

INFORMATION NOTE

**NOMENCLATURE OF CATEGORIES OF INTERVENTION AND THE
METHODOLOGY FOR TRACKING OF CLIMATE CHANGE RELATED
EXPENDITURE UNDER COHESION POLICY**

Regulation	Article
Common Provisions Regulation (CPR)	<p>Article 8 - Sustainable development</p> <p>Article 96 - Content, adoption and amendment of operational programmes under the Investment for growth and jobs goal</p> <p>Related provisions</p> <p>Article 50 – Implementation reports</p> <p>Article 111 - Implementation reports for the Investment for growth and jobs goal</p> <p>Article 112 – Transmission of financial data</p> <p>Article 125 – Functions of the MA</p>
European territorial cooperation (ETC) Regulation	<p>Article 8 - Content of cooperation programmes</p> <p>Related provisions</p> <p>Article 14 – Implementation reports</p>

1. EMPOWERMENTS

This information note relates to two Implementing Regulations adopted under three empowerments provided for the Commission to adopt implementing acts based on the examination procedure.

(It is based on Fiche 2 of May 2013 and subsequent complements circulated in the preparation of the Implementing Regulations).

CPR – Article 96 (2) (b) (vi)

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: /.../

(vi) the corresponding categories of intervention based on a nomenclature adopted by the Commission and an indicative breakdown of the programmed resources;

CPR – Article 96 (2) last subparagraph

The Commission shall adopt implementing acts concerning the nomenclature referred to in points (b)(vi) 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).

CPR – Article 96 (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.**

CPR – Article 125 (3) (b)

As regards the selection of operations, the managing authority shall:

(b) ensure that a selected operation falls within the scope of the Fund or Funds concerned and can be attributed to a category of intervention or, in the case of the EMFF, a measure identified in the priority or priorities of the operational programme;

ETC Regulation - Article 8 (2) (b) (vii)

A cooperation programme shall set out: /.../

(vii) the corresponding categories of intervention based on a nomenclature adopted by the Commission and an indicative breakdown of the programmed resources.

Article 8 CPR

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).

The Implementing Acts adopted subsequent to those empowerments are

- Commission Implementing Regulation (EU) No 215/2014 of 7 March 2014 (IGJ)
- Commission Implementing Regulation (EU) No 184/2014 of 25 February 2014 (ETC)

2. MAIN OBJECTIVES AND SCOPE

The main objectives of the relevant implementing acts are:

- to establish a nomenclature for categorisation of financial data, in order to ensure reliable and comparable monitoring data on the use of the Funds, which is also used as input for studies, evaluation and communication activities for both the "Investment for growth and jobs" and the "ETC" goals.
- to provide for a uniform methodology for the calculation of expenditure contributing towards climate change objectives.

3. MAIN ELEMENTS OF THE IMPLEMENTING ACT

The implementing acts set out the nomenclature of the categories of intervention. This takes the form of tables.

As regards the requirements for the content of operational/cooperation programmes, the implementing acts set out the selected dimensions of the nomenclature, for which the Member States or managing authorities shall submit to the Commission, for each priority axis included in the operational/cooperation programme:

- a list of the dimension codes to be applied;

- the indicative breakdown by dimension codes of the programmed use of the Funds.

As regards the financial data referred to in Article 112 (2) CPR (linked to the annual/final implementation reports) the implementing acts set out that such financial data should be submitted for all dimensions and by each combination of codes relevant for the operations selected.

The implementing acts additionally set out that the data provided by the Member States in programmes and in the form of reporting shall be used to calculate the support of the operational programme to climate change objectives, as referred to in Article 8 of the CPR. It is specified that:

- In the case of the **ERDF and the Cohesion Fund** this shall be done in two steps:
 - by applying the coefficients, set out in Table 1 of the annex to this fiche, by intervention field code to the financial data reported for those codes (based on Article 112 CPR);
 - In the case of other intervention fields with a zero weighting (such as research intervention fields) reported under Dimension 5 as linked to thematic objective no 4 – "supporting the shift to the low carbon economy in all sectors" and thematic objective no 5 – "promoting climate change adaptation, risk prevention and management", the financial data reported will be counted as contributing to the climate objective with a 40% weighting.
- In the case of the **ESF** climate tracking shall be done by identifying the amounts associated with supporting the shift to a low carbon, resource efficient economy in accordance with Table 6 of the annex to this fiche.

The implementing acts are complemented by the empowerments provided for the Commission under Article 96 CPR to adopt the model for operational programmes, under Article 7 of the ETC Regulation to adopt a model for cooperation programmes as well as under Article 111 CPR and under Article 14 of the ETC Regulation to adopt the model for the annual and final implementation reports. These models include uniform conditions (standard tables) for the presentation of financial data broken down in accordance with the nomenclature of categories of intervention in programmes and annual/final implementation reports.

4. BACKGROUND INFORMATION

In the Period 2007-2013 the system of categories of intervention as an information tool became a key element of the monitoring and reporting system, providing regular information on the implementation of cohesion policy on the ground in terms of types of actions financed, the use of financial instruments and on the distribution of funding across different types of territory and across economic sectors.

This data provides valuable information on the investment nature and form of EU funding and the context in which it is programmed, allocated and ultimately spent on the ground, which facilitates policy analysis. This information is instrumental for reporting to the European Parliament, the general public and can be used for regular reporting to national and regional parliaments and governments. For example, this data can be used to attain information on how widely financial instruments are used, on how much funding is used to support entrepreneurship in rural areas, or how much innovation support has been granted to particular industries. The data is currently reported to the Commission annually for each operational programme.

The arrangements in place for the Period 2007-2013 include three elements.

I) A list of categories of intervention agreed at EU level.

Currently the system includes five dimensions of categorisation:

- 1) Priority theme, indicating the type of action financed;
- 2) Form of finance, indicating e.g. whether funding has been used in the form of grants or in the form of financial instruments;
- 3) Territory type, which indicates the context: whether funding is used in an urban, rural, mountain areas, islands or other specific types of territory;
- 4) Economic activity, which indicates the sector that ultimately benefits from support. This dimension is most relevant for activities such as business support, support of innovation and R&D or support to labour market measures;
- 5) Location, which indicates the NUTS area in which the operation takes place.

Of these, a subset of the priority theme dimensions is annexed to Council Regulation (EC) No 1083/2006 in order to define the "Lisbon earmarking" intervention fields. All five dimensions have been elaborated in Annex II of Commission Regulation (EC) No 1828/2006.

II) Establishment of an indicative EU budget financial allocation per category of intervention in the operational programme

In 2007-2013 an indicative financial allocation is included in the operational programmes for the priority theme, form of finance and territory type. This provides information at programme level on the planned use of EU co-financing, before any data on implementation is available. This data is an approximation which reflects intentions but may be amended and therefore might not fully correspond to the actual spending at the end of the programming period.

III) Reporting on commitments by category of intervention within annual (and final) implementation reports

Data on financial allocations per combination of dimension codes is reported for amounts which are "allocated to selected operations" by the managing authorities for each operational programme annually on a cumulative basis. This data is sent in electronic format which enables advanced analysis of the interventions financed.

5. *MAIN CHANGES COMPARED TO THE PERIOD 2007-2013*

The categorisation system for the Period 2014- 2020 maintains the main features of the present system of categories of intervention. In particular

- The list of categorisation dimensions and dimension codes has been established by the Commission in an implementing act, and all five dimensions employed in 2007-2013 are maintained;
- Information on the dimension codes used and their indicative financial allocation continue to be included in the operational programmes. However, in 2014-2020 this information should be provided by priority axis (and within a priority axis by Fund¹ and category of regions, where necessary);
- Reporting across the dimension codes by combination of codes will continue to be submitted on an annual basis, and will cover two sets of financial data:
 - allocation to selected operations (as in 2007-2013);
 - the total eligible expenditure declared by beneficiaries to the managing authority (i.e. after eligibility checks by MS) (new element).
- The data for the previous year end should be submitted by 31/1 of the following year (more prompt submission).

The content of the categorisation system in 2014-2020 also required some review and modification in comparison to the Period 2007-2013. The principal changes are as follows:

- The dimension codes used in 2007-2013 were reviewed based on the feedback received from Member States, the European Court of Auditors and the experience gained in the analysis of the data to improve their common understanding and ease their application.
Some adjustment were required also to reflect the changed policy context and the content of thematic objectives and investment priorities for 2014-2020;
- The title of the dimension "priority theme" changed to "intervention field" (without changing the nature of the dimension) to clarify the distinction with investment priorities and priority axes. Some previous "intervention field" and "form of finance" codes were sub-divided and others introduced to improve transparency on financial inputs;
- The "intervention field" dimension codes were aligned to the scope of each of the Funds;
 - Codes 1-101 apply only to the European Regional Development Fund, and, where appropriate, to the Cohesion Fund. In the case where the ERDF

¹ The Youth Employment Initiative (specific allocation and the matching ESF support) shall be considered as a separate Fund.

finances ESF type interventions under cross financing provisions then code 101 should be used;

- For the European Social Fund only codes 102-120 can be used (as these codes are used to verify consistency with thematic concentration requirements). This is also the case even where the ESF finances ERDF type interventions under cross financing. For the Youth Employment Initiative only code 103 can be used;
- Codes 102-121 can be used under European Territorial Cooperation goal;
- The technical assistance codes 121-123 are relevant for all funds.
- The 2007-2013 territorial dimension codes are adjusted to reduce redundancy and improve the alignment of the codes with other official statistical sources (the "degree of urbanisation") ;
- A new dimension – "Territorial Delivery Mechanism" - is added in order to allow exchange of information on the use of Integrated Territorial initiatives (ITIs) and integrated approaches to sustainable urban and rural development. Not all operations are implemented using one of these approaches, hence "not applicable" remains an option.
- In the case of ERDF/CF an additional dimension – "Thematic objective" - is proposed in order to systematically track the allocation of EU support to each of the thematic objectives. Technical assistance does not fall under any of the thematic objectives, and therefore has a separate code under this dimension.
- In the case of ESF, a new dimension - "ESF Secondary Theme" – is added, to capture data on ESF expenditure contributing to cross cutting objectives, which could be linked to multiple investment priorities e.g. climate change and social innovation. The list of the dimensions for the period 2014-2020 and the requirements for the submission of data are set out below.

Dimension	Purpose	Data provided ex-ante (with operational programme)	Data provided ex-post (after selection of operations) in annual/final implementation reports
1. Intervention Field	Identifying what type of investment is involved (ERDF). Identifying the investment priorities under which the operation is supported (ESF).	Yes	Yes
2. Form of Finance	Identifying what form does the support take	Yes	Yes
3. Territorial	Identifying the territorial	Yes	Yes

dimension	context of the operation		
4. Territorial Delivery Mechanism (New)	Identifying instanced where specific territorial delivery mechanisms are used	Yes	Yes
5. Thematic objective (ERDF/CF) (New)	Identifying the thematic objective under which the operation is supported	Yes	Yes
6. ESF Secondary Theme (New)	Identifying the secondary objectives of the ESF intervention	Yes	Yes
7. Economic Dimension	Identifying which sector ultimately benefits from the operation	No	Yes
8. Location Dimension	Indicating the location of the operation	No	Yes

5.1. NOTIFICATION / MODIFICATION OF THE PLANNED USE OF FINANCIAL RESOURCES

As in the Period 2007-2013, the financial allocation per code included in the operational programme would be indicative, however the list of categories to be used (for the dimension: "intervention field", which identifies the content of actions to be financed) is included in the notified operational programme in full for every priority axis to demonstrate the intervention logic. The role of categories of intervention in the programming process would be reinforced in this respect.

For the ERDF and CF the list of categories of interventions used or applied by priority axis (and where necessary by Fund and category of region), is however not subject to the Commission decision approving the operational programme (Article 96 (10)) and can thus be modified at programme level through a decision by the Monitoring Committee notified through SFC2014 (Article 110 (2)(e)). To give effect to such a decision by the Monitoring committee the Managing Authority creates a "modified programme" in SFC2014 and submits to the Commission the modified categorisation table. A modification of the priority axis categorisation table must nonetheless be in conformity with the provision of the programme and remain consistent with other programming elements (i.e. choice of indicators, setting targets).

For the ESF it should be borne in mind that the investment priorities are covered by the Commission decision adopting the operational programme (Article 96(2)(b)(i) and (10) CPR) and in that case modification always requires a Commission Decision.

Article 125 (3) (b) requires that the managing authority shall ensure that a selected operation falls within the scope of the Fund or Funds concerned and can be attributed to a category of intervention identified in the priority of the operational programme. In case the operation selected does not fall under the categorisation table provided for the priority axis the Managing Authority should amend the table in SFC2014 as soon as possible.

5.1.1. SEPARATE REPORTING BY FUND

Where priority axes are mono fund there will automatically be a clear distinction between funds.

A particular situation arises in the case of multi-fund priority axes. In such cases most operations are likely to be mono-fund in any event. But it may be that an operation receives funding from both ERDF and ESF. In order to have full transparency and reporting of the activities of the different funds, Managing Authorities are asked to report ERDF and ESF support to the same operation as separate operations (even where the operation may be integrated in its design and /or implementation).

The same rule shall apply, where relevant, to operations supported by both the ERDF and the Cohesion Fund.

5.1.2. SEPARATE REPORTING BY CATEGORY OF REGION

In the case of priority axes that fund multi-category regions the annual provision on 31 January of the financial data broken down by combination of categorisation codes shall clearly identify the category of region of each combination of codes. (See Annex II table 1 of Commission Implementing Regulation (EU) No 1011/2014).

5.2. INTERVENTION FIELD DIMENSION

The list of intervention field codes is divided into eight sections (I-VIII). Under some headings un-numbered sub-headings have been inserted to aid the reader in finding relevant codes. The headings and sub-headings have no formal significance in relation to the Thematic Objectives or the Investment Priorities defined in the regulations. These sub-headings are not codes in themselves and should not be used in reporting.

5.2.1. ESF INTERVENTION FIELD CODES

In the case of the **ESF** there is a one to one correspondence between investment priorities and intervention field codes. In other words each investment priority corresponds to only one code under the intervention field and the financial allocation by investment field will be the basis to calculate fulfilment of the thematic concentration requirements.

During implementation it is possible that an ESF operation comprises support for more than one investment field. In such a case the allocation to more than one investment field should mirror the financial plan of the operation (i.e. not be based on estimated pro rata shares). If an operation is financially managed through two different investment priorities, then the two corresponding investment fields should be used.

5.2.2. ERDF/ COHESION FUND INTERVENTION FIELD CODES

Under the **ERDF and the Cohesion Fund**, the arrangements envisaged would entail flexibility in the use and combination of intervention field codes to achieve a thematic objective. While many intervention fields are implicitly more relevant for some thematic objectives and investment priorities than others (e.g. construction of roads or railways is linked to transport) some intervention field codes can be used under different thematic objectives or investment priorities. If the use of EU funds to support an intervention field is well justified in terms of its contribution to the objectives defined, it can be supported. The following example demonstrates this flexibility.

Example 1: An RTD facility

As part of the construction of a new research institute the building constructed must include important energy efficiency measures to meet obligations under the Energy Performance of Buildings Directive. The same research institute will probably include a significant installation of IT systems, i.e. to manage the building.

The investments relevant to these intervention field codes could be covered in the priority axis covering thematic objective "Strengthening research, technological development and innovation". *The question that then arises is the degree of transparency in monitoring and whether the monitoring gives a sufficient representation of the investments made in pursuit of that thematic objective.*

5.2.3. IMPROVING TRANSPARENCY ON THE CONTENT OF INVESTMENTS FOR ERDF AND CF – "PRO RATA" ALLOCATION OF MULTIPLE CODES

The CPR requires (Art 112) the reporting on 31 January each year the reporting of categorisation data by priority axis for the operations selected for support and the expenditure declared by beneficiaries to the MA (to include expenditure already declared to the Commission but also expenditure accepted by MA but not yet declared).

The managing authority shall assign at least one code for each of the required dimensions to each operation approved.

Where operations supported from the ERDF or the CF clearly involve several intervention field codes the managing authority will have two options:

- To use the most prominent part of the operation to choose only one intervention field code (which could then be a gross approximation);
- To use several codes, allocated based on the approximate *pro rata* divisions of expected costs across different intervention fields in order to provide a more accurate representation.

The use of a predominant part of the operation as a reference point to choose a single code may not always be obvious.

Example 2: Domestic waste Treatment

A Cohesion Fund operation to construct a domestic waste organic treatment plant costing EUR 10 million could include

- Waste treatment facility – 75% costs
- Biogas recovery (energy recovery/ renewable energy) – 10% costs
- Repaving / upgrading of an access road from the local network to carry the increased traffic – 10% costs
- Installation to IT systems to monitor and operate the facility – 5% costs

Comment: In this case a managing authority might decide to apply only the relevant intervention field code for waste treatment, as it is clearly predominant. It will then "lose" useful details on 25% of the costs.

On the other hand it could pursue the pro rata allocation in order to better reflect the costs of the renewable energy (counted then also under climate tracking mechanism) and the embedded IT content of the operation, which would otherwise not be transparent.

Example 3: Integrated Urban Development

An ERDF supported integrated urban development project costing EUR 5 million could include:

- Social inclusion / education infrastructures – 30% costs
- Support to local tourism / cultural SMEs - 30% costs
- Support to local tourism / cultural facilities – 20% costs
- Flood protection measures - 20%

Comment: No code predominates. It would be difficult to choose only one code that would provide for a reasonable approximation of the expenditure. A pro rata allocation in order to better reflect the estimated costs of the different elements is the only realistic way to reach a reasonable degree of transparency.

5.2.4. COMMISSION RECOMMENDATIONS ON "PRO RATA" ALLOCATION OF MULTIPLE CODES

The Commission recommends the following:

- Managing authorities should foresee the possibility in the monitoring system of allocating several intervention field codes to each operation on a "pro-rata" or estimated basis (without the need to categorise specific items of expenditure or to re-verify the pro-rata split in the implementation phase).
The pro rata split encoded for the operation can then be applied to the financing

covered by selected projects and expenditure incurred reported in the financial data transmission (CPR Art 112);

- The Commission recommends the use of multiple codes for all major projects (Article 100) where warranted by the nature of the investments;
- In other cases the use of several intervention field codes attributed on an estimated pro-rata basis to each operation (i.e. integrated operations), where this is necessary to provide for a reasonable approximation of actions supported. Pro rata allocation of codes is particularly relevant where an operation is supported from multiple priority axes and therefore is likely to include a set of actions falling under different codes.
- The principle of proportionality should be taken into account, e.g. in relation to very small operations.

5.3. FORM OF FINANCE

This dimension applies to all funds. The principal changes in comparison to the Period 2007-2013 are

- The removal of the code "other forms of finance", which gave rise to misunderstanding;
- The splitting of the pre existing dimension code "Aid (loan, interest subsidy, guarantees);
- The introduction of "Prizes".

Managing authorities should take particular care to ensure coherence between reporting under this dimension with the specific reporting required for financial instruments.

As with the intervention field codes it is possible in reality that an operation (a fund or "fund of funds" in this case) is implemented through several forms of finance. The Commission recommends the possibility in the monitoring system of allocating several form of finance codes on an estimated pro rata basis to each operation.

The fact that the purpose of the fund is, say, the provision of venture capital or loans is determinant in the context of this dimension, even though EU support to a financial instrument from a programme may have the legal form of a "grant".

5.4. TERRITORIAL DIMENSION

The Territorial Dimension codes have been modified to reduce redundancy and improve the alignment of the codes with other official statistical sources (the EUROSTAT typology "degree of urbanisation").

The territorial dimension codes were previously based on national definitions or conventions linked to different national concepts of urban, rural, mountainous, island and other territories². Rather than continuing to rely on variable national definitions of urban / rural which have limited comparative value it was decided to reorganise these dimension codes as follows:

1. For Codes 01-03 use the EUROSTAT typology of degree of urbanisation and define three dimension codes in line with that typology.

The typology was developed EUROSTAT (in cooperation with REGIO, AGRI, JRC, OECD) as a statistical classification to provide a significant step forward in terms of consistent and data comparability - http://epp.eurostat.ec.europa.eu/portal/page/portal/degree_urbanisation/introduction

The definition of three types of areas is not based on NUTS 3 but on a cross EU analysis of population location and density using the sq km population grid.

The degree of urbanisation distinguishes three types of local administrative units (LAU)

- Code 01: Cities (Densely populated areas) with the majority of the population living in an urban centre of more than 50 000 inhabitants;
- Code 02: Towns and suburbs (Intermediate density areas) with the majority of the population living in an urban cluster with more than 5 000 inhabitants;
- Code 03: Rural areas (Thinly populated areas) with a majority of the population living in rural grid cells (cells outside urban clusters).

This classification was developed in 2011 and has been in use since 1 January 2012 in all Eurostat surveys. As a result, ESTAT publishes a wide range of annual indicators for these three types of areas per Member State. For example, population, employment, unemployment, poverty, exclusion, IT use by households, etc.

² The Commission has for different purposes established some definitions in order to classify regions. This documents explains the approach:

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Regional_typologies_overview

- Sparsely populated regions are those with populations below 12.5 inhabitants per km².
- Thinly populated areas or rural areas are a LAU2 level definition based on the population density of grid cells (below 300 people per km²):

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Revision_of_the_degree_of_urbanisation

- Rural regions: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Urban-rural_typology
- Mountain regions: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Regional_typologies_overview
- Urban areas: http://ec.europa.eu/regional_policy/sources/docgener/focus/2012_01_city.pdf - It is defined through a combination of density and size applied to grid cells of 1km² (density over 1500 per km² and minimum 50 000 in contiguous high-density grid cells).

Below is a link to a public folder with a map of the degree of urbanisation per country as agreed with the national statistical institutes. It also includes an excel files per country that list all the local administrative units and their degree of urbanisation. - https://circabc.europa.eu/sd/d/b32fcc21-c566-45ea-8795-2a9ffe2ac58c/DGUR_2011_Tables_Maps_Countries.zip

In this folder people you can download a European map and list. https://circabc.europa.eu/sd/d/33fc35be-5ebc-4ba5-91ee-dc6744cc2c98/DGUR_2011_Tables_Maps_Europe.zip

The codes concerned would be used as follows:

- In the OP: an estimate of the likely use of the funding in the priority axis broken down by the three codes would be provided;
- For use in the AIR: the managing authority would assign to each operation a code under this dimension and then report on the financial data on project selected and expenditure incurred by combination of codes.

2. Dimension 3 is completed by four other codes to be used as follows:

- Code 04: If the operation is a priority in the context of a macro-regional strategy the managing authority should use the specific code provided to identify it. Many operations take place in a macro-region but their primary benefits are local, regional or national. This code should be used only for operations which have a strong / primary contribution to the macro-regional strategies.
- Code 05: To be used if the operation is a cooperation project across national or regional programmes funded from national or regional programmes (i.e. a cooperation project outside of the ETC goal);
- Code 06: To be used if the operation is an ESF transnational operation;
- Code 07: To be used if none of the dimension codes above are applicable: in particular if the project does not have a particular link with a physical location or population (see 5.14 below) within a specific urban or rural context defined under Codes 01, 02 or 03 above.

In relation to specific territories – Ultra peripheral regions (RUPs), Islands, Mountains Sparsely populated regions - codes for these purposes will not be retained in Dimension 3. These territories can more reliably be identified at the level of the specific programmes (RUPs) or specific NUTS 3 regions (under the Location Dimension (Dimension 8)).

DG REGIO has lists of the NUTS 3 regions that that would be so characterised.

Specific Territory

N° of NUTS 3 regions

Mountains in the EU-27	326
Island regions in the EU-27	69
Sparsely populated in the EU-27	19

These lists will be made available on the DG REGIO website.

5.5. TERRITORIAL DELIVERY MECHANISMS

This new dimension is introduced to provide information on the range of delivery mechanisms available under the CPR 2014-2020.

Codes	Coverage
1. Integrated Territorial Investment – Urban	Exclusively comprises ITI's implementing sustainable urban development under Article 36 CPR and Article 7 ERDF regulation or Art 12(1) ESF regulation
2. Other Integrated approaches to sustainable urban development	Exclusively comprises the specific priority axis or specific OP implementing sustainable urban development under Article 7 ERDF regulation
3. Integrated Territorial Investment – Other	Comprises those ITI's not implementing sustainable urban development under Article 7 ERDF regulation, regardless of the targeted area, i.e. urban, sub-regional, regional, cross-border, etc.
4. Other Integrated approaches to sustainable rural development	Comprises any integrated approach classified as rural development by the MS not implemented via an ITI or CLLD and not falling under Article 7 ERDF
5. Other Integrated approaches to sustainable urban/rural development	Comprises any integrated approach classified by the MA as supporting urban development or urban-rural linkages but not implemented via an ITI or CLLD and not falling under Article 7 ERDF regulation
6. Community-led local development initiatives	Article 32-35 of CPR
7. Not applicable	To be used where none of the above applies.

5.6. ERDF / COHESION FUND – THEMATIC OBJECTIVE DIMENSION

This new dimension, applicable only to ERDF and Cohesion Fund operations is introduced to provide a mechanism to track compliance with the thematic concentration requirements, particularly in multi thematic objective priority axes. It also allows for the possibility that certain intervention fields may be relevant for different thematic objectives.

As with the intervention field codes it is possible in reality that an operation is implemented through several Thematic Objectives. In such a case the allocation of more than one code in this dimension shall mirror the financial plan of the operation (i.e. not be based on estimated pro rata shares).

5.7. ESF SECONDARY THEME DIMENSION

This dimension is specific to ESF interventions. It is designed to capture information on ESF expenditure contributing to cross cutting secondary sectoral themes and objectives, which could be linked to thematic objectives outside TOs 8-11 (e.g. supporting the shift to a low-carbon, resource efficient economy) or to transversal themes such as gender equality, non-discrimination or social innovation. The information captured under these secondary themes will allow for better reporting on the ESF contribution to areas such as ICT, SME competitiveness or research and innovation.

As there is an obligation in the ESF Regulation to promote equality between men and women, equal opportunities for all and social innovation³ the ESF secondary themes are a useful tool to track such expenditure.

Not all operations under the ESF will have a secondary theme included in this nomenclature, hence the code "not applicable" remains an option.

In the programmes, those ESF MA that have reported in this dimension (the majority but not 100%) have treated the codes as discrete – i.e. no "double counting".

It is however possible that two or more ESF secondary themes are equally relevant for the same operation. In this case, the MA can allocate more than one code (Codes 01-07⁴) to one operation in the financial data reporting table⁵.

In consequence, and contrary to other dimensions, the total for ESF secondary themes can exceed the total ESF amount allocated to operations. 100% of the amount for each operation will be allocated to each of the codes selected. The amounts allocated to ESF secondary themes do not have to add up.

However, given that the amount will be counted as contributing 100% to each of the secondary theme, Member States are invited to select only secondary themes that reflect a significant feature of the operation.

Example:

An ESF training programme costing EUR 1 million will support workers from SMEs working in construction in order to improve their skills related to energy efficiency. Therefore two codes are potentially relevant – "01 – Supporting the shift to a low-carbon, resource efficient economy" and "03-Enhancing the competitiveness of SMEs".

³ Articles 7, 8 and 9 of the ESF Regulation.

⁴ Code 08 "not applicable" is to be selected only if the other codes are irrelevant for the operation

⁵ Table 2 on breakdown of the cumulative financial data by category of intervention for the transmission made by 31 January

In this situation, both codes can be applied. EUR 1 million will be attributed to code 01 and EUR 1 million will be attributed to code 03.
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To allow the selection of several secondary themes, the column 6 of Table 2 on *breakdown of the cumulative financial data by category of intervention for the transmission made by 31 January* will be broken down into 8 sub-columns. This change in the table will be available as of January 2016.

The Commission strongly encourages Member States to select all the ESF secondary themes that are relevant for their operations. **It is important to underline that the information provided under this dimension will be used for reporting purposes only.**

5.8. ECONOMIC DIMENSION

This dimension, now with some small refinements, is already used in the period 2007-2013. Its purpose is to better understand the sectoral impact of the operations in the phase of ex-ante reporting; it seeks to answer the questions "which economic sector benefits from ERDF/ESF support?".

5.9. LOCATION DIMENSION (NUTS)

The codes used should ideally relate to the most detailed level – NUTS III. Where multiple NUTS III regions are concerned by an operation programme authorities are invited to either use multiple NUTS III codes on a pro rata basis or use the higher levels of NUTs.

The Commission proposes the following broad rules for locating operations:

- For physical infrastructures please encode the actual location of the infrastructure (not the address of the beneficiary);
- For projects supporting a given population (SMEs, households, unemployed persons, etc), please encode the project based on the location of the population served;
- For networking projects (under INTERREG etc.) locate based on the address of the lead partner;
- For technical assistance involving procurement contracts or support to administrative capacity, locate according to the address of the contracting authority.

6. THE USE OF CATEGORIES OF INTERVENTION TO TRACK SUPPORT FOR CLIMATE CHANGE OBJECTIVES

*"Already today, a proportion of the EU budget is related to climate mainstreaming and thus contributes to Europe's transition to a low carbon and climate resilient society. The Commission intends to increase the proportion to at least 20%, with contribution from different policies, subject to impact assessment evidence."*⁶

Tracking the magnitude of the contribution of the EU budget to climate change requires a tracking methodology. Previously the European Council has made a call, in the international context, for information on climate financing by referring to the use of the Rio markers⁷.

Article 8 of the CPR says that "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. ."

The Commission's approach was that the methodology should not impose additional administrative cost for national authorities or additional administrative burden to beneficiaries.

By using the data on "intervention fields" (for ERDF/CF) and "secondary theme" for ESF, provided through the SFC system in a structured format (both in the stage of programming and in the stage of reporting implementation), it will be possible to calculate climate change related expenditure automatically by applying the weights assigned to financial data linked with different categories (see Annex 1 Table 1).

Such a methodology is in line with current Commission practice on external aid⁸, and is similar to the methodology used by the OECD for development aid⁹.

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and social Committee and the Committee of the Regions – a Budget for Europe 2020 – Part II: Policy Fiches COM(2011) 500 final. p. 13.

⁷ European Council 10.2009, Presidency Conclusions: "[a] comprehensive set of statistics for climate financing and support ...[to] be established, preferably by building on existing reporting mechanisms such as the OECD-DAC system for monitoring financial flows to developing countries, including ODA, based on proper engagement of developing countries. "

⁸ The use of the Rio Markers is compulsory since 2008 and, since 2009, encoding in the CRIS system is compulsory for every project managed by EuropeAid. Moreover, 40% and 100% categories are also used internally for reporting purposes.

⁹ <http://www.oecd.org/dataoecd/18/31/44188001.pdf>

6.1. ERDF / COHESION FUND

For ERDF and Cohesion Fund the proposed calculation of the climate contribution under the methodology will involve two steps:

1. **Attaching weights to the codes under the dimension "Intervention field".**

The weights will reflect the climate relevance of a particular expenditure category. Some categories will be considered to make no positive a priori contribution to climate objectives (weight of zero), while in the case of other categories a weight of 100% or 40% would be attached to expenditure to reflect its climate change relevance. The coefficients to be applied to the financial data reported for intervention field codes are set out in Table 1 of Annex I to Commission implementing regulation (EU) No 215/2014.

2. In relation to financial data reported against intervention field codes that have a coefficient of zero (i.e. most research and business support intervention field codes), where financial data is reported against thematic objectives 4 (supporting the shift towards a low-carbon economy) and 5 (promoting climate change adaptation, risk prevention and management) then it shall be weighted with a 40 % coefficient in terms of their contribution to climate change objectives. (Where the priority axis includes but is not dedicated to TOs 4/5 then no weighting will apply to such zero weighted intervention field codes.)

During the phase of reporting on implementation, ERDF/CF managing authorities shall use "Table 5: Codes for Thematic Objective Dimension". In the encoding of selected projects under a priority axis in its monitoring system the Managing authorities will encode the TO code relevant for each operation. In a single TO priority axis all operations will carry the same code. In the case of Multi TO priority axis the operations should be encoded according to the TO to which each contributes. Financial data reported against intervention field codes that have a coefficient of zero which are also coded with the thematic objectives 04 and 05 codes shall be weighted with a 40 % coefficient in terms of their contribution to climate change objectives.

Example A: Transport OP – ERDF / Cohesion Fund

Category	Expenditure ¹⁰ (EUR, m)	weight	Climate related expenditure (EUR, m)
Railways (TEN-T Core)	1,000	40%	400
TEN-T motorways and roads - Comprehensive network	800	0%	0
Secondary road links to TEN-T road network and	600	0%	0

¹⁰ Union support

nodes			
Total	2,400	-	400

Example B: Integrated urban development -

Category	Expenditure ¹¹ (EUR, m)	weight	Climate related expenditure (EUR, m)
Energy efficiency renovation of public infrastructure	500	100%	500
Clean urban transport infrastructure and promotion	400	40%	160
Childcare infrastructure (pre-school)	300	0%	0
Total	1,200	-	660

Example C

Category	Expenditure ¹² (EUR, m)	weight	Climate related expenditure (EUR, m)
Sorting / Biological Waste treatment facility	40	0%	0
Biogas recovery (energy recovery/renewable energy)	5	100%	5
Installation to IT systems to monitor and operate the facility	2	0	0

¹¹ Union support

¹² Union support

Repaving / upgrading of an access road from the local network to carry the increased traffic	3	0	0
Total	50	-	5

As the methodology does not require a detailed analysis of all expenditure, there would inevitably be some margin of approximation in the exercise. For example, most basic infrastructure would receive a weighing of zero. In case a construction of a road or a bridge involving an element of climate change proofing coded entirely under a "road" intervention field would therefore not be counted in the assessment of climate investments. To capture the climate adaptation element the costs associated could be reported as follows:

1. separately through pro rata allocation under the intervention field code "Adaptation to climate change and natural risk prevention"; or
2. As a separate operation under thematic objective no 4 or 5 (in Dimension 5).

The Commission considered the possibility of giving a 40% weighting to other investment categories (water supply, waste water, waste treatment, social infrastructure). However these options are not retained.

- The choice to give a zero weighting to investments in water supply, waste water treatment and waste treatment is justified by the fact that mostly the investment costs are not targeting climate objectives. The costs that are relevant for climate objectives (decreasing methane emissions, recovery of bioenergy, energy recovery, climate adaptation measures) can be captured through pro rata allocations to the relevant codes which have climate weightings (100%) – see example C.
- In the case of investments in education or health infrastructures again the main purpose and costs are not mainly or automatically related to energy efficiency or renewable energy (nor valued at 40% of costs). The energy efficiency costs will vary significantly. Where the investment is entirely related to energy efficiency then the relevant code with 100% weighting should be used. Where the pro rata share is known the operation should be encoded with the use of appropriate codes and related costs.

6.2. EUROPEAN SOCIAL FUND

The application of a climate tracking method requires a different approach in the case of ESF. The Commission Implementing Regulation includes a methodology based solely on the new dimension "secondary theme", only applicable to ESF. This methodology envisages that an

ESF operation whose aim is to target climate change (e.g. training on energy efficient construction technologies) would be categorised under the secondary theme as "Supporting the shift to a low-carbon, resource efficient economy" and support for these operations would constitute climate change related expenditure in its entirety (100% weighting). The link between the operation and climate change targets must however be clear.

Example:

An operation financing training for green jobs will have two primary objectives. The first one will be to train people, the second one will be to target climate change. All the trainings provided will have a direct impact on climate change and therefore this operation can be categorised under the secondary theme "Supporting the shift to a low-carbon, resource efficient economy" with a 100% weighting.