

3. Simplification

On top of these, ETC programmes can make use of the ‘off-the-shelf’ simplified cost option specific to ETC. This allows the calculation of staff costs by applying a flat rate of up to 20 % on the direct costs other than the staff costs of an operation.

Also specific to ETC, the European Grouping of Territorial Cooperation (EGTC) is a European legal instrument designed to facilitate and promote cross-border, transnational and interregional cooperation. Unlike the structures that governed this kind of cooperation before 2007, the EGTC is a legal entity created at the EU level 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 can be made up of regional or local authorities, associations or any other public body.

It is important to note that also the national/central authorities of the Member States can become EGTC members, alone or together with sub-national authorities or bodies. The EGTC is unique in the sense that it 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 has its registered office.

4. Building synergies

Reinforcing cooperation across the various funding instruments, programmes and cooperation mechanisms is crucial in the new period. The Interreg programmes will be asked to re-inforce their links to national and regional programmes and to show greater consistency with macro-regional strategies and sea-basin strategies.
Since 2009, new strategies have been developed that relate to EU Member States and non-EU countries located in the same geographical area. These strategies:

- focus on common issues, solutions and actions of strategic relevance in order to provide genuine added-value for the entire region;
- are designed to encourage cooperation and coordination among policies, institutions and funding sources;
- are supported by all means of funding: for 2014-2020, EU, national, regional, private and international funds, macro-regional and sea basin strategies have been put into the legal framework of the EU.

5. Networking and exchanging experiences

The four EU-supported programmes for setting-up networks and exchanges of experience will continue in the 2014-2020 period:

- Interreg Europe, which aims to improve the implementation of regional development policies and programmes, in particular programmes for Investment for Growth and Jobs and European Territorial Cooperation (ETC) programmes;
- INTERACT, which has developed a wide range of harmonised tools (templates, model forms, fact sheets…) - also called HIT tools - and handbooks for the 2014-2020 period;
- URBACT, which will develop three types of interventions: transnational exchange, capacity-building, capitalisation & dissemination;
- ESPON 2020, a c Cooperation Programme that will continue the consolidation of a European Territorial Observatory Network and expand the provision of comparable, systematic and reliable pan-European territorial evidence.
REGULATION (EU) No 1299/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 17 December 2013
on specific provisions for the support from the European Regional Development Fund to the
European territorial cooperation goal

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 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 Committee (1),

Having regard to the opinion of the Committee of the Regions (2),

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Article 176 of the Treaty on the Functioning of the European Union (TFEU) provides that the European Regional Development Fund (ERDF) is intended to help to redress the main regional imbalances in the Union. Under that Article and the second and third paragraphs of Article 174 TFEU, the ERDF is to contribute to reducing disparities between the levels of development of the various regions and to reducing the backwardness of the least favoured regions, among which particular attention is to 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.

(2) Regulation (EU) No 1303/2013 of the European Parliament and of the Council (3) sets out provisions common to the ERDF, the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), Regulation (EU) No 1301/2013 of the European Parliament and of the Council (4) sets out specific provisions concerning the type of activities which can be supported by the ERDF, and defines the goals for those activities. Those Regulations are not fully adapted to the specific needs of the European territorial cooperation goal, where at least two Member States or one Member State and a third country cooperate. It is therefore necessary to lay down provisions specific to the European territorial cooperation goal concerning scope, geographical coverage, financial resources, thematic concentration and investment priorities, programming, monitoring and evaluation, technical assistance, eligibility, management, control and designation, participation of third countries, and financial management.

(3) In order to increase the added value of the Union’s cohesion policy, specific provisions should be aimed at achieving considerable simplification for all those involved: beneficiaries, programme authorities, authorities in participating Member States, at local, regional or national level, as appropriate, and third countries, as well as the Commission.

(4) In order to support the harmonious development of the Union’s territory at different levels, the ERDF should support cross-border, transnational and interregional cooperation under the European territorial cooperation goal.

(5) Cross-border cooperation should aim to tackle common challenges identified jointly in the border regions, such as: poor accessibility, especially in relation to information and communication technologies (ICT) connectivity and transport infrastructure, declining local industries, an inappropriate business environment, lack of networks among local and regional administrations, low levels of research and innovation and take-up of ICT, environmental pollution, risk prevention, negative attitudes towards neighbouring country citizens and aim to exploit the untapped growth potential in border areas (development of cross-border research and innovation facilities and clusters, cross-border labour market integration, cooperation among education providers, including universities or between health centres), while enhancing the cooperation process for the purpose of the overall harmonious development of the Union.


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Transnational cooperation should aim to strengthen cooperation by means of actions conducive to integrated territorial development linked to the Union’s cohesion policy priorities, and should also include maritime cross-border cooperation not covered by cross-border cooperation programmes.

Interregional cooperation should aim to reinforce the effectiveness of cohesion policy by encouraging exchange of experience between regions on thematic objectives and urban development, including urban-rural linkages, to improve implementation of territorial cooperation programmes and actions as well as promoting analysis of development trends in the area of territorial cohesion through studies, data collection and other measures. The exchange of experience on thematic objectives should enhance design and implementation, principally of operational programmes under the Investment for growth and jobs goal, but also, where appropriate, of programmes under the European territorial cooperation goal, including the fostering of mutually beneficial cooperation between innovative research-intensive clusters and exchanges between researchers and research institutions in both developed and less developed regions, taking into consideration the experience of ‘Regions of Knowledge’ and ‘Research potential in Convergence and Outermost regions’ under the Seventh Framework Programme for Research.

Objective criteria for designating eligible regions and areas should be fixed. To this end, the identification of eligible regions and areas at Union level should be based on the common system of classification of the regions established by Regulation (EC) No 1059/2003 of the European Parliament and of the Council (1).

Cross-border cooperation should support regions located on land or maritime borders. Based on experience from previous programming periods, the Commission should define the list of cross-border areas that are to receive support under cross-border cooperation programmes in a simpler way, by cooperation programme. In drawing up that list, the Commission should take into account adjustments needed to ensure coherence, in particular with regard to land and maritime borders, and continuity of programme areas established for the 2007–2013 programming period. Such adjustments could involve reducing or enlarging existing programme areas or the number of cross-border cooperation programmes, while allowing for the possibility of geographical overlap.

The Commission should define transnational cooperation areas having regard to actions needed to promote integrated territorial development. In defining those areas, the Commission should take into account the experience obtained in previous programmes and, where appropriate, macro-regional and sea-basin strategies.

To ensure that all regions in the Union can benefit from the exchange of experience and good practices, interregional cooperation programmes should cover the whole Union.

It is necessary to continue supporting or, as appropriate, to establish cross-border, transnational and interregional cooperation with the Union’s neighbouring third countries, as such cooperation is an important regional development policy tool and should benefit the regions of the Member States which border third countries. To that effect, the ERDF should contribute to the cross-border and sea-basin programmes established under the European Neighbourhood Instrument (ENI) pursuant to a future Union legislative act concerning the European Neighbourhood Instrument for the period 2014–2020 (the ‘ENI legislative act’) and the Instrument for Pre-Accession Assistance (IPA II) pursuant to a future Union legislative act concerning the Pre-Accession Assistance for the period 2014–2020 (the ‘IPA II legislative act’).

Apart from interventions on external borders supported by external policy instruments of the Union covering border regions inside and outside the Union, it should be possible for cooperation programmes supported by the ERDF to cover regions both inside and, in certain cases, outside the Union, where the regions outside the Union are not covered by external policy instruments either because they are not defined as a beneficiary country or because such external cooperation programmes cannot be set up. It is necessary, however, to ensure that the support from the ERDF for operations implemented in the territory of third countries should serve primarily for the benefit of the regions of the Union. Within those constraints, the Commission should, when drawing up the lists of cross-border and transnational programme areas, cover regions in third countries as well.

It is necessary to set out the resources allocated to each of the different components of the European territorial cooperation goal, while maintaining a significant concentration on cross-border cooperation, including each Member State’s share of the global amounts for cross-border and transnational cooperation, the potential available to Member States concerning flexibility between those components, and securing sufficient funding levels for outermost regions’ cooperation.

(15) For the benefit of the regions of the Union, a mechanism to organise support from the ERDF to external policy instruments, such as the ENI and the IPA II, should be set up, including where external cooperation programmes cannot be adopted or have to be discontinued. That mechanism should seek to achieve optimal functioning and the maximum possible coordination between those instruments.

(16) The major part of the ERDF funding for cross-border and transnational cooperation programmes should be concentrated on a limited number of thematic objectives in order to maximise the impact of cohesion policy across the Union. However, the concentration under the interregional cooperation programme on thematic objectives should be reflected in the aim of each operation rather than in a limitation of the number of thematic objectives, in order to get the most out of inter-regional cooperation for the reinforcement of the effectiveness of cohesion policy principally under the Investment for growth and jobs goal and also, where appropriate, the European territorial cooperation goal. In the case of other interregional cooperation programmes, the thematic concentration should derive from their specific scope.

(17) In order to deliver on the targets and objectives set out in the Union strategy for smart, sustainable and inclusive growth, the ERDF should contribute under the European territorial cooperation goal to the thematic objectives of developing an economy based on knowledge, research and innovation, including through the fostering of cooperation between businesses, particularly between SMEs, and through the promotion of the establishment of systems for cross-border information exchange in the area of ICT; promoting a greener, more resource-efficient and competitive economy, including through the promotion of sustainable cross-border mobility; fostering high employment that results in social and territorial cohesion, including through activities supporting sustainable tourism, culture and natural heritage as part of a territorial strategy aimed at achieving employment-friendly growth; and developing administrative capacity. However, the list of the investment priorities under the different thematic objectives should be adapted to the specific needs of the European territorial cooperation goal, by providing for additional investment priorities allowing in particular for the continuation under cross-border cooperation of legal and administrative cooperation, cooperation between citizens and institutions, and of cooperation in the fields of employment, training, integration of communities and social inclusion in a cross-border perspective, and by the development and coordination of macro-regional and sea-basin strategies under transnational cooperation. In addition, specific or additional investment priorities should be set out for certain inter-regional cooperation programmes to reflect their specific activities.

(18) Within the thematic objective of promoting social inclusion and combating poverty and taking into account its practical importance, it is necessary to ensure that, in the case of the PEACE cross-border programme between Northern Ireland and the border counties of Ireland in support of peace and reconciliation, the ERDF should also contribute to promoting social and economic stability in the regions concerned, in particular through actions to promote cohesion between communities. Given the specificities of that cross-border programme, certain rules on selection of operations in this Regulation should not apply to that cross-border programme.

(19) It is necessary to adapt the content requirements of cooperation programmes under the European territorial cooperation goal to their specific needs. Those requirements should therefore also cover aspects necessary for effective implementation on the territory of participating Member States, such as those concerning the bodies responsible for audit and control, the procedure for setting up a joint secretariat, and the allocation of liabilities in the case of financial corrections. Where Member States and regions participate in macro-regional and sea-basin strategies, the cooperation programmes concerned should set out how interventions could contribute to such strategies. In addition, due to the horizontal character of interregional cooperation programmes, the content of such cooperation programmes should be adapted, especially as regards the definition of the beneficiary or beneficiaries under the current INTERACT and ESPON programmes.

(20) In order to strengthen the co-ordination of ERDF support for cooperation programmes, adopted under this Regulation, involving the outermost regions with possible complementary financing from the European Development Fund (EDF), the ENI, the IPA II, and the European Investment Bank (EIB), Member States and third countries or overseas countries or territories (the latter hereinafter referred to as 'territories') participating in such cooperation programmes should set out rules for coordination mechanisms in those programmes.

(21) It is appropriate to involve third countries or territories in the preparatory process of cooperation programmes, where they have accepted the invitation to participate in such programmes. Special procedures should be established in this Regulation for such involvement. By way of derogation from the standard procedure, where cooperation programmes involve outermost regions and third countries or territories, the participating Member States should consult the respective third countries or territories before submitting the programmes to the Commission. In order to make the involvement of third countries or territories in cooperation programmes more effective and pragmatic, it should also be possible to have the agreements to the contents of the cooperation programmes and the possible contribution of the third countries or territories, expressed in the formally approved minutes of the consultation meetings with such third countries or territories, or of the deliberations of the regional cooperation organisations. Taking into account the principles of shared management and of simplification, the approval procedure for cooperation programmes should be such that the Commission approves only the core elements of the cooperation programmes, while the other elements should be approved by the participating Member State.
or Member States. For the sake of legal certainty and transparency, it is necessary to ensure that, in cases where the participating Member State or Member States amend an element of a cooperation programme which is not subject to approval by the Commission, the managing authority for that programme notifies such an amending decision to the Commission within one month of the date of that amending decision.

(22) In line with the Union strategy for smart, sustainable and inclusive growth, the European Structural and Investment Funds should provide a more integrated and inclusive approach to tackling local problems. In order to strengthen such an approach, support from the ERDF in border regions should be coordinated with support from the EAFRD and the EMFF and should, where appropriate, involve European groupings of territorial cooperation (EGTCs) set up under Regulation (EU) No 1302/2013 of the European Parliament and of the Council (1) where local development is one of their objectives.

(23) Based on the experience from the 2007-2013 programming period, the conditions for selection of operations should be clarified and strengthened in order to ensure selection of only genuinely joint operations. Due to the particular context and specificities of cooperation programmes between outermost regions and third countries or territories, lightened cooperation conditions in terms of processing operations under those programmes should be established and adapted. The notion of sole beneficiaries should be defined and such beneficiaries should be permitted to carry out cooperation operations by themselves.

(24) The responsibilities of lead beneficiaries, retaining overall responsibility for the implementation of an operation, should be specified.

(25) The requirements for implementation reports should be adapted to the cooperation context and reflect the programme implementation cycle. In the interests of sound management, it should be possible for the annual review to be carried out in writing.

(26) In accordance with Regulation (EU) No 1303/2013 the managing authority should ensure that evaluations of cooperation programmes are carried out on the basis of the evaluation plan and include evaluations to assess the effectiveness, efficiency and impact of those programmes. At least once during the programming period, an evaluation should assess how the support provided has contributed to the achievement of objectives of the programme. Such evaluations should include information about any proposed adjustments during the programming period.

(27) A common set of output indicators to facilitate the assessment of the progress of programme implementation, adapted to the specific character of cooperation programmes, should be set out in an Annex to this Regulation. Those indicators should be complemented by programme-specific result indicators and, where relevant, by programme specific output indicators.

(28) Due to the involvement of more than one Member State, and the resulting higher administrative costs, in particular, in respect of controls and translation, the ceiling for technical assistance expenditure should be higher than that under the Investment for growth and jobs goal. In order to offset the higher administrative costs, Member States should be encouraged wherever possible to reduce the administrative burden with regard to the implementation of joint projects. In addition, cooperation programmes with limited ERDF support should receive a certain minimum amount for technical assistance which could be greater than 6 %, to ensure sufficient funding for effective technical assistance activities.

(29) Due to the involvement of more than one Member State, the general rule laid down in Regulation (EU) No 1303/2013, whereby each Member State is to adopt national rules on eligibility of expenditure, is not appropriate for the European territorial cooperation goal. Based on experience from the 2007-2013 programming period, a clear hierarchy of rules on eligibility of expenditure should be established with a strong move towards rules on eligibility of expenditure established at Union level or for a cooperation programme as a whole to avoid any possible contradictions or inconsistencies between different Regulations and between Regulations and national rules. In particular, the Commission should, based on experience from the 2007-2013 programming period, adopt rules on eligibility of expenditure for cost categories laid down in this Regulation.

(30) Due to the frequent involvement of staff from more than one Member State in the implementation of operations, and given the number of operations for which staff costs is a significant element, a flat-rate for staff costs should be applied based on the other direct costs of cooperation operations, thus avoiding individual accounting for the management of such operations.

(31) The rules on flexibility concerning the location of operations outside the programme area should be simplified. In addition, it is necessary to support and facilitate, through specific arrangements, effective cross-border, transnational and interregional cooperation with the Union’s neighbouring third countries or territories where this is necessary to ensure that regions of the Member States are effectively assisted in their development. Accordingly, it is appropriate to authorise on an exceptional basis and under certain conditions support from the ERDF for operations located outside the Union part of the programme area and on the territory of neighbouring third countries where those operations are for the benefit of the regions of the Union.

(32) Member States should be encouraged to assign the functions of the managing authority to an EGTC or to make such a grouping responsible for managing the part of a cooperation programme that relates to the territory covered by that EGTC.

(33) The managing authority should set up a joint secretariat which should, inter alia, provide information to applicants for support, deal with project applications and assist beneficiaries in implementing their operations.

(34) Managing authorities should be responsible for the functions laid down in Regulation (EU) No 1303/2013, including for management verifications, in order to ensure uniform standards across the whole programme area. However, where an EGTC is designated as managing authority, such verifications should be carried out by or under the responsibility of the managing authority at least for those Member States and third countries or territories from which there are members participating in the EGTC, while controllers should only be used in the remaining Member States and third countries or territories. Even if no EGTC is designated, the managing authority should be authorised by the participating Member States to carry out verifications on the whole programme area.

(35) Certifying authorities should be responsible for the certifying authority functions laid down in Regulation (EU) No 1303/2013. The Member States should be able to designate the managing authority to also carry out the functions of the certifying authority.

(36) A single audit authority should be responsible for carrying out the audit authority functions laid down in Regulation (EU) No 1303/2013 in order to ensure uniform standards across the whole programme area. Where that is not possible, a group of auditors should be able to assist the programme audit authority.

(37) In order to strengthen the Union’s economic, social and territorial cohesion and to reinforce the effectiveness of its cohesion policy, third countries should be allowed to participate, through a contribution of IPA II and ENI resources, in transnational and interregional cooperation programmes. Operations co-financed under such programmes should, however, continue to pursue cohesion policy objectives, even if they are implemented, partly or in their entirety, outside the territory of the Union. In this context, the contribution to the objectives of the Union’s external action remains merely incidental, as the centre of gravity of cooperation programmes should be determined by the thematic objectives and investment priorities of cohesion policy. In order to ensure effective participation by third countries in cooperation programmes that are managed in accordance with the shared management principle, programme implementation conditions should be set out in the cooperation programmes themselves and also, where necessary, in financing agreements, concluded between the Commission, the governments of each of the third countries and the Member State hosting the managing authority of the relevant cooperation programme. The programme implementation conditions should be consistent with applicable Union law and, where appropriate, with the provisions of national law of participating Member States relating to its application.

(38) A clear chain of financial liability in respect of recovery for irregularities should be established from beneficiaries to lead beneficiary to the managing authority to the Commission. Provision should be made for liability of Member States where obtaining recovery is not possible.

(39) Based on the experience from the 2007–2013 programming period, an explicit derogation should be established for the conversion of expenditure incurred in a currency other than the euro, by applying the monthly conversion rate at a date as close to the point in time of the expenditure as possible or in the month in which the expenditure was submitted for verification or in the month during which expenditure was reported to the lead beneficiary. Financing plans, reports and accounts concerning joint cooperation operations should only be submitted in euro to the joint secretariat, the programme authorities and the monitoring committee. The correctness of conversion should be verified.
In order to set out specific rules on amending common output indicators and on eligibility of expenditure, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of the amendment of the list of common output indicators set out in the Annex to this Regulation and in respect of specific rules on eligibility of expenditure for cooperation programmes. It is of particular importance that the Commission carry 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.

In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission in respect of the lists of cross-border areas, and of transnational areas, of a list of all cooperation programmes and of the global amount from the ERDF support for each cooperation programme, of the nomenclature concerning categories of intervention and of the models for cooperation programmes and implementation reports. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council (1).

Implementing powers should be conferred on the Commission to adopt decisions approving certain elements of the cooperation programmes and any subsequent amendments to those elements.

This Regulation should not affect either the continuation or modification of assistance approved by the Commission on the basis of Regulation (EC) No 1080/2006 of the European Parliament and of the Council (2) or any other legislation applying to that assistance on 31 December 2013. That Regulation or such other applicable legislation should consequently continue to apply after 31 December 2013 to that assistance or the operations concerned until their closure. Applications to receive assistance made or approved under Regulation (EC) No 1080/2006 should remain valid.

Since the objective of this Regulation, namely to reinforce economic, social and territorial cohesion by redressing the main regional imbalances in the Union, cannot be sufficiently achieved by the Member States but can rather, by reason of the extent of the disparities between the levels of development of the various regions and the backwardness of the least favoured regions and the limit on the financial resources of the Member States and regions, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

In order to allow for the prompt application of the measures provided for in this Regulation, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union,

HAVE ADOPTED THIS REGULATION:

CHAPTER I

General provisions

Article 1

Subject matter and scope

1. This Regulation establishes the scope of the ERDF with regard to the European territorial cooperation goal and lays down specific provisions concerning that goal.

2. This Regulation defines, for the European territorial cooperation goal, the priority objectives and organisation of the ERDF, the criteria for Member States and regions to be eligible for support from the ERDF, the financial resources available for support from the ERDF, and the criteria for their allocation.

It also lays down the provisions necessary to ensure effective implementation, monitoring financial management and control of operational programmes under the European territorial cooperation goal ("cooperation programmes"), including when third countries participate in such cooperation programmes.

3. Regulation (EU) No 1303/2013 and Chapter I of Regulation (EU) No 1301/2013 shall apply to the European territorial cooperation goal and to cooperation programmes thereunder, except where specifically provided for under this Regulation or where those provisions can only apply to the Investment for growth and jobs goal.


Article 2

Components of the European territorial cooperation goal

Under the European territorial cooperation goal, the ERDF shall support the following components:

(1) cross-border cooperation between adjacent regions to promote integrated regional development between neighbouring land and maritime border regions in two or more Member States or between neighbouring border regions in at least one Member State and one third country on external borders of the Union other than those covered by programmes under the external financial instruments of the Union;

(2) transnational cooperation over larger transnational territories, involving national, regional and local partners and also covering maritime cross-border cooperation in cases not covered by cross-border cooperation, with a view to achieving a higher degree of territorial integration of those territories;

(3) interregional cooperation to reinforce the effectiveness of cohesion policy by promoting:

(a) exchange of experience focusing on thematic objectives among partners throughout the Union, including in relation to the development of regions referred to in Article 174 TFEU on the identification and dissemination of good practices with a view to their transfer principally to operational programmes under the Investment for growth and jobs goal but also, where relevant, to cooperation programmes;

(b) exchange of experience concerning the identification, transfer and dissemination of good practices in relation to sustainable urban development, including urban-rural linkages;

(c) exchange of experience concerning the identification, transfer and dissemination of good practices and innovative approaches in relation to the implementation of cooperation programmes and actions as well as to the use of EGTCs;

(d) analysis of development trends in relation to the aims of territorial cohesion, including territorial aspects of economic and social cohesion, and harmonious development of Union territory through studies, data collection and other measures.

Article 3

Geographical coverage

1. For cross-border cooperation, the regions to be supported shall be the NUTS level 3 regions of the Union along all internal and external land borders other than those covered by programmes under the external financial instruments of the Union, and all NUTS level 3 regions of the Union along maritime borders separated by a maximum of 150 km, without prejudice to potential adjustments needed to ensure the coherence and continuity of cooperation programme areas established for the 2007-2013 programming period.

The Commission shall adopt a decision, by means of implementing acts, setting out the list of cross-border areas to receive support, broken down by cooperation programme. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2) of Regulation (EU) No 1303/2013.

2. Without prejudice to Article 20(2) and (3), cross-border cooperation programmes may cover regions in Norway and Switzerland and also cover Liechtenstein, Andorra, Monaco and San Marino and third countries or territories neighbouring outermost regions, all of which shall be equivalent to NUTS level 3 regions.

When submitting draft cross-border cooperation programmes, Member States, in duly justified cases, and, in order to ensure the coherence of cross-border areas, may request that NUTS level 3 regions other than those listed in the decision referred to in the second subparagraph, are added to a given cross-border cooperation area.

At the request of the Member State or Member States concerned, in order to facilitate cross border cooperation on maritime borders for outermost regions, and without prejudice to the provisions of the first subparagraph, the Commission may include, in the decision referred to in the second subparagraph, NUTS level 3 regions in outermost regions along maritime borders separated by more than 150 km as cross-border areas which may receive support from the corresponding allocation of those Member States.

3. For transnational cooperation, the Commission shall adopt a decision, by means of implementing acts, setting out the list of transnational areas to receive support, broken down by cooperation programme and covering NUTS level 2 regions, while ensuring the continuity of such cooperation in larger coherent areas based on previous programmes, taking account, where appropriate, of macro-regional and sea-basin strategies. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2) of Regulation (EU) No 1303/2013.
When submitting draft transnational cooperation programmes, Member States may request that additional NUTS level 2 regions located adjacent to the regions listed in the decision referred to in the first subparagraph are added to a given transnational cooperation area. Member States shall give reasons for such a request.

4. Without prejudice to Article 20(2) and (3), transnational cooperation programmes may cover regions in both of the following third countries or territories:

(a) the third countries or territories listed or referred to in paragraph 2 of this Article;

(b) the Faroe Islands and Greenland.

Without prejudice to Article 20(2) and (3), transnational cooperation programmes may also cover regions in third countries covered by the external financial instruments of the Union, such as the ENI pursuant to the ENI legislative act, including the relevant regions of the Russian Federation, and the IPA II pursuant to the IPA II legislative act. Annual appropriations corresponding to the support of the ENI and IPA II to those programmes shall be made available, provided that the programmes adequately address the relevant external cooperation objectives.

Such regions shall be equivalent to NUTS level 2 regions.

5. For interregional cooperation, support from the ERDF shall cover the entire territory of the Union.

Without prejudice to Article 20(2) and (3), interregional cooperation programmes may cover the whole or part of the third countries or territories referred to in points (a) and (b) of the first subparagraph of paragraph 4 of this Article.

6. For information purposes, regions of third countries or territories referred to in paragraphs 2 and 4 shall be mentioned in the lists referred to in paragraphs 1 and 3.

7. In duly justified cases, in order to increase the efficiency of programme implementation, the outermost regions may, in a single programme for territorial cooperation, combine the amounts of the ERDF allocated for cross-border and transnational cooperation, including the additional allocation provided for under Article 4(2), while complying with the applicable rules for each of those allocations.

Article 4

Resources for European territorial cooperation goal

1. Resources for the European territorial cooperation goal shall amount to 2,75% of the global resources available for budgetary commitment from the ERDF, ESF and the Cohesion Fund for the 2014-2020 programming period and set out in Article 91(1) of Regulation (EU) No 1303/2013 (i.e., a total of EUR 8 948 259 330) and shall be allocated as follows:

(a) 74,05% (i.e., a total of EUR 6 626 631 760) for cross-border cooperation;

(b) 20,36% (i.e., a total of EUR 1 821 627 570) for transnational cooperation;

(c) 5,59% (i.e., a total of EUR 500 000 000) for interregional cooperation.

2. For programmes under the European territorial cooperation goal, the outermost regions shall be allocated not less than 150% of the ERDF support they received in the 2007-2013 programming period for cooperation programmes. In addition, an amount of EUR 50 000 000 from the allocation for interregional cooperation shall be set aside for outermost regions’ cooperation. Concerning thematic concentration, Article 6(1) shall apply to that additional allocation.

3. The Commission shall communicate to each Member State its share of the global amounts for cross-border and transnational cooperation as referred to in points (a) and (b) of paragraph 1, broken down by year. Population size in the areas referred to in the second subparagraph of Article 3(1) and the first subparagraph of Article 3(3) shall be used as the criterion for the breakdown by Member State.

Based on the amounts communicated pursuant to the first subparagraph, each Member State shall inform the Commission whether, and how, it has used the transfer option provided for in Article 5 and the resulting distribution of funds among the cross-border and transnational programmes in which the Member State participates. The Commission shall, on the basis of the information provided by Member States, adopt a decision, by means of implementing acts, setting out a list of all cooperation programmes and indicating the global amount of the total ERDF support for each programme. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2) of Regulation (EU) No 1303/2013.

4. The contribution from the ERDF to cross-border and sea-basin programmes under the ENI and to the cross-border programmes under the IPA II shall be established by the Commission and the Member States concerned. The ERDF contribution established for each Member State shall not subsequently be reallocated between the Member States concerned.

5. Support from the ERDF to individual cross-border and sea-basin programmes under the ENI and to the cross-border programmes under the IPA II shall be granted provided that at least equivalent amounts are provided by the ENI and the IPA II. That equivalence shall be subject to a maximum amount set out in the ENI legislative act or the IPA II legislative act.
6. The annual appropriations corresponding to the support from the ERDF to cross-border and sea-basin programmes under the ENI and to the cross-border programmes under the IPA II shall be entered in the relevant budget lines of those instruments for the 2014 budgetary exercise.

7. In 2015 and 2016, the annual contribution from the ERDF to the programmes under the ENI and the IPA II, for which no programme has been submitted to the Commission by 30 June under the cross-border and sea-basin programmes under the ENI and under the cross-border programmes under the IPA II, and which has not been re-allocated to another programme submitted under the same category of external cooperation programmes, shall be allocated to the internal cross-border cooperation programmes under point (a) of paragraph 1 in which the Member State or Member States concerned participates or participate.

If by 30 June 2017, there are still cross-border and sea-basin programmes under the ENI and cross-border programmes under the IPA II which have not been submitted to the Commission, the entire contribution from the ERDF referred to in paragraph 4 to those programmes for the remaining years up to 2020, which has not been re-allocated to another adopted programme under the same category of external cooperation programmes, shall be allocated to the internal cross-border cooperation programmes under point (a) of paragraph 1 in which the Member State or Member States concerned participates or participate.

8. Any cross-border and sea basin programmes, referred to in paragraph 4, adopted by the Commission shall be discontinued, or the allocation to the programmes shall be reduced, in accordance with the applicable rules and procedures, in particular if:

(a) none of the partner countries covered by the programme have signed the relevant financing agreement by the deadline set out in accordance with the ENI legislative act or the IPA II legislative act; or

(b) the programme cannot be implemented as planned due to problems in relations between the participating countries.

In such cases, the contribution from the ERDF referred to in paragraph 4 corresponding to annual instalments not yet committed, or annual instalments committed and de-committed totally or partially during the same budgetary year, which have not been re-allocated to another programme of the same category of external cooperation programmes, shall be allocated to the internal cross-border cooperation programmes under point (a) of paragraph 1 in which the Member State or Member States concerned participates or participate, at its or their request.

9. The Commission shall provide an annual summary of the financial implementation of cross-border and sea-basin programmes under the ENI, and of cross-border programmes under the IPA II, to which the ERDF contributes in accordance with this Article, to the Committee established under Article 150(1) of Regulation (EU) No 1303/2013.

Article 5
Transfer option

Each Member State may transfer up to 15 % of its financial allocation for each of the components referred to in points (a) and (b) of Article 4(1) from one of those components to the other.

CHAPTER II

Thematic concentration and investment priorities

Article 6

Thematic concentration

1. At least 80 % of the ERDF allocation to each cross-border cooperation and transnational programme shall be concentrated on a maximum of four of the thematic objectives set out in the first paragraph of Article 9 of Regulation (EU) No 1303/2013.

2. All of the thematic objectives set out in the first paragraph of Article 9 of Regulation (EU) No 1303 /2013 may be selected for interregional cooperation referred to in point (3)(a) of Article 2 of this Regulation.

Article 7

Investment priorities

1. The ERDF shall, within its scope as set out in Article 3 of Regulation (EU) No 1301 /2013, contribute to the thematic objectives set out in the first paragraph of Article 9 of Regulation (EU) No 1303 /2013 through joint action under cross-border, transnational and interregional cooperation programmes. In addition to the investment priorities set out in Article 5 of Regulation (EU) No 1301 /2013, the ERDF may also support the following investment priorities within the thematic objectives indicated for each European territorial cooperation component:

(a) under cross-border cooperation:

(i) promoting sustainable and quality employment and supporting labour mobility by integrating cross-border labour markets, including cross-border mobility, joint local employment initiatives, information and advisory services and joint training;

(ii) promoting social inclusion, combating poverty and any discrimination by promoting gender equality, equal opportunities, and the integration of communities across borders;

(iii) investing in education, training and vocational training for skills and lifelong learning by developing and implementing joint education, vocational training and training schemes;
(iv) enhancing institutional capacity of public authorities and stakeholders and efficient public administration by promoting legal and administrative cooperation and cooperation between citizens and institutions;

(b) under transnational cooperation: enhancing institutional capacity of public authorities and stakeholders and efficient public administration by developing and coordinating macro-regional and sea-basin strategies;

c) under interregional cooperation: enhancing institutional capacity of public authorities and stakeholders and efficient public administration by:

(i) disseminating good practices and expertise and capitalising on the results of the exchange of experience in relation to sustainable urban development, including urban-rural linkages pursuant to point (3)(b) of Article 2.

(ii) promoting the exchange of experience in order to reinforce the effectiveness of territorial cooperation programmes and actions as well as the use of EGTCs pursuant to point (3)(c) of Article 2;

(iii) strengthening the evidence base in order to reinforce the effectiveness of cohesion policy and the achievement of thematic objectives through the analysis of development trends pursuant to point (3)(d) of Article 2;

2. In the case of the PEACE cross-border programme and within the thematic objective of promoting social inclusion, combating poverty and any discrimination, the ERDF shall also contribute to promoting social and economic stability in the regions concerned, in particular through actions to promote cohesion between communities.

CHAPTER III
Programming

Article 8

Content, adoption and amendment of cooperation programmes

1. A cooperation programme shall consist of priority axes. Without prejudice to Article 59 of Regulation (EU) No 1303/2013, a priority axis shall correspond to a thematic objective and comprise one or more of the investment priorities of that thematic objective in line with Articles 6 and 7 of this Regulation. Where appropriate, and in order to increase its impact and effectiveness through a thematically coherent integrated approach to pursuing the objectives of the Union strategy for smart, sustainable and inclusive growth, a priority axis may, in duly justified cases, combine one or more complementary investment priorities from different thematic objectives in order to achieve the maximum contribution to that priority axis.

2. A cooperation programme shall contribute to the Union strategy for smart, sustainable and inclusive growth and to the achievement of economic, social and territorial cohesion, and shall set out:

(a) a justification for the choice of thematic objectives, corresponding investment priorities and financial allocations, having regard to the Common Strategic Framework set out in Annex I to Regulation (EU) No 1303/2013, based on an analysis of the needs within the programme area as a whole and the strategy chosen in response to such needs, addressing where appropriate missing links in cross-border infrastructure, taking into account the results of the ex-ante evaluation carried out in accordance with Article 55 of Regulation (EU) No 1303/2013;

(b) for each priority axis other than technical assistance:

(i) the investment priorities and corresponding specific objectives;

(ii) in order to strengthen the result-orientation of the programming, the expected results for the specific objectives, and the corresponding result indicators, with a baseline value and a target value, where appropriate quantified, in accordance with Article 16;

(iii) a description of the type and examples of actions to be supported under each investment priority and their expected contribution to the specific objectives referred to in point (i) including the guiding principles for the selection of operations and where appropriate, the identification of the main target groups, specific territories targeted, types of beneficiaries, the planned use of financial instruments, and major projects;

(iv) the common and specific output indicators, including the quantified target value, which are expected to contribute to the results, in accordance with Article 16, for each investment priority;

(v) identification of implementation steps and financial and output indicators, and where appropriate, result indicators, to be used as milestones and targets for the performance framework in accordance with Article 21(1) of Regulation (EU) No 1303/2013 and Annex II to that Regulation;

(vi) where appropriate, a summary of the planned use of technical assistance including, where necessary, actions to reinforce the administrative capacity of authorities involved in the management and control of the programmes and beneficiaries and, where necessary, actions to enhance the administrative capacity of relevant partners to participate in the implementation of the programmes;
The Commission shall adopt implementing acts concerning the nomenclature referred to in points (b)(vii) and (c)(v) of the first subparagraph. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3) of Regulation (EU) No 1303/2000.

3. Taking into account its content and objectives, a cooperation programme shall describe the integrated approach to territorial development, including in relation to regions and areas referred to in Article 174(3) TFEU, having regard to the Partnership Agreements of the participating Member States, and showing how that cooperation programme contributes to the accomplishment of its objectives and expected results, specifying, where appropriate, the following:

(a) the approach to the use of community-led local development instruments and the principles for identifying the areas where it will be implemented;

(b) the principles for identifying the urban areas where integrated actions for sustainable urban development are to be implemented and the indicative allocation of the ERDF support for such actions;

(c) the approach to the use of the integrated territorial investment instrument referred to in Article 11, other than in cases covered by point (b), and their indicative financial allocation from each priority axis;

(d) where Member States and regions participate in macro-regional strategies and sea basin strategies, the contribution of the planned interventions under the cooperation programme to those strategies, subject to the needs of the programme area as identified by the relevant Member States and taking into account, where applicable, the strategically important projects identified in those strategies.

4. The cooperation programme shall also identify:

(a) the implementing provisions which:

(i) identify the managing authority, the certifying authority, where appropriate, and the audit authority;

(ii) identify the body or bodies designated to carry out control tasks;

(iii) identify the body or bodies designated to be responsible for carrying out audit tasks;

(iv) lay down the procedure for setting up the joint secretariat;

(v) set out a summary description of the management and control arrangements;

(b) a list of major projects for which the implementation is planned during the programming period.
(vi) set out the apportionment of liabilities among the
participating Member States in the event of financial
corrections imposed by the managing authority or the
Commission.

(b) the body to which payments are to be made by the
Commission;

(c) the actions taken to involve the partners referred to in
Article 5 of Regulation (EU) No 1303/2013 in the prepara-
tion of the cooperation programme, and the role of
those partners in the preparation and implementation of
the cooperation programme, including their involvement
in the monitoring committee.

5. The cooperation programme shall also set out the
following, having regard to the content of the Partnership
Agreements and taking into account the institutional and legal
framework of the Member States:

(a) mechanisms to ensure effective coordination between the
ERDF, the ESF, the Cohesion Fund, the EMFF and other Union
and national funding instruments, including the coordination and possible combination with
the Connecting Europe Facility pursuant to Regulation (EU)
No 1316/2013 of the European Parliament and of the
Council (\(^1\)), the EDF, and the IPA II, as well as with the EIB, taking into account the provisions set out in
Annex I to Regulation (EU) No 1303/2013 where Member
States and third countries or territories participate in
cooporation programmes that include the use of ERDF
appropriations for outermost regions and resources from
the EDF, coordination mechanisms at the appropriate level
to facilitate effective coordination in the use of those appro-
priations and resources;

(b) a summary of the assessment of the administrative burden
on beneficiaries and, where necessary, the actions planned,
accompanied by an indicative timeframe, to reduce the
administrative burden.

6. Information required under point (a) of the first
subparagraph of paragraph 2, point (b)(i) to (vii) of the first
subparagraph of paragraph 2, paragraph 3 and point (a) of
paragraph 5 shall be adapted to the specific character of
cooperation programmes under point (3)(b), (c) and (d) of
Article 2. Information required under point (e) of the first
subparagraph of paragraph 2 and point (b) of paragraph 5
shall not be included in cooperation programmes under point
(3)(c) and (d) of Article 2.

7. Each cooperation programme shall, where appropriate
and subject to the relevant Member States’ duly justified assessment
of their relevance to the content and objectives of the
programme, include a description of:

(a) the specific actions to take into account environmental
protection requirements, resource efficiency, climate
change mitigation and adaptation, disaster resilience and
risk prevention and risk management, in the selection of
operations;

(b) the specific actions to promote equal opportunities and
prevent any discrimination based on sex, racial or ethnic
origin, religion or belief, disability, age or sexual orientation
during the preparation, design and implementation of the
cooperation programme and in particular in relation to
access to funding, taking account of the needs of the
various target groups at risk of such discrimination and in
particular the requirements to ensure accessibility for
persons with disabilities;

(c) the contribution of the cooperation programme to the
promotion of equality between men and women and,
where appropriate, the arrangements to ensure the inte-
gration of gender perspective at programme and operation
level.

Points (a) and (b) of the first subparagraph shall not apply to
cooperation programmes under point (3)(b), (c) and (d) of
Article 2.

8. Cooperation programmes under point (3)(c) and (d) of
Article 2 shall define the beneficiary or beneficiaries and may
specify the granting procedure.

9. The participating Member States and, where they have
accepted the invitation to participate in the cooperation
programme, third countries or territories, where applicable,
shall confirm, in writing, their agreement to the contents of a
cooperation programme prior to its submission to the
Commission. This agreement shall also include a commitment
of all participating Member States and, where applicable, third
countries or territories, to provide the co-financing necessary to
implement the cooperation programme and, where applicable,
the commitment for the financial contribution of the third
countries or territories.

By way of derogation from the first subparagraph, in the case of
cooperation programmes involving outermost regions and third
countries or territories, the Member States concerned shall
consult the respective third countries or territories before
submitting the cooperation programmes to the Commission.
In that case, the agreements to the contents of the cooperation
programmes and the possible contribution of the third
countries or territories may instead be expressed in the
formally approved minutes of the consultation meetings with
the third countries or territories or of the deliberations of the
regional cooperation organisations.

\(^1\) Regulation (EU) No 1316/2013 of the European Parliament and of
the Council of 11 December 2013 establishing the Connecting
Europe Facility, amending Regulation (EU) No 913/2010 and
10. The participating Member States and, where they have accepted the invitation to participate in the cooperation programme, third countries or territories shall draft the cooperation programmes in accordance with the model adopted by the Commission.

11. The Commission shall adopt the model referred to in paragraph 10 by means of implementing acts. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2) of Regulation (EU) No 1303/2013.

12. The Commission shall adopt a decision, by means of implementing acts, approving all elements, including future amendments, falling under this Article except those falling under point (b)(vii) of paragraph 2, point (c)(v) of paragraph 2, point (e) of paragraph 2, points (a)(i) and (c) of paragraph 4, and paragraphs 5 and 7 of this Article, which remain under the responsibility of the participating Member States.

13. The managing authority shall notify the Commission of any decision amending the elements of the cooperation programme not covered by the Commission decision referred to in paragraph 12, within one month of the date of that amending decision. The amending decision shall specify the date of its entry into force, which shall not be earlier than the date of its adoption.

**Article 9**

**Joint Action Plan**

Where a joint action plan referred to in Article 104(1) of Regulation (EU) No 1303/2013 is carried out under the responsibility of an EGTC as beneficiary, staff of the joint secretariat of the cooperation programme and members of the assembly of the EGTC may become members of the steering committee referred to in Article 108(1) of Regulation (EU) No 1303/2013. The members of the assembly of the EGTC shall not form the majority within that steering committee.

**Article 10**

**Community-led local development**

Community-led local development under Article 32 of Regulation (EU) No 1303/2013 may be implemented in cross-border cooperation programmes, provided that the local development group is composed of representatives of at least two countries, of which one is a Member State.

**Article 11**

**Integrated territorial investment**

For cooperation programmes, the intermediate body for carrying out the management and implementation of an integrated territorial investment as referred to in Article 56(3) of Regulation (EU) No 1303/2013 shall be either a legal body established under the laws of one of the participating countries provided that it is set up by public authorities or bodies from at least two participating countries, or an EGTC.
Article 13

Beneficiaries

1. Where there are two or more beneficiaries of an operation in a cooperation programme, one of them shall be designated by all the beneficiaries as the lead beneficiary.

2. The lead beneficiary shall:

(a) lay down the arrangements with other beneficiaries in an agreement comprising provisions that, inter alia, guarantee the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;

(b) assume responsibility for ensuring implementation of the entire operation;

(c) ensure that expenditure presented by all beneficiaries has been incurred in implementing the operation and corresponds to the activities agreed between all the beneficiaries, and is in accordance with the document provided by the managing authority pursuant to Article 12(5);

(d) ensure that the expenditure presented by other beneficiaries has been verified by a controller or controllers where this verification is not carried out by the managing authority pursuant to Article 23(3).

3. If not otherwise specified in the arrangements laid down in accordance with point (a) of paragraph 2 the lead beneficiary shall ensure that the other beneficiaries receive the total amount of the contribution from the funds as quickly as possible and in full. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce that amount for the other beneficiaries.

4. Lead beneficiaries shall be located in a Member State participating in the cooperation programme. However, Member States and third countries or territories participating in a cooperation programme may agree to the lead beneficiary being located in a third country or territory participating in that cooperation programme, provided that the managing authority is satisfied that the lead beneficiary can carry out the tasks set out in paragraphs 2 and 3 and that the requirements for management, verification and audit are fulfilled.

5. Sole beneficiaries shall be registered in a Member State participating in the cooperation programme. However, they may be registered in a Member State not participating in the programme, provided the conditions set out in Article 12(3) are satisfied.

CHAPTER IV

Monitoring and evaluation

Article 14

Implementation reports

1. By 31 May 2016 and by the same date of each subsequent year until and including 2023, the managing authority shall submit to the Commission an annual implementation report in accordance with Article 50(1) of Regulation (EU) No 1303/2013. The implementation report submitted in 2016 shall cover the financial years 2014 and 2015, as well as the period between the starting date for eligibility of expenditure and 31 December 2013.

2. For the reports submitted in 2017 and 2019, the deadline referred to in paragraph 1 shall be 30 June.

3. Annual implementation reports shall set out information on:

(a) implementation of the cooperation programme in accordance with Article 50(2) of Regulation (EU) No 1303/2013;

(b) where appropriate, progress in preparation and implementation of major projects and joint action plans.

4. The annual implementation reports submitted in 2017 and 2019 shall set out and assess the information required under Articles 50(4) and (5) of Regulation (EU) No 1303/2013 respectively and the information set out in paragraph 2 of this Article together with the following information:

(a) progress in implementation of the evaluation plan and the follow-up given to the findings of evaluations;

(b) the results of the information and publicity measures carried out under the communication strategy;

(c) the involvement of the partners in the implementation, monitoring and evaluation of the cooperation programme.

The annual implementation reports submitted in 2017 and 2019 may, subject to the content and objectives of each cooperation programme, set out information on and assess the following:

(a) progress in the implementation of the integrated approach to territorial development, including sustainable urban development, and community-led local development under the cooperation programme;
(b) progress in the implementation of actions to reinforce the
capacity of authorities and beneficiaries to administer and to
use the ERDF;

(c) where appropriate, the contribution to macro-regional and
sea basin strategies;

(d) the specific actions taken to promote equality between men
and women and to promote non-discrimination, in
particular accessibility for persons with disabilities, and the
arrangements implemented to ensure the integration of
gender perspective in the cooperation programme and opera-
tions;

(e) actions taken to promote sustainable development;

(f) progress in the implementation of actions in the field of
social innovation.

5. The annual and final implementation reports shall be
drawn up following models adopted by the Commission by
means of implementing acts. Those implementing acts shall
be adopted in accordance with the advisory procedure
referred to in Article 130(2) of Regulation (EU) No 1303/2013.

Article 15

Annual review
The annual review meeting shall be organised in accordance
with Article 51 of Regulation (EU) No 1303/2013.

Where an annual review meeting is not organised pursuant to
Article 51(3) of Regulation (EU) No 1303/2013, the annual
review may be carried out in writing.

Article 16

Indicators for the European territorial cooperation goal

1. Common output indicators, as set out in the Annex to
this Regulation, programme-specific result indicators and, where
relevant, programme-specific output indicators shall be used in
accordance with Article 27(4) of Regulation (EU) No 1303/2013
and with point (b)(ii) and (iv) and point (c)(iii) and
(iv) of the first subparagraph of Article 8(2) of this Regulation.

2. For common and programme-specific output indicators,
baselines shall be set at zero. Cumulative quantified target
values for those indicators shall be set for 2023.

3. For programme-specific result indicators, which relate to
investment priorities, baselines shall use the latest available data
and targets shall be set for 2023. Targets may be expressed in
quantitative or qualitative terms.

4. The Commission shall be empowered to adopt delegated
acts in accordance with Article 29 to amend the list of common
output indicators set out in the Annex, in order to make adjust-
ments, where justified to ensure effective assessment of progress
in programme implementation.

Article 17

Technical assistance
The amount of the ERDF allocated to technical assistance shall
be limited to 6 % of the total amount allocated to a cooperation
programme. For programmes with a total allocation not
exceeding EUR 50 000 000 the amount of the ERDF allocated
to technical assistance shall be limited to 7 % of the total
amount allocated, but shall not be less than EUR 1 500 000
and not higher than EUR 3 000 000.

CHAPTER V

Eligibility

Article 18

Rules on eligibility of expenditure

1. The Commission shall be empowered to adopt delegated
acts in accordance with Article 29 to lay down specific rules on
eligibility of expenditure for cooperation programmes with
regard to staff costs, office and administrative expenditure,
travel and accommodation costs, external expertise and services
costs, and equipment expenditure. The Commission
shall notify the delegated acts, adopted in accordance with
Article 29, simultaneously to the European Parliament and to
the Council by 22 April 2014.

2. Without prejudice to the eligibility rules laid down in, or
on the basis of, Articles 65 to 71 of Regulation (EU) No
1303/2013, Regulation (EU) No 1301/2013, this Regulation
or the delegated act referred to in paragraph 1 of this Article,
the participating Member States in the monitoring committee,
shall establish additional rules on eligibility of expenditure for
the cooperation programme as a whole.

3. For matters not covered by eligibility rules laid down in,
or on the basis of, Articles 65 to 71 of Regulation (EU) No
1303/2013, Regulation (EU) No 1301/2013, in the
delegated act referred to in paragraph 1 of this Article or in
rules established jointly by the participating Member States in
accordance with paragraph 2 of this Article, the national rules
of the Member State in which the expenditure is incurred shall
apply.

Article 19

Staff costs
Staff costs of an operation may be calculated at a flat rate of up
to 20 % of the direct costs other than the staff costs of that
operation.
Article 20
Eligibility of operations in cooperation programmes depending on location
1. Operations under cooperation programmes, subject to the derogations referred to in paragraphs 2 and 3, shall be located in the part of the programme area comprising Union territory (the 'Union part of the programme area').

2. The managing authority may accept that all or part of an operation is implemented outside the Union part of the programme area, provided that all the following conditions are satisfied:

(a) the operation is for the benefit of the programme area;

(b) the total amount allocated under the cooperation programme to operations located outside the Union part of the programme area does not exceed 20 % of the support from the ERDF at programme level, or 30 % in the case of cooperation programmes for which the Union part of the programme area consists of outermost regions;

(c) the obligations of the managing and audit authorities in relation to management, control and audit concerning the operation are fulfilled by the cooperation programme authorities, or they enter into agreements with authorities in the Member State or third country or territory in which the operation is implemented.

3. For operations concerning technical assistance or promotional activities and capacity-building, expenditure may be incurred outside the Union part of the programme area provided that the conditions in points (a) and (c) of paragraph 2 are satisfied.

CHAPTER VI
Management, control and designation

Article 21
Designation of authorities
1. Member States participating in a cooperation programme shall designate, for the purposes of Article 123(1) of Regulation (EU) No 1303/2013, a single managing authority; for the purposes of Article 123(2) of that Regulation, a single certifying authority; and, for the purposes of Article 123(4) of that Regulation, a single audit authority. The managing authority and the audit authority shall be located in the same Member State.

Member States participating in a cooperation programme may designate the managing authority as also being responsible for carrying out the functions of the certifying authority. Such a designation shall be without prejudice to the apportionment of liabilities in relation to the application of financial corrections among the participating Member States as laid down in the cooperation programme.

2. The certifying authority shall receive the payments made by the Commission and shall, as a general rule, make payments to the lead beneficiary in accordance with Article 132 of Regulation (EU) No 1303/2013.

3. The procedure for the designation of the managing authority and, where appropriate, of the certifying authority, set out in Article 124 of Regulation (EU) No 1303/2013, shall be carried out by the Member State in which the authority is located.

Article 22
European grouping of territorial cooperation
Member States participating in a cooperation programme may make use of an EGTC for the purposes of making it responsible for managing that cooperation programme or part thereof, in particular by conferring on it the responsibilities of a managing authority.

Article 23
Functions of the managing authority
1. Without prejudice to paragraph 4 of this Article, the managing authority of a cooperation programme shall carry out the functions laid down in Article 125 of Regulation (EU) No 1303/2013.

2. The managing authority, after consultation with the Member States and any third countries participating in a cooperation programme, shall set up a joint secretariat.

The joint secretariat shall assist the managing authority and the monitoring committee in carrying out their respective functions. The joint secretariat shall also provide information to potential beneficiaries about funding opportunities under cooperation programmes and shall assist beneficiaries in the implementation of operations.

3. Where the managing authority is an EGTC, verifications under point (a) of Article 125(4) of Regulation (EU) No 1303/2013 shall be carried out by or under the responsibility of the managing authority at least for those Member States and third countries or territories from which there are members participating in the EGTC.

4. Where the managing authority does not carry out verifications under point (a) of Article 125(4) of Regulation (EU) No 1303/2013 throughout the whole programme area, or where the verifications are not carried out by or under the responsibility of the managing authority for those Member States and third countries or territories from which there are members participating in the EGTC in accordance with paragraph 3, each Member State or, where it has accepted the invitation to participate in the cooperation programme, each third country or territory shall designate the body or person responsible for carrying out such verifications in relation to beneficiaries on its territory (the 'controller(s)').
The controllers referred to in the first subparagraph may be the same bodies responsible for carrying out such verifications for the operational programmes under the Investment for growth and jobs goal or, in the case of third countries, for carrying out comparable verifications under external policy instruments of the Union.

The managing authority shall satisfy itself that the expenditure of each beneficiary participating in an operation has been verified by a designated controller.

Each Member State shall ensure that the expenditure of a beneficiary can be verified within a period of three months of the submission of the documents by the beneficiary concerned.

Each Member State or, where it has accepted the invitation to participate in the cooperation programme, each third country shall be responsible for verifications carried out on its territory.

Where the delivery of co-financed products or services can be verified only in respect of an entire operation, the verification shall be performed by the managing authority or by the controller of the Member State where the lead beneficiary is located.

**Article 24**

**Functions of the certifying authority**

The certifying authority of a cooperation programme shall carry out the functions laid down in Article 126 of Regulation (EU) No 1303/2013.

**Article 25**

**Functions of the audit authority**

1. The Member States and third countries participating in a cooperation programme may authorise the audit authority to carry out directly the functions provided for in Article 127 of Regulation (EU) No 1303/2013 in the whole of the territory covered by a cooperation programme. They shall specify when the audit authority is to be accompanied by an auditor of a Member State or a third country.

2. Where the audit authority does not have the authorisation referred to in paragraph 1, it shall be assisted by a group of auditors composed of a representative from each Member State or third country participating in the cooperation programme and carrying out the functions provided for in Article 127 of Regulation (EU) No 1303/2013. Each Member State or, where it has accepted the invitation to participate in a cooperation programme, each third country shall be responsible for audits carried out on its territory.

Each representative from each Member State or third country participating in the cooperation programme shall be responsible for providing the factual elements relating to expenditure on its territory that are required by the audit authority in order to perform its assessment.

The group of auditors shall be set up within three months of the decision approving the cooperation programme. It shall draw up its own rules of procedure and be chaired by the audit authority for the cooperation programme.

3. The auditors shall be functionally independent of controllers who carry out verifications under Article 23.

**CHAPTER VII**

**Participation of third countries in transnational and interregional cooperation programmes**

**Article 26**

**Implementation conditions for the participation of third countries**

The applicable programme implementation conditions governing the financial management as well as the programming, monitoring, evaluation and control of the participation of third countries, through a contribution of IPA II or ENI resources to transnational and interregional cooperation programmes, shall be established in the relevant cooperation programme and also, where necessary, in the financing agreement between the Commission, the governments of the third countries concerned and the Member State hosting the managing authority of the relevant cooperation programme. Programme implementation conditions shall be consistent with the Union’s cohesion policy rules.

**CHAPTER VIII**

**Financial management**

**Article 27**

**Budget commitments, payments and recoveries**

1. The ERDF support to cooperation programmes shall be paid into a single account with no national subaccounts.

2. The managing authority shall ensure that any amount paid as a result of an irregularity is recovered from the lead or sole beneficiary. Beneficiaries shall repay to the lead beneficiary any amounts unduly paid.

3. If the lead beneficiary does not succeed in securing repayment from other beneficiaries or if the managing authority does not succeed in securing repayment from the lead or sole beneficiary, the Member State or third country on whose territory the beneficiary concerned is located or, in the case of an EGTC, is registered shall reimburse the managing authority any amounts unduly paid to that beneficiary. The managing authority shall be responsible for reimbursing the amounts concerned to the general budget of the Union, in accordance with the apportionment of liabilities among the participating Member States as laid down in the cooperation programme.
Article 28

Use of the euro

By way of derogation from Article 133 of Regulation (EU) No 1303/2013, expenditure incurred in a currency other than the euro shall be converted into euro by the beneficiaries using the monthly accounting exchange rate of the Commission in the month during which that expenditure was either:

(a) incurred;
(b) submitted for verification to the managing authority or the controller in accordance with Article 23 of this Regulation; or
(c) reported to the lead beneficiary.

The method chosen shall be set out in the cooperation programme and be applicable to all beneficiaries.

The conversion shall be verified by the managing authority or by the controller in the Member State or third country in which the beneficiary is located.

CHAPTER IX

Final provisions

Article 29

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 delegation of power to adopt delegated acts referred to in Articles 16(4) and 18(1) shall be conferred on the Commission from 21 December 2013 until 31 December 2020.

3. The delegation of power referred to in Articles 16(4) and 18(1) 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 Articles 16(4) and 18(1) 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 of the Council.

Article 30

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. That Regulation or such other applicable legislation shall consequently continue to apply after 31 December 2013 to that assistance or the operations concerned until their closure. For the purposes of this paragraph assistance shall cover operational programmes and major projects.

2. Applications to receive assistance made or approved under Regulation (EC) No 1080/2006 before 1 January 2014 shall remain valid.

Article 31

Review

The European Parliament and the Council shall review this Regulation by 31 December 2020, in accordance with Article 178 TFEU.

Article 32

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.

Articles 4, 27 and 28 shall apply with effect from 1 January 2014.

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

Done at Brussels, 17 December 2013.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
R. ŠADŽIUS
ANNEX

COMMON OUTPUT INDICATORS FOR THE EUROPEAN TERRITORIAL COOPERATION GOAL

<table>
<thead>
<tr>
<th>UNIT</th>
<th>NAME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productive investment</strong></td>
<td></td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises receiving support</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises receiving grants</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises receiving financial support other than grants</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises receiving non-financial support</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of new enterprises supported</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises participating in cross-border, transnational or interregional research projects</td>
</tr>
<tr>
<td>organisations</td>
<td>Number of research institutions participating in cross-border, transnational or interregional research projects</td>
</tr>
<tr>
<td>EUR</td>
<td>Private investment matching public support to enterprises (grants)</td>
</tr>
<tr>
<td>EUR</td>
<td>Private investment matching public support to enterprises (non-grants)</td>
</tr>
<tr>
<td>full time equivalents</td>
<td>Employment increase in supported enterprises</td>
</tr>
<tr>
<td><strong>Sustainable tourism</strong></td>
<td></td>
</tr>
<tr>
<td>visits/year</td>
<td>Increase in expected number of visits to supported sites of cultural and natural heritage and attractions</td>
</tr>
<tr>
<td><strong>ICT Infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>households</td>
<td>Additional households with broadband access of at least 30 Mbps</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td></td>
</tr>
<tr>
<td>Railway</td>
<td></td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of new railway lines</td>
</tr>
<tr>
<td></td>
<td>of which: TEN-T</td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of reconstructed or upgraded railway lines</td>
</tr>
<tr>
<td></td>
<td>of which: TEN-T</td>
</tr>
<tr>
<td>Roads</td>
<td></td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of newly built roads</td>
</tr>
<tr>
<td></td>
<td>of which: TEN-T</td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of reconstructed or upgraded roads</td>
</tr>
<tr>
<td></td>
<td>of which: TEN-T</td>
</tr>
<tr>
<td><strong>Urban transport</strong></td>
<td></td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of new or improved tram and metro lines</td>
</tr>
<tr>
<td><strong>Inland waterways</strong></td>
<td></td>
</tr>
<tr>
<td>kilometres</td>
<td>Total length of new or improved inland waterways</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Solid waste</strong></td>
<td></td>
</tr>
<tr>
<td>tonnes/year</td>
<td>Additional waste recycling capacity</td>
</tr>
<tr>
<td>Unit Name</td>
<td>Name</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Water supply</td>
<td>Additional population served by improved water supply</td>
</tr>
<tr>
<td>Wastewater treatment</td>
<td>Additional population served by improved wastewater treatment</td>
</tr>
<tr>
<td>Risk prevention and management</td>
<td>Population benefiting from flood protection measures</td>
</tr>
<tr>
<td>Risk prevention and management</td>
<td>Population benefiting from forest fire protection measures</td>
</tr>
<tr>
<td>Land rehabilitation</td>
<td>Total surface area of rehabilitated land</td>
</tr>
<tr>
<td>Nature and biodiversity</td>
<td>Surface area of habitats supported in order to attain a better conservation status</td>
</tr>
<tr>
<td>Research, Innovation</td>
<td>Number of new researchers in supported entities</td>
</tr>
<tr>
<td>Research, Innovation</td>
<td>Number of researchers working in improved research infrastructure facilities</td>
</tr>
<tr>
<td>Research, Innovation</td>
<td>Number of enterprises cooperating with research institutions</td>
</tr>
<tr>
<td>Research, Innovation</td>
<td>Private investment matching public support in innovation or R&amp;D projects</td>
</tr>
<tr>
<td>Research, Innovation</td>
<td>Number of enterprises supported to introduce new to the market products</td>
</tr>
<tr>
<td>Research, Innovation</td>
<td>Number of enterprises supported to introduce new to the firm products</td>
</tr>
<tr>
<td>Energy and Climate change</td>
<td>Additional capacity of renewable energy production</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>Number of households with improved energy consumption classification</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>Decrease of annual primary energy consumption of public buildings</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>Number of additional energy users connected to smart grids</td>
</tr>
<tr>
<td>GHG reduction</td>
<td>Estimated annual decrease of GHG</td>
</tr>
<tr>
<td>Social infrastructure</td>
<td>Capacity of supported childcare or education infrastructure</td>
</tr>
<tr>
<td>Health</td>
<td>Population covered by improved health services</td>
</tr>
<tr>
<td>Urban development specific indicators</td>
<td>Population living in areas with integrated urban development strategies</td>
</tr>
<tr>
<td>Open space created or rehabilitated in urban areas</td>
<td></td>
</tr>
</tbody>
</table>
### ETC REGULATION

<table>
<thead>
<tr>
<th>UNIT NAME</th>
<th>UNIT NAME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply</td>
<td>persons Additional population served by improved water supply</td>
</tr>
<tr>
<td>Wastewater treatment</td>
<td>population equivalent Additional population served by improved wastewater treatment</td>
</tr>
<tr>
<td>Risk prevention and management</td>
<td>persons Population benefiting from flood protection measures</td>
</tr>
<tr>
<td></td>
<td>persons Population benefiting from forest fire protection measures</td>
</tr>
<tr>
<td>Land rehabilitation</td>
<td>hectares Total surface area of rehabilitated land</td>
</tr>
<tr>
<td>Nature and biodiversity</td>
<td>hectares Surface area of habitats supported in order to attain a better conservation status</td>
</tr>
<tr>
<td>Research, Innovation</td>
<td>full time equivalents Number of new researchers in supported entities</td>
</tr>
<tr>
<td></td>
<td>full time equivalents Number of researchers working in improved research infrastructures</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises cooperating with research institutions</td>
</tr>
<tr>
<td>EUR</td>
<td>Private investment matching public support in innovation or R&amp;D projects</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises supported to introduce new to the market products</td>
</tr>
<tr>
<td>enterprises</td>
<td>Number of enterprises supported to introduce new to the firm products</td>
</tr>
<tr>
<td>Energy and Climate change</td>
<td>Renewables MW Additional capacity of renewable energy production</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>households Number of households with improved energy consumption classification</td>
</tr>
<tr>
<td></td>
<td>kWh/year Decrease of annual primary energy consumption of public buildings</td>
</tr>
<tr>
<td></td>
<td>Number of additional energy users connected to smart grids</td>
</tr>
<tr>
<td>GHG reduction</td>
<td>tonnes of CO₂ eq Estimated annual decrease of GHG</td>
</tr>
<tr>
<td>Social infrastructure</td>
<td>Childcare &amp; education</td>
</tr>
<tr>
<td></td>
<td>Health</td>
</tr>
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<td>Urban development</td>
<td>specific indicators</td>
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</tbody>
</table>

(1) Where relevant, the information on participants will be broken down by their labour market status, indicating whether they are "employed", "unemployed", "long-term unemployed", "inactive" or "inactive and not in education or training".
Joint statement of the European Parliament and of the Council concerning the application of Article 6 of the ERDF Regulation, Article 15 of the ETC Regulation and Article 4 of the Cohesion Fund Regulation

The European Parliament and the Council note the assurance provided by the Commission to the EU legislature that the common output indicators for the ERDF Regulation, the ETC Regulation and the Cohesion Fund Regulation to be included in an annex to, respectively, each regulation, are the outcome of a lengthy preparatory process involving the evaluation experts of both the Commission and the Member States and, in principle, are expected to remain stable.
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GLOSSARY

COHESION POLICY: Union policy that aims at strengthening the Union’s economic, social and territorial cohesion, in accordance with Article 174 of the Treaty on the Functioning of the European Union (Article 89 CPR).


COMMON STRATEGIC FRAMEWORK: policy document, set out in Annex I to the CPR, which sets out guiding principles on the programming process and the allocation of ESI Funds (Article 10 CPR).

COMMUNITY-LED LOCAL DEVELOPMENT (CLLD): approach to local development which focuses on specific sub-regional areas, is led by local action groups composed of representatives of public and private local socio-economic interests, is designed taking into consideration local needs and potential, and is carried out through integrated and multi-sectoral area-based local development strategies (Article 32 CPR).

CONNECTING EUROPE FACILITY (CEF): a multi-annual funding programme set up to finance improvements in Europe’s transport, energy and digital networks. With an overall budget of close to EUR 33 billion covering the three sectors, EUR 5.85 billion has been allocated to energy for the period of 2014-2020.

CONVERGENCE REGION: defined as regions having per capita gross domestic product (GDP) less than 75 % of the average GDP of the EU-25.

COUNTRY-SPECIFIC RECOMMENDATIONS: provide tailored advice to Member States on how to boost jobs and growth, while maintaining sound public finances. The Commission publishes them every spring as part of the European Semester, the EU’s calendar for economic policy coordination.

ERASMUS+: aims to boost skills and employability, as well as modernising education, training, and youth work. The seven year programme has a budget of EUR 14.7 billion, a 40 % increase compared to current spending levels.

EU-15: refers to Member States in the European Union prior to the accession of ten candidate countries (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) on 1 May 2004.


EU-28: refers to all current 28 Members in the European Union following the accession of Croatia in 2013.

EUROPE 2020 STRATEGY: EU’s ten-year jobs and growth strategy, launched in 2010 to create the conditions for smart, sustainable and inclusive growth. Five headline targets have been set for the EU to achieve by end of 2020, covering employment, research and development, climate/energy, education, social inclusion and poverty reduction. European Development Fund: EU’s main instrument for providing development aid to African, Caribbean and Pacific (ACP) countries and to overseas countries and territories (OCTs).

EUROPEAN GROUPING OF TERRITORIAL COOPERATION: established in 2006 to facilitate and promote territorial cooperation - namely cross-border, transnational and interregional cooperation - among local authorities.

EUROPEAN NEIGHBOURHOOD INSTRUMENT (ENI): aims to further advance relations between the EU and the Neighbourhood countries of the East and the South by streamlining financial support and making programming shorter and better focused.
EUROPEAN SEMESTER: a yearly cycle of economic policy coordination. Each year, the Commission undertakes a detailed analysis of EU Member States’ plans of budgetary, macroeconomic and structural reforms and provides them with recommendations for the next 12-18 months.

EUROPEAN STRUCTURAL AND INVESTMENT (ESI) FUNDS: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Maritime and Fisheries Fund (EMFF) and the European Agricultural Fund for Rural Development (EAFRD). The Common Provisions Regulation (CPR) sets out common rules for the five ESI Funds (Article 1 CPR). In accordance with the terminology of the CPR, whenever there is a reference to “the Funds” it covers only three Funds of cohesion policy: the ERDF, the ESF and the Cohesion Fund.

EUROPEAN TERRITORIAL COOPERATION (Interreg): one of the two goals of cohesion policy, Interreg provides a framework for the implementation of joint actions and policy exchanges between national, regional and local actors from different Member States. The overarching objective is to promote a harmonious economic, social and territorial development of the Union as a whole.

EX ANTE CONDITIONALITY: set of legal, policy and administrative requirements, which are a prerequisite for the effective and efficient achievement of the objectives of Cohesion policy (Article 19 CPR).

FINANCIAL INSTRUMENT (FI): instrument for financial support, which may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with grants (Article 2 FR, Title IV CPR).

HORIZON 2020: financial instrument implementing the Innovation Union, a Europe 2020 strategy flagship initiative aimed at securing Europe’s global competitiveness. Horizon 2020 is the biggest EU Research and Innovation programme ever with nearly EUR 80 billion of funding available over seven years (2014 to 2020).

INSTRUMENT FOR PRE-ACCESSION ASSISTANCE: Offers assistance to countries engaged in the EU accession process by enhancing efficiency and coherence of aid by means of a single framework.

INTEGRATED TERRITORIAL INVESTMENT (ITI): tool to implement territorial strategies in an integrated way and allow Member States to draw on funding from several priority axes of one or more Operational Programmes.

INVESTMENT PRIORITY: each one of the detailed objectives set out in the ERDF, ESF and Cohesion Fund regulations, which are not mutually exclusive, to which these Funds are to contribute. They are specifically linked to the 11 thematic objectives laid down for the ESI Funds (Recital 7 of the ERDF regulation).

LEADER APPROACH: first developed by the Commission in 1990, this approach aims to harness energy and resources of people and bodies that could contribute to rural development by forming partnerships at a sub-regional level between the public, private and civil sectors.

LIFE: EU financial instrument supporting environmental, nature conservation and climate action projects. Since 1992, LIFE has co-financed some 4 171 projects, contributing approximately EUR 3.4 billion to the protection of the environment and climate.

MACRO-ECONOMIC CONDITIONALITY: mechanism ensuring consistency between cohesion policy and the Union’s sound economic governance (the European Semester). It consists of two strands: 1. Commission may request a Member State to review its Partnership Agreement and relevant programmes in order to support implementation of relevant Council Recommendations or maximise growth and competitiveness impact of the ESI Funds. 2. Council may suspend part or all of the commitments or payments for a Member State in case of non-compliance with rules regarding the Excessive Deficit Procedure, the Excessive Imbalance Procedure or, for Member States under financial assistance, the related adjustment programme (Article 23 CPR).

NUTS: NUTS classification (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU. At NUTS 3 level, territorial units are broken down into small regions for specific diagnoses.
OPERATIONAL PROGRAMME: document setting out a Member State or region’s strategy for contribution to the Europe 2020 strategy through the ERDF, the ESF and / or the Cohesion Fund, consistent with both the Regulations and the Member State’s Partnership Agreement (Articles 27 and 96 CPR). Cooperation programme in the case of ETC (Article 8 ETC). Programmes financed through EAFRD are called rural programmes.

PARTNERSHIP AGREEMENT: document setting out a Member State’s framework for support from the ESI Funds. It lays down in particular the list of thematic objectives to be supported under the ESI Funds, the respective financial allocations and the links between the different programmes (Article 14 CPR).

RURAL DEVELOPMENT PLANS (RDPs): EU rural development policy is implemented through national and/or regional rural development programmes (RDPs) which run for seven years.

STRUCTURAL FUNDS: the European Regional Development Fund and the European Social Fund (Article 1 CPR).

THEMATIC CONCENTRATION: obligation for Member States to concentrate support on interventions that bring the greatest added value in relation to the Europe 2020 strategy. A key focus is concentrating ERDF and ESF financial allocations on a limited set of thematic objectives or investment priorities (Article 18 CPR).

THEMATIC OBJECTIVE (TO): each of the 11 objectives set out in Article 9 CPR, through which operational programmes contribute to the Union strategy for smart, sustainable and inclusive growth. They regard research & innovation, ICT, SME competitiveness etc. (Article 9 CPR).

YOUTH EMPLOYMENT INITIATIVE (YEI): specific instrument whereby the ESF supports the fight against youth unemployment. It targets all young persons under the age of 25 not in employment, education or training, residing in eligible regions, who are inactive or unemployed including the long-term unemployed, and whether or not registered as seeking work (Article 16 ESF regulation).

UNION PRIORITY: the six union priorities are defined in Article 6 of the EMFF regulation (Regulation (EU) 508/2014).

PERFORMANCE FRAMEWORK: consists of milestones established for each priority, for the year 2018 and targets established for 2023. Milestones are intermediate targets, directly linked to the achievement of the specific objective of a priority. Milestones established for 2018 will include financial indicators, output indicators and, where appropriate, result indicators, which are linked closely to the supported policy interventions (Annex II, CPR).

PERFORMANCE RESERVE: Some 6 % of resources allocated to ESI Funds shall constitute a performance reserve, established in the Partnership Agreement and programmes and allocated to specific priorities in accordance with CPR Article 22. This performance reserve will only be allocated to programmes and priorities that have achieved their milestones set out in the performance framework.
CONTACT DETAILS IN YOUR COUNTRY

ERDF AND COHESION FUND:

ESF:
http://ec.europa.eu/esf/main.jsp?catId=45&langId=en

EAFRD:

EMFF:
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The European Structural and Investment (ESI) Funds make available more than EUR 450 billion in 2014-2020 to support Member States and regions’ efforts towards the Europe 2020 strategy, as well as to promote economic, social and territorial cohesion, sustainable development of rural and maritime areas and sustainable management of natural resources.

Compared to 2007-2013 cohesion policy, this new framework proposes a number of new mechanisms to ensure the ESI Funds deliver on their objectives: a sound strategic approach through Partnership Agreements and programmes, thematic concentration, the performance framework, ex ante conditionalities, a closer link to European economic governance, increased opportunities for the use of financial instruments, support to institutional capacity, minimum shares for ESF contribution and a Youth Employment Initiative specifically set out to combat youth unemployment.

This guide covers the texts of the main regulations in force (Common Provisions Regulation, European Regional Development Fund, European Social Fund, Cohesion Fund, European Agricultural Rural Development Fund, European Maritime and Fisheries Fund and European Territorial Cooperation) and presents a commentary on each one.