



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT**

pursuant to the second subparagraph of Article 251 (2) of the EC Treaty

concerning the

**common position of the Council on the adoption of a Regulation of the European
Parliament and of the Council on the European Regional Development Fund**

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1. BACKGROUND

Date of transmission of the proposal to the EP and the Council (document COM(2004) 495 final – 2004/0167(COD)):	15 July 2004
Date of the opinion of the European Economic and Social Committee:	6 April 2005
Date of the opinion of the Committee of the Regions:	13 April 2005
Date of the opinion of the European Parliament, first reading:	6 July 2005
Date of adoption of the common position:	12 June 2006

2. OBJECTIVE OF THE COMMISSION PROPOSAL

The purpose of the Commission's proposal was to define the tasks of the European Regional Development Fund and the scope of its assistance with regard to the "Convergence", Regional Competitiveness and employment", and European Territorial cooperation" objectives. It also laid down specific rules applicable to the territorial cooperation programmes between more than one Member States.

Together with the proposals for Regulations on the Cohesion Fund, the European Social Fund, the European Grouping for territorial cooperation and on the general rules applicable to all the Funds, it represents the Community legal framework for the implementation of the Cohesion policy in the period 2007-2013.

3. COMMENTS ON THE COMMON POSITION

The Common position was adopted on 12 June 2006 by unanimity. The Commission can endorse it because it considers it an appropriate compromise which fulfils the objectives of its initial proposal, and takes into account a number of the European Parliament's amendments.

The main changes concern the extension of the scope for the interventions of the ERDF which include the partial eligibility of VAT, the financing of housing projects in the EU10, Romania and Bulgaria and the scope of intervention for the regional competitiveness and employment objective.

3.1. VAT

The initial proposal from the Commission regarding the Community contribution to operational programmes was that VAT (recoverable and non-recoverable) was ineligible. The European Council agreed in December 2005 that, for Member States whose average per capita GDP between 2001 and 2003 was below 85% of the EU25 average, non-reimbursable VAT shall count as eligible expenditure for the purpose of calculating the contribution from the Funds.

In the context of the negotiations for an Inter Institutional agreement on the Financial Perspectives, the REGI Committee of the European Parliament had asked that the regulations set up one system for all the Member States and do not create different rules for different categories of Member States. The Common position reflects this request and provides that non-recoverable VAT which is genuinely and definitively borne by the beneficiary shall be eligible for all Member States..

3.2. Housing

The European Parliament amendment N. 82 asked for eligibility of expenses related to the renovation of social housing with a view to saving energy and protecting the environment in the context of sustainable urban development. The Common position incorporates this amendment, for housing projects in the EU10, Romania and Bulgaria . It also defines the amounts of money which can be allocated to housing-related expenditure, provides that such expenditure shall be part of an integrated urban development plan, and is limited to multi-family and publicly-owned housing.

3.3. Extension of the scope of the “Regional competitiveness and employment” Objective

Article 5 of the draft ERDF Regulation lays down the primary scope of the “Regional competitiveness and employment” Objective and modifies the Commission’s proposal because it states that such a scope is not exclusive.

4. COMMISSION DETAILED COMMENTS

Nine amendments of the European Parliament have been accepted, either totally or partially, following the modification of the text of the draft regulation. Seven amendments are outdated and therefore could not be incorporated. The purpose of twenty amendments that were not incorporated as such was achieved by a change in the wording of Article 5. The other ones have been rejected for the reasons explained hereafter. As a modified proposal was not adopted by the Commission, the Commission has informed the Council of its position on the amendments of the European Parliament.

4.1. Amendments incorporated in full or in part in the common position

Amendment 4 concerning the rewording of the reference to the rules of eligibility in the recital (4) has been integrated. Amendment 10 concerning the coordination with the seventh framework programme has been incorporated in recital (10).

Amendment 12 concerning the territorial specificities is included in the recital (13).

On the scope of the objective “Convergence”, Article 4 (1) takes into account the first part of the proposal made under amendment 27 on the integration of the research and technological development capacities into the European Research Area.

The purpose of the amendment 60 is included in Article 5 (2) d) relating to the “Regional competitiveness and employment” with the reference to “promoting clean and sustainable public transport”.

For the scope of the “European territorial cooperation”, the environmental activities have been added in the priorities of the objective, as proposed by amendment 65. The first part of Amendment 80 on the inter-regional co-operation is in the common position (Article 6 (3) a)).

Amendment 82 : The European Parliament proposed to enlarge the eligibility of expenditure to expenses which relate to renovation of social housing with a view to saving energy and protecting the environment in the context of sustainable urban development.

The Common position recognizes the eligibility of the expenditure of housing under conditions laid down in the Regulation. It limits the amounts of money which can be allocated to housing-related expenditure, demands that such expenditure is part of an integrated urban development plan, and is limited to multi-family and publicly-owned housing. The Commission’s implementing regulation will clarify in detail the criteria for identifying the urban areas facing or threatened by social distress and physical deterioration and the precise list of eligible measures.

The reference to the inter-regional co-operation is also taken in Article 19 (2) on the selection of operations as proposed by Amendment 108.

4.2. Amendments not incorporated in the common position

The amendments 44 to 59 and 61 to 64 for article 5 adding new fields of intervention for the ERDF within the “Regional competitiveness and employment” objective were not accepted as such. However, in order to extend the scope of the objective “Regional competitiveness and employment”, the Common position modified Article 5 so that ERDF shall focus its assistance primarily (and not exclusively) on the three priorities listed

A number of amendments proposed to enlarge the purpose and the scope of intervention of the ERDF (amendments 18 to 24) and the priorities identified in the Commission proposal for the objectives “Convergence” and “European territorial cooperation” (amendments 25, 26 and 28 to 43 for article 4 on the scope of the “Convergence” objective; amendments 66 to 72, 73, 75 to 79 and 81 for article 6 on the “European territorial cooperation”). They have not been incorporated.

In order to maintain a stricter concentration of interventions on a number of priority themes, the proposed amendments for Articles 8, 9, 10 and 11 on the treatment of particular territorial features (amendments 83 to 90) were also not accepted.

Given that the content of the operational programmes for the “European territorial cooperation” objective has to be as close as possible to that of the operational programmes of the two others objectives, the amendments 91 to 100 on Article 12, which extend the requests for the content of these operational programmes, have not been incorporated.

Amendment 103 : the provisions of the regulation must respect the institutional organisation of each Member States and the powers of the Monitoring committees. The reinforcement of the partnership is really important. However, the designation of the partners participating in the Monitoring Committee is in the field of the competence of the Committees.

4.3. The outdated Amendments

Insofar as the recital (10) has been changed in the common position, the Amendment 8 concerning the programmes co-financed by the ERDF and their support to the diversification of the rural economies is not incorporated. Amendments 104 and 105 go beyond the field of the ERDF regulation and cannot be accepted. The rules for the acceptance of the operational programmes are treated in the general regulation. Transparency rules with regard to the final beneficiaries are laid down in another Regulation. The Commission’s proposal for a Regulation laying down general provisions for the execution of the programmes co-financed by the Funds foresees obligations of information and publicity and the Commission’s implementing regulation seems to be the most appropriate legal basis to foresee the obligation of the publication of the name of the final beneficiaries.

Following the changes of the text, amendments 101 and 102 are now without subject.

The designation of the controller is of the competence of the managing authority. Therefore Amendments 106 and 107 to article 15 and article 16 are without subject.

5. CONCLUSION

While it would have preferred to keep the initial scope of the Regulation, the Commission considers that the common position adopted on 12 June 2006 by unanimity largely follows the aims and approach of its proposal and incorporates some significant EP amendments and so can support it. When examining with the Member states the Operational Programmes for adoption, the Commission shall pay attention to verifying that the value added of the Community co-financed cohesion policy is preserved and that the share devoted to investment for innovation and growth is appropriate.