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**PROPOSAL**

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| From: | Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director |
| date of receipt: | 30 May 2018 |
| To: | Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union |
| No. Cion doc.: | COM(2018) 375 final |
| Subject: | Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument |

Delegations will find attached document COM(2018) 375 final.

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EUROPEAN
COMMISSION

Strasbourg, 29.5.2018
COM(2018) 375 final

2018/0196 (COD)

Proposal for a

# REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument**

# EXPLANATORY MEMORANDUM

## 1. CONTEXT OF THE PROPOSAL

On 2 May 2018, the Commission adopted a proposal for the next multi-annual financial framework for the period 2021-2027[1]. Administrative simplification has been defined as a key objective in reflection paper on EU finances, by the ex post evaluation and by the public consultation. Experience suggests that the rules are over-complex and fragmented between funds and forms of finance, leading to an unnecessary burden on programme managers and final beneficiaries.

This proposal for a Common Provisions Regulation (CPR) will set out common provisions for seven shared management funds. This proposal will not replace the existing Regulation EU No 1303/2013 which will continue to govern programmes adopted in the 2014-2020 period. The proposal reduces fragmentation of rules, delivering a common set of basic rules for seven funds:

- CF: Cohesion Fund
- EMFF: European Maritime and Fisheries Fund
- ERDF: European Regional Development Fund
- ESF+: European Social Fund Plus[2]
- AMIF: Asylum and Migration Fund[3]
- BMVI: Border Management and Visa Instrument[4]
- ISF: Internal Security Fund

These proposals provide for a date of application as of 1 January 2021 and are presented for a Union of 27 Member States, in line with the notification by the United Kingdom of its intention to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union received by the European Council on 29 March 2017.

## 2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

### • Legal basis

Article 317 of the Treaty on the Functioning of the European Union (TFEU) provides that the Commission is to implement the budget in cooperation with the Member States, in accordance with the provisions of the regulations made pursuant to Article 322 TFEU. Article 322(1)(a) TFEU provides the legal basis for the adoption of regulations establishing the financial rules which determine in particular the procedure to be adopted for establishing and implementing the budget and for presenting and auditing accounts. The principle of subsidiarity does not extend to the financial rules, for which it is clear that only the Union can, or even has to act.

EU action for the European Structural and Investment Funds is justified on the grounds of the objectives laid out in Article 174 TFEU**.** The right to act is enshrined in Article 175 TFEU which explicitly calls on the Union to implement this policy by means of Structural Funds, in

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1 COM(2018) 322 final, 2.5.2018.

2 Except the "Employment and Social Innovation" programme and for health issues.

3 Shared management components only.

4 The Integrated Border Management Fund is composed of the instrument for border management and visa and the instrument for customs control equipment.

conjunction with Article 177, which defines the role of the Cohesion Fund. The aims of the ESF, ERDF and the Cohesion Fund are defined in Articles 162, 176 and 177 TFEU respectively. The actions related to fisheries are justified by Article 39 TFEU.

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

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

The Regulation establishing the Asylum and Migration Fund is based on Articles 78(2) and 79(2) and (4) of the TFEU. A Regulation establishing, as part of the Integrated Border Management Fund, the instrument for financial support for border management and visa, is based on Article 77(2) of the TFEU. The Regulation establishing the Internal Security Fund is based on Articles 82(1), 84 and 87(2) of the TFEU. Article 317 of the TFEU provides for the legal base for the common set of rules regarding the implementation of the budget, in cooperation with Member States. Article 322 of the TFEU defines the scope and the procedures to establish it.

Subsidiarity and proportionality of the individual funds above is set out in the explanatory memorandum for each fund. However, the CPR makes additional contributions:

- To subsidiarity by promoting shared management: insofar as programmes are not managed directly by the European Commission, but instead implemented in partnership with the Member States.

- To proportionality, by unifying and consolidating rules (and therefore reducing the burden on stakeholders).

Article 11 of the TFEU states that environmental protection requirements should be integrated into the definition and implementation of the Union policies and activities in particular with a view to promote sustainable development and this is addressed in this Regulation.

## 3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

The various funds have their own evaluations and many of the findings are most relevant to their specific regulations. The following are the key findings applicable to the CPR.

**1. Simplification: the need to reduce the administrative burden.** This was a key and repeated finding in the evaluation of all funds:

- The *ex post* evaluations of the ERDF and the Cohesion Fund found that management, control and audit systems were over-complex. This was a source of administrative uncertainty and delays in implementation. Complexity was a particular issue in EU-15 countries where the funding was relatively smaller, suggesting a need for proportionality.

- The ESF evaluation found that both the funding landscape (ie the range and mix of instruments) and the implementation process needed to be simplified.

- The EMFF evaluation also found that the administrative burden was too high. At the application stage it acted as a disincentive for applying for support.

Moreover, the complexity of certain projects seemed to have created disincentives for potential beneficiaries, in particular in cases where a large network of partners was involved.

- Interim evaluations for relevant components of the AMF, BMVI and ISF also found a need for simplification. The use of simplified cost options was a particular recommendation.

This point is addressed throughout the CPR. Notable examples include Title V (e.g. simplified cost options, payments based on conditions, elimination of specific rules for major projects and revenue generating investments) and Title VI (simplified and more proportionate control and audit).

**2. The need for flexibility to respond to emerging needs:**

- The *ex post* evaluation of ERDF and the Cohesion Fund found that the adaptation of programmes in the economic crisis was one of the success stories in the 2007-2013 period and should be built upon.
- The *ex post* evaluation of the ESF named flexibility as one of the key points for improvement.
- The interim evaluations of the predecessors of AMIF, BMVI and ISF indicate that these funds responded adequately to the migration and security crises. However, more flexible mechanisms to allocate funding are needed.

This point is addressed in Title III (which enables relatively small transfers without the need for programme modification) and II (programme allocations are set out for the first 5 years, and then the last 2 years allocated on the basis of a review) while complementary rules for the AMIF, BMVI and ISF are outlined in the Fund-specific Regulations. Further, the possibility to use the InvestEU guarantee facility increases flexibility for Member States.

**3. The potential of financial instruments (FIs):**

- The *ex post* evaluation of ERDF and the Cohesion Fund found that FIs have the potential to be a more efficient means of funding investment in some policy areas, but there are delays in implementation and it is a challenge to spread their use.
- The EaSI mid-term evaluation found that different rules made it difficult to tap into complementarities between funds. The evaluation recommended streamlining and alignment of FI rules.

This point is addressed in Title V which simplifies the implementation of FIs, aligning many of the provisions with those for grants.

- **Public consultations**

The Commission carried out the following public consultations:

- EU funds in the area of cohesion policy (10 January 2018 to 9 March 2018)
- A stakeholder consultation in the context of the *ex post* evaluation of the EMFF (February to May 2016).
- EU funds in the area of migration (10 January 2018 to 9 March 2018)

- EU funds in the area of security (10 January 2018 to 9 March 2018)

Stakeholder consultations struck a similar note to the *ex post* evaluations – the main conclusion of relevance for the CPR is simplification (especially in terms of audit and control procedures), followed by flexibility:

- In the consultation on cohesion policy, stakeholders found complex procedures to be by far the main obstacle to success, followed by heavy audit and control requirements, lack of flexibility, difficulty to ensure financial sustainability and delays in payments
- For EMFF, complex administrative delivery is seen as the biggest shortcoming and many stakeholders call for radical simplification and flexibility. The intervention logic is considered too rigid, not allowing Member States to address their own specificities.
- The consultations in the areas of migration and security found that respondents strongly supported simpler delivery and greater flexibility (specifically in relation to the ability to respond to migration and security related crises).

The concerns raised by stakeholders are addressed in the various simplification measures throughout the CPR (see below).

- **Expertise and administrative costs**

In terms of expertise, the "High Level Group" of experts was convened to discuss the simplification of cohesion policy. It concluded the following[5]:

- Alignment of rules between EU Funds. This concern is partly addressed by the scope of the current regulation.
- Fewer, clearer, shorter rules. As noted above, the current regulation includes numerous simplifications.
- Genuine subsidiarity and proportionality: reliance on national management and control systems and procedures to a much larger extent. This is addressed in Title VI (see below).
- A stable yet flexible framework: no need to re-appoint institutions for the next programming period. Programmes should also be modified more easily. This is addressed in Titles VI and III respectively.
- Single audit principle: extension of the single audit principle. This is addressed in Title VI.

Indeed, there is evidence of substantial administrative costs associated with the ERDF and the Cohesion Fund, estimated in a recent study[6] at 3% of average programme costs for the ERDF and 2.2% for the Cohesion Fund. The administrative burdens on beneficiaries (including SMEs) are higher.

Many of the simplifications in the CPR are difficult to quantify financially in advance, but the study made the following estimates

[5] Full text of the High Level Group recommendations: http://ec.europa.eu/regional_policy/sources/newsroom/pdf/simplification_proposals_key.pdf

[6] Spatial Foresight & t33, New assessment of administrative costs and burden in ESI Funds, preliminary results.

- Greater use of simplified cost options (or payments based on conditions) for the ERDF and the Cohesion Fund could substantially reduce total administrative costs – by 20-25% if these options are applied across the board.
- The more proportionate approach to control and audits would imply a major reduction in the number of verifications and the audit burden for "low risk" programmes thus reducing total administrative costs of the ERDF and the Cohesion Fund by 2-3% and costs for affected programmes by a much greater amount.

- **Impact assessment**

The CPR itself is not the subject of an impact assessment, since it sets common rules and a delivery mechanism for other policies. The related funds are each accompanied by their own impact assessments.

- **E-cohesion and data exchange**

The 2014-2020 programmes, except for the predecessors of the AMIF, BMVI and ISF, required a system of electronic data exchange between beneficiaries and managing authorities, and between different authorities of the management and control system. The current regulation builds on this and further develops certain aspects of data collection. All data necessary for monitoring progress in implementation including results and performance of programmes will now be transmitted electronically and every two months to the Commission, meaning the open data platform will be updated in almost real time.

Beneficiary and operations data will similarly be made public in electronic form, on a dedicated website run by the managing authority. This will give greater visibility to achievements and allow better communication.

- **Fundamental rights**

By introducing an enabling condition to ensure the respect of the Charter of Fundamental Rights of the EU, this Regulation will have a positive impact on the respect and protection of all fundamental rights in the managements of all seven funds.

Respect for the rule of law is covered in a self-standing regulation based on Article 322 TFEU.

## 4. BUDGETARY IMPLICATIONS

The Commission's proposal for a multi-annual financial framework sets out an amount of EUR 330 billion for economic, social and territorial cohesion for the period 2021-2027.

**ERDF, CF and ESF+ envelopes for 2021-27 in millions**

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| **Cohesion policy total** | **330 624** |
| **European Regional Development Fund (ERDF)** | **200 629** |
| • Investment for jobs and growth | 190 752 |
| • European territorial cooperation | 8 430 |
| • Outermost regions and sparsely populated areas | 1 447 |
| **Cohesion Fund (CF)** | **41 349** |

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| • of which contribution to CEF Transport | 10 000 |
| **European Social Fund+ (1)** | **88 646** |

(1) This amount does not include the amount for health, employment and social innovation (EUR 1 042 million).

These are the largest financial headings covered by the CPR. The Commission's proposal for the financing of the EMFF, AMIF, BMVI and ISF will be included in the Fund-specific Regulations for each Fund.

## 5. SUMMARY OF THE CONTENT OF THE REGULATION

The main objectives of the architecture and provisions of the proposed CPR are to:

1. Substantially reduce unnecessary administrative burden for beneficiaries and managing bodies while maintaining a high level of assurance of legality and regularity. This is the key guiding principle of the reform, and includes a large number of simplifications and alignments across the regulations – but especially in terms of:
    i. The roll-over of management and control systems (and other measures which facilitate programme launch). Greater use of "proportionate arrangements", where lower risk programmes can rely more on national systems.
    ii. The use of simplified cost options and payments based on conditions.
    iii. Financial instruments.
2. Increase flexibility to adjust programme objectives and resources in the light of changing circumstances and also in terms of voluntary contributions to EU-level directly managed instruments.
3. Align the programmes more closely with EU priorities and increase their effectiveness. This includes:
    i. Aligning the intervention logic and reporting with the MFF headings and increasing concentration requirements on priority areas.
    ii. Forging a closer link with the European Semester process.
    iii. Setting more meaningful enabling conditions that need to be maintained throughout the implementation period.

**Title I: Objectives and general support**

The CPR brings together seven European Funds delivered through shared management. The goal is to create a common set of simplified and consolidated rules, reducing the administrative burden for programme authorities and beneficiaries.

The basis is laid here for the strong emphasis on shared management and partnership, which runs throughout the regulations. Article 5 provides the basis for shared management, Article 6 for partnership with regional and local authorities, urban and public authorities, economic and social partners, civil society and bodies promoting social inclusion, fundamental rights, gender equality, non-discrimination and rights of people with disabilities.

The Commission proposal for the 2021-2027 Multiannual Financial Framework set a more ambitious goal for climate mainstreaming across all EU programmes, with an overall target of

25% of EU expenditure contributing to climate objectives. The contribution of this programme to the achievement of this overall target will be tracked through an EU climate marker system at an appropriate level of disaggregation, including the use of more precise methodologies where these are available. The Commission will continue to present the information annually in terms of commitment appropriations in the context of the annual draft budget.

To support the full utilisation of the potential of the programme to contribute to climate objectives, the Commission will seek to identify relevant actions throughout the programme preparation, implementation, review and evaluation processes.

**Title II: Strategic approach**

Eleven thematic objectives used in 2014-2020 have been simplified to five clear policy objectives in this regulation:

1. A smarter Europe - innovative and smart economic transformation.
2. A greener, low-carbon Europe.
3. A more connected Europe - mobility and regional ICT connectivity.
4. A more social Europe - implementing the European Pillar of Social Rights.
5. Europe closer to citizens – sustainable and integrated development of urban, rural and coastal areas through local initiatives.

In addition, policy objectives of the AMIF, BMVI and ISF have been set out in the Fund-specific Regulations.

This simplification enables synergies and flexibility between various strands within a given objective, removing artificial distinctions between different policies contributing to the same objective. It also lays the basis for thematic concentration for the ERDF and the ESF.

"*Ex ante* conditionalities" in the 2014-2020 period are replaced by "enabling conditions". These are fewer, more focussed on the goals of the fund concerned and – in contrast to the 2014-2020 period – monitored and applied throughout the period. The principle will be strengthened: Member States will not be able to declare expenditure related to specific objectives until the enabling condition is fulfilled. This will ensure that all co-financed operations are in line with the EU policy framework.

To build on the good practice of performance orientation it is proposed to maintain the performance framework in a streamlined, clearer manner. Conditionality linked to the European Semester is similarly maintained but simplified. In particular, Country-Specific Recommendations (CSRs) will be taken into account in programming at least on two occasions: at the beginning of the programming and during the mid-term review.

Measures to promote sound economic governance are maintained. However suspensions will be linked to commitments only, not payments, in order to avoid aggravating economic crises.

The CPR creates flexibility for the ERDF, ESF+ and the Cohesion Fund. Only the first 5 years will be programmed initially. Allocations for the last 2 years will be made on the basis of a substantial and in-depth mid-term review leading to corresponding reprogramming in 2025. The review will revisit the initial priorities and objectives of the programmes taking account of: progress in achieving objectives by end-2024; changes in the socio-economic situation; new challenges identified in country specific recommendations. This builds on the concept of the performance framework and the performance reserve and further reinforces the

performance angle of the policy including through reprogramming. The performance reserve is however discontinued.

Synergies between different EU instruments will be encouraged through the strategic planning process, which will identify common objectives and common areas for activities across different programmes, e.g. with the Common Agricultural Policy (CAP); Horizon Europe; the Connecting Europe Facility (CEF); the Digital Europe Programme (DEP); the Erasmus+ Programme; the InvestEU Fund; LIFE; Erasmus+ and with the External Instrument.

**Title III: Programming**

The content of programmes will be more streamlined and strategic. To harmonise and speed up the programming process and implementation at the beginning of the period, a common programme template for the ERDF, the Cohesion Fund, ESF+ and EMFF programmes and a separate one for the AMIF, BMVI and ISF are annexed to this Regulation. To make programming more flexible, there will be a 5% threshold at priority level below which it will be possible to adjust allocations within the programme without the need for formal programme amendment.

To address specific challenges at the sub-regional and local level, the CPR introduces a simplified approach to community-led local development (including the possibility of naming a lead fund, reducing the administrative burden for beneficiaries). The CPR also harmonizes the approach to other territorial tools, including the existing integrated territorial investments.

The CPR also includes provisions to enable voluntary transfer of resources towards the five policy windows of the InvestEU instruments to benefit from an EU-level budgetary guarantee mechanism. Furthermore, Member States could request the transfer of up to 5 % of programme financial allocations from any of the funds to any other fund under shared management or to any instrument under direct or indirect management. This should facilitate attaining the objectives set for the programmes during their implementation.

The approach to technical assistance of Member States has been simplified. A flat rate mechanism is introduced which enables topping up each interim payment by a percentage between 2.5% and 6% depending on the fund and thus links the EU payment of technical assistance to progress in implementation. In addition, administrative capacity building actions may continue in form of payments based on conditions.

**Title IV: Monitoring, evaluation, information and communication**

Electronic data enables the combination of simplification and transparency. In the 2014-2020 period, except for the predecessors of the AMIF, BMVI and ISF, it was a requirement to establish a system of electronic data exchange between beneficiaries and managing authorities as well as between different authorities of the management and control system. The current regulation builds on this and develops further certain aspects in terms of gathering data. All data necessary for monitoring progress in implementation including results and performance of programmes will now be transmitted electronically and every two months, meaning the open data platform will be updated in almost real time.

It is proposed to give a more prominent role to the monitoring committees in supervising the programme performance and all the factors influencing this. For transparency, documents submitted to the monitoring committees will be required to be publicly available.

For all funds, the annual performance review will be an occasion for a policy dialogue on key issues of programme implementation and performance. Frequent data transmission enables a simplification of the performance review process. For cohesion policy funds this enables

eliminating the annual report document – the annual review meeting will be on the basis of the latest results and limited set of qualitative information submitted.

Responsibilities of both programme authorities and beneficiaries regarding visibility and communication have been reinforced. Common communication, transparency and visibility requirements ensure more coherent, effective and efficient communication actions.

Evaluations will be carried out in line with paragraphs 22 and 23 of the Interinstitutional Agreement of 13 April 2016[7], where the three institutions confirmed that evaluations of existing legislation and policy should provide the basis for impact assessments of options for further action. The evaluations will assess programme effects on the ground based on the programme indicators and targets and a detailed analysis of the degree to which the programme is relevant, effective, efficient, provides EU added value and is coherent with other EU policies. Evaluations will include lessons learned, problems and opportunities to further improve the actions and their impacts.

**Title V: Financial support**

To reduce the administrative burden, the CPR systematises and increases the use of simplified cost options, i.e. flat-rate reimbursement, standard scales of unit costs or lump sums. To make such options easier to apply, the CPR simplifies rules and calculation methods, providing more off-the-shelf options building on the Commission's Omnibus proposal[8].

The option of payments based on conditions will also contribute to the performance orientation, allowing for payments based on achieved and verified performance.

Financial instruments will be a key delivery mechanism for 2021-2027 investments generating revenue or costs savings; the provisions for their use have been streamlined and updated to ensure better and easier implementation as well as quicker set-up:

- Financial instruments will be better integrated into the programming and implementation process from the outset and the ex-ante assessment streamlined accordingly;
- Managing authorities will have the same basic flexible implementation options – management under the responsibility of the managing authority or direct management by the managing authority – but the related conditions have been simplified;
- Combination of EU resources will be possible under one set of rules; there will be no more multiplication of diverse rules applied to similar situations;
- Flexibility is proposed for the combination of grants with financial instruments;
- The eligibility rules have been clarified, and rules on management costs and fees have been simplified while keeping them performance based to encourage efficient management;
- The rules on payments have been considerably simplified while maintaining the all-important link between payments to financial instruments and the corresponding disbursements to final recipients;
- Reflows and fund recycling have been simply codified, to enable a smoother flow from one period to next.

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7 Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016 (OJ L 123, 12.5.2016, p. 1).

8 http://ec.europa.eu/budget/mff/lib/COM-2016-603/COM-2016-605_en.pdf

- There will be no additional separate reporting on financial instruments as these are incorporated under the same reporting system as all other forms of finance.

Further simplifications include:

- The combination of different funds – and of financial instruments and grants – is codified in simple rules;
- There will no longer be specific rules for revenue generating investments;
- There will be no major project process (instead, strategic projects will be followed by the monitoring committee).
- Funding will be simplified, for example through the seal of excellence approach.

To avoid wasteful subsidy competitions provisions on business relocation have been strengthened.

**Title VI: Management and control**

The tasks and responsibilities of different bodies in the management and control system are set out in a clearer way. There is no requirement to undertake the designation process; the provisions promote the roll-over of existing systems and simpler rules for identifying new bodies.

Eligibility requirements will help ensure that only quality operations, making the highest contribution to agreed objectives with the best cost-benefit ratio, are received for support. It is also proposed to systematically check whether the operation is financially sustainable and its environmental screening was based on the latest requirements.

The number of controls and audits will be significantly reduced. This will decrease the administrative burden for programme authorities and beneficiaries. In addition to provisions in previous titles which reduce the audit burden, this title further reduces the burden by:

- Extension of the single audit principle;
- Fewer controls;
- For programmes with a low error rate, an enhanced proportionate approach based on a well-functioning national system with a minimum audit arrangement for assurance purposes.

Project proposals which have received a Seal of Excellence under Horizon Europe will not need to pass another application and selection process if they are consistent with the programme's smart specialisation strategy. This reduces the burden on both managers and beneficiaries. Similarly, this approach could be extended to other EU instruments, like LIFE+ or Erasmus+.

**Title VII – Financial management, submission and examination of accounts and financial corrections**

The system of annual accounts is maintained including the retention of 10% of the amounts declared in interim payments. The submission of payments requests will follow a regular schedule and will take place four times a year. Zero accounts will not require a corresponding procedure.

This section also includes decommitment rules. Since simplification will make it easier for programmes to reduce delays and in order to promote sound financial management as well as timely implementation, the CPR includes an "n+2" rule. For the same reason, the level of pre-

financing has been reduced to an annual payment of 0.5% based on the total support from the Funds. In this context, in order to ensure sufficient resources, a revision of the 2014-2020 annual pre-financing arrangements for the ERDF, the ESF+, the Cohesion Fund and the EMFF may be necessary.

**Title VIII – financial framework**

This sets out financial allocations and *co-financing based on categories of regions* and applies to the ERDF, ESF+ and Cohesion Fund.

The CPR also returns co-financing rates for these three Funds to pre-financial crisis levels. EU co-financing rates increased for these three Funds in the 2007-2013 period. This was a response to the financial crisis, to maintain essential investments in a time of tight public budgets. High EU co-financing rates are no longer necessary and lower rates promote "ownership". Lower EU co-financing rates also increase the overall cohesion policy budget, taking account of the national contributions. This also adds to financial flexibility Member States have as the co-financing rates at programme and priority level could be established flexibly.

**Title IX – delegation of power, implementing, transitional and final provisions**

To ensure an early start for implementation in the next period all necessary legislative provisions will be included in the legislative package (either in the CPR or the Fund-specific regulations).

Notably, the number of empowerments is substantially reduced and kept to a minimum. This will prevent possible delays in drawing up and adopting secondary legislation. It also ensures an internal coherence of legislative provisions and predictability for stakeholders as all applicable EU rules will be found in one place.

Conditions for operations subject to phased implementation are introduced to provide clarity and legal certainty on the circumstances where phasing is accepted.

2018/0196 (COD)

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument**

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 177, 322(1)(a) 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[9],

Having regard to the opinion of the Committee of the Regions[10],

Having regard to the opinion of the Court of Auditors[11],

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 of the 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. Article 322 of the TFEU provides the basis for adopting financial rules determining the procedure to be adopted for establishing and implementing the budget and for presenting and auditing accounts, as well as for checks on the responsibility of financial actors.

(2) In order to further develop a coordinated and harmonised implementation of Union Funds implemented under shared management namely the European Regional Development Fund ('ERDF'), the European Social Fund Plus ('ESF+'), the Cohesion Fund, measures financed under shared management in the European Maritime and Fisheries Fund ('EMFF'), the Asylum and Migration Fund ('AMIF'), Internal Security Fund ('ISF') and Integrated Border Management Fund ('BMVI'), financial rules based on Article 322 of the TFEU should be established for all these Funds ('the Funds'), clearly specifying the scope of application of the relevant provisions. In addition, common provisions based on Article 177 of the TFEU should

[9] OJ C […], […], p. […].
[10] OJ C […], […], p. […].
[11] OJ C […], […], p. […].

be established to cover policy specific rules for the ERDF, the ESF+, the Cohesion Fund and the EMFF.

(3) Due to the specificities of each Fund, specific rules applicable to each Fund and to the European territorial cooperation goal (Interreg) under the ERDF should be laid down in separate Regulations ('Fund-specific Regulations') to complement the provisions of this Regulation.

(4) The outermost regions and the northern sparsely populated regions should benefit from specific measures and from additional funding pursuant to Article 349 of the TFEU and Article 2 of Protocol No 6 to the 1994 Act of Accession.

(5) Horizontal principles as set out in Article 3 of the Treaty on the European Union ('TEU') and in Article 10 of the TFEU, including principles of subsidiarity and proportionality as set out in Article 5 of the TEU should be respected in the implementation of the Funds, taking into account the Charter of Fundamental Rights of the European Union. Member States should also respect the obligations of the UN Convention on the Rights of Persons with Disabilities and ensure accessibility in line with its article 9 and in accordance with the Union law harmonising accessibility requirements for products and services. Member States and the Commission should 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. The Funds should not support actions that contribute to any form of segregation. The objectives of the 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 Article 11 and Article 191(1) of the TFEU, taking into account the polluter pays principle. In order to protect the integrity of the internal market, operations benefitting undertakings shall comply with Union State aid rules as set out in Articles 107 and 108 of the TFEU.

(6) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.

(7) Where a time limit is set for the Commission to take any action towards Member States, the Commission should take account of all necessary information and documents in a timely and efficient manner. Where submissions from Member States are incomplete or non-compliant with the requirements of this Regulation and of Fund-specific Regulations, thus not enabling the Commission to take fully-informed action, that time limit should be suspended until the Member States comply with the regulatory requirements.

(8) In order to contribute to Union priorities, the Funds should focus their support on a limited number of policy objectives in line with their Fund-specific missions pursuant to their Treaty-based objectives. The policy objectives for the AMIF, the ISF and the BMVI should be set out in the respective Funds-specific regulations.

(9) Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, the Funds will contribute to mainstream climate actions and to the achievement of an overall target of 25 % of the EU budget expenditure supporting climate objectives.

(10) Part of the budget of the Union allocated to the Funds should be implemented by the Commission under shared management with Member States within the meaning of Regulation (EU, Euratom) [*number of the new Financial Regulation*] of the European Parliament and of the Council[12] (the 'Financial Regulation'). Therefore, when implementing the Funds under shared management, the Commission and the Member States should respect the principles referred to in the Financial Regulation, such as sound financial management, transparency and non-discrimination.

(11) The principle of partnership is a key feature in the implementation of the Funds, building on the multi-level governance approach and ensuring the involvement of civil society and social partners. In order to provide continuity in the organisation of partnership, Commission Delegated Regulation (EU) No 240/2014[13] should continue to apply.

(12) At Union level, the European Semester of economic policy coordination is the framework to identify national reform priorities and monitor their implementation. Member States develop their own national multiannual investment strategies in support of these reform priorities. These strategies should be presented alongside the yearly National Reform Programmes as a way to outline and coordinate priority investment projects to be supported by national and Union funding. They should also serve to use Union funding in a coherent manner and to maximise the added value of the financial support to be received notably from the Funds, the European Investment Stabilisation Function and InvestEU.

(13) Member States should determine how relevant country-specific recommendations adopted in accordance with Article 121(2) of the TFEU and relevant Council recommendations adopted in accordance with Article 148(4) of the TFEU ('CSR's) are taken into account in the preparation of programming documents. During the 2021–2027 programming period ('programming period'), Member States should regularly present to the monitoring committee and to the Commission the progress in implementing the programmes in support of the CSRs. During a mid-term review, Member States should, among other elements, consider the need for programme modifications to accommodate relevant CSRs adopted or modified since the start of the programming period.

(14) Member States should take account of the contents of their draft National Energy and Climate Plan, to be developed under the Regulation on the Governance of the Energy Union[14], and the outcome of the process resulting in Union recommendations regarding these plans, for their programmes, as well as for the financial needs allocated for low-carbon investments.

(15) The Partnership Agreement, prepared by each Member State, should be a strategic document guiding the negotiations between the Commission and the Member State concerned on the design of programmes. In order to reduce the administrative burden, it should not be necessary to amend Partnership Agreements during the programming period. To facilitate the programming and avoid overlapping content in programming documents, Partnership Agreements can be included as part of a programme.

(16) Each Member State should have the flexibility to contribute to InvestEU for the provision of budgetary guarantees for investments in that Member State.

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12 OJ L […], […], p. […].

13 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 (OJ L 74, 14.3.2014, p. 1).

14 [Regulation on the Governance of the Energy Union, amending Directive 94/22/EC, Directive 98/70/EC, Directive 2009/31/EC, Regulation (EC) No 663/2009, Regulation (EC) No 715/2009, Directive 2009/73/EC, Council Directive 2009/119/EC, Directive 2010/31/EU, Directive 2012/27/EU, Directive 2013/30/EU and Council Directive (EU) 2015/652 and repealing Regulation (EU) No 525/2013 (COM/2016/0759 final/2 - 2016/0375 (COD)].

(17) To ensure the necessary prerequisites for the effective and efficient use of Union support granted by the Funds, a limited list of enabling conditions as well as a concise and exhaustive set of objective criteria for their assessment should be established. Each enabling condition should be linked to a specific objective and should be automatically applicable where the specific objective is selected for support. Where those conditions are not fulfilled, expenditure related to operations under the related specific objectives should not be included in payment applications.. In order to maintain a favourable investment framework, the continued fulfilment of the enabling conditions should be monitored regularly. It is also important to ensure that operations selected for support are implemented consistently with the strategies and planning documents in place underlying the fulfilled enabling conditions, thus ensuring that all co-financed operations are in line with the Union policy framework.

(18) Member States should establish a performance framework for each programme covering all indicators, milestones and targets to monitor, report on and evaluate programme performance.

(19) The Member State should carry out a mid-term review of each programme supported by the ERDF, the ESF+ and the Cohesion Fund. That review should provide a fully-fledged adjustment of programmes based on programme performance, while also providing an opportunity to take account of new challenges and relevant CSRs issued in 2024. In parallel, in 2024 the Commission should, together with the technical adjustment for the year 2025, review all Member States' total allocations under the Investment for jobs and growth goal of cohesion policy for the years 2025, 2026 and 2027, applying the allocation method set out in the relevant basic act. That review together with the outcome of the mid-term review should result in programme amendments modifying the financial allocations for the years 2025, 2026 and 2027.

(20) Mechanisms to ensure a link between Union funding policies and the economic governance of the Union should be further refined, allowing the Commission to make a proposal to the Council to suspend all or part of the commitments for one or more of the programmes of the Member State concerned where that Member State fails to take effective action in the context of the economic governance process. In order to ensure uniform implementation and in view of the importance of the financial effects of measures being imposed, implementing powers should be conferred on the Council which should act on the basis of a Commission proposal. To facilitate the adoption of decisions which are required to ensure effective action in the context of the economic governance process, reversed qualified majority voting should be used.

(21) It is necessary to set out common requirements as regards the content of the programmes taking into account the specific nature of each Fund. Those common requirements can be complemented by Fund-specific rules. Regulation (EU) [XXX] of the European Parliament and of the Council[15] (the 'ETC Regulation') should set out specific provisions on the content of programmes under the European territorial cooperation goal (Interreg).

(22) In order to allow for flexibility in programme implementation and reduce administrative burden, limited financial transfers should be allowed between priorities of the same programme without requiring a Commission decision amending the programme. The revised financial tables should be submitted to the Commission in order to ensure up-to-date information on financial allocations for each priority.

(23) To strengthen the integrated territorial development approach, investments in the form of territorial tools such as integrated territorial investments ('ITI'), community-led local development ('CLLD') or any other territorial tool under policy objective "a Europe closer to citizens" supporting initiatives designed by the Member State for investments programmed for

[15] Regulation (EU) […] on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (OJ L […], […], p. […]).

the ERDF should be based on territorial and local development strategies. For the purposes of ITIs and territorial tools designed by Member States, minimum requirements should be set out for the content of territorial strategies. Those territorial strategies should be developed and endorsed under the responsibility of relevant authorities or bodies. To ensure the involvement of relevant authorities or bodies in implementing territorial strategies, those authorities or bodies should be responsible for the selection of operations to be supported, or involved in that selection.

(24) To better mobilise potential at the local level, it is necessary to strengthen and facilitate CLLD. It should take into account local needs and potential, as well as relevant socio-cultural characteristics, and should provide for structural changes, build community capacity and stimulate innovation. The close cooperation and integrated use of the Funds to deliver local development strategies should be strengthened. Local action groups, representing the interests of the community, should be, as an essential principle responsible for the design and implementation of CLLD strategies. In order to facilitate coordinated support from different Funds to CLLD strategies and to facilitate their implementation, the use of a 'Lead Fund' approach should be facilitated.

(25) In order to reduce the administrative burden, technical assistance at the initiative of the Member State should be implemented through a flat rate based on progress in programme implementation. That technical assistance may be complemented with targeted administrative capacity building measures using reimbursement methods that are not linked to costs. Actions and deliverables as well as corresponding Union payments can be agreed in a roadmap and can lead to payments for results on the ground.

(26) It is opportune to clarify that, where a Member State proposes to the Commission that a priority of a programme or part thereof is supported through a financing scheme not linked to costs, the actions, deliverables and conditions agreed should be related to concrete investments undertaken under the shared management programmes in that Member State or region.

(27) In order to examine the performance of the programmes, the Member State should set up monitoring committees. For the ERDF, the ESF+ and the Cohesion Fund, annual implementation reports should be replaced by an annual structured policy dialogue based on the latest information and data on programme implementation made available by the Member State.

(28) Pursuant to paragraphs 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016[16], there is a need to evaluate the Funds on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burden, in particular on Member States. These requirements, where appropriate, can include measurable indicators, as a basis for evaluating the effects of the Funds on the ground.

(29) To ensure availability of comprehensive up-to-date information on programme implementation, more frequent electronic reporting on quantitative data should be required.

(30) In order to support the preparation of related programmes and activities of the next programming period, the Commission should carry out a mid-term assessment of the Funds. At the end of the programming period, the Commission should carry out retrospective evaluations of the Funds, which should focus on the impact of the Funds.

(31) Programme authorities, beneficiaries and stakeholders in Member States should raise awareness of the achievements of Union funding and inform the general public accordingly. Transparency, communication and visibility activities are essential in making Union action

[16] OJ L 123, 12.5.2016, p. 13.

visible on the ground and should be based on true, accurate and updated information. In order for these requirements to be enforceable, programme authorities and the Commission should be able to apply remedial measures in case of non-compliance.

(32) Managing authorities should publish structured information on selected operations and beneficiaries on the website of the programme providing support to the operation, while taking account of requirements for data protection of personal data in accordance with Regulation (EU) 2016/679[17] of the European Parliament and of the Council.

(33) With a view to simplifying the use of the Funds and reducing the risk of error, it is appropriate to define both the forms of Union contribution to Member States and the forms of support provided by Member States to beneficiaries.

(34) As regards grants provided to beneficiaries, Member States should increasingly make use of simplified cost options. The threshold linked to the obligatory use of simplified cost options should be linked to the total costs of the operation in order to ensure the same treatment of all operations below the threshold, regardless of whether the support is public or private.

(35) To enable immediate implementation of flat-rates, any flat rate established by Member States in the 2014-2020 period based on a fair, equitable and verifiable calculation method should continue to be applied for similar operations supported under this Regulation without requiring a new calculation method.

(36) In order to optimise the uptake of co-financed environmental investments, synergies should be ensured with the LIFE programme for Environmental and Climate Action, in particular through LIFE strategic integrated projects and strategic nature projects.

(37) In order to provide legal clarity, it is appropriate to specify the eligibility period for expenditure or costs linked to operations supported by the Funds under this Regulation and to restrict support for completed operations. The date from which expenditure becomes eligible for support from the Funds in case of adoption of new programmes or of changes in the programmes should also be clarified, including the exceptional possibility to extend the eligibility period to the start of a natural disaster in case there is urgent need to mobilise resources to respond to such disaster.

(38) To ensure the effectiveness, fairness and sustainable impact of the Funds, there should be provisions guaranteeing that investments in infrastructure or productive investment are long-lasting and prevent the Funds from being used to undue advantage. Managing authorities should pay particular attention not to support relocation when selecting operations and to treat sums unduly paid to operations not complying with the requirement of durability as irregularities.

(39) 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 programmes under the Investment for jobs and growth goal.

(40) In order to optimise the added value from investments funded wholly or in part through the budget of the Union, synergies should be sought in particular between the Funds and directly managed instruments, including the Reform Delivery Tool. Those synergies should be achieved through key mechanisms, namely the recognition of flat rates for eligible costs from Horizon Europe for a similar operation and the possibility of combining funding from different Union

[17] Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) OJ L 119, 4.5.2016, p. 1.

instruments in the same operation as long as double financing is avoided. This Regulation should therefore set out rules for complementary financing from the Funds.

(41) Financial instruments should not be used to support refinancing activities, such as replacing existing loan agreements or other forms of financing for investments which have already been physically completed or fully implemented at the date of the investment decision, but rather to support any type of new investments in line with the underlying policy objectives.

(42) The decision to finance support measures through financial instruments should be determined on the basis of an *ex ante* assessment. This Regulation should lay down the minimum mandatory elements of *ex ante* assessments and should allow Member States to make use of the *ex ante* assessment carried out for the 2014-2020 period, updated where necessary, in order to avoid administrative burden and delays in setting up financial instruments.

(43) In order to facilitate the implementation of certain types of financial instruments where ancillary grant support is envisaged, it is possible to apply the rules on financial instruments on such combination in one financial instrument operation. Specific conditions preventing double financing in such cases should be set out.

(44) In full respect of the applicable State aid and public procurement rules already clarified during the 2014-2020 programming period, the managing authorities should have the possibility to decide on the most appropriate implementation options for financial instruments in order to address the specific needs of target regions.

(45) In accordance with the principle and rules of shared management, Member States and the Commission should be responsible for the management and control of programmes and give assurance on the legal and regular use of the Funds. Since Member States should have the primary responsibility for such management and control and should ensure that operations supported by the Funds comply with applicable law, their obligations in that regard should be specified. The powers and responsibilities of the Commission in that context should also be laid down.

(46) In order to hasten the start of programme implementation, the roll-over of implementation arrangements from the previous programming period should be facilitated. The use of the computerised system already established for the previous programming period, adapted as required, should be maintained, unless a new technology is necessary.

(47) To streamline programme management functions, the integration of accounting functions with those of the managing authority should be maintained for the programmes supported by the AMIF, the ISF and the BMVI, and should be an option for the other Funds.

(48) Since the managing authority bears the main responsibility for the effective and efficient implementation of the Funds and therefore fulfils a substantial number of functions, its functions in relation to the selection of projects, programme management and support for the monitoring committee should be set out in detail. Operations selected should be in line with the horizontal principles.

(49) In order to optimise synergies between the Funds and directly managed instruments, the provision of support for operations that have already received a Seal of Excellence certification should be facilitated.

(50) To ensure an appropriate balance between the effective and efficient implementation of the Funds and the related administrative costs and burdens, the frequency, scope and coverage of management verifications should be based on a risk assessment that takes account of factors such as the type of operations implemented, the beneficiaries as well as the level of risk identified by previous management verifications and audits.

(51) The audit authority should carry out audits and ensure that the audit opinion provided to the Commission is reliable. That audit opinion should provide assurance to the Commission on three points, namely the legality and regularity of the declared expenditure, the effective functioning of the management and control systems and the completeness, accuracy and veracity of the accounts.

(52) A reduction of verifications and audit requirements should be possible where there is assurance that the programme has functioned effectively for the latest two consecutive years since this demonstrates that the Funds are being implemented effectively and efficiently over a prolonged period of time.

(53) To reduce administrative burden on beneficiaries and administrative costs, the concrete application of the single audit principle should be specified for the Funds.

(54) In order to improve financial management, a simplified pre-financing scheme should be provided for. The pre-financing scheme should ensure that a Member State has the means to provide support to beneficiaries from the start of the implementation of the programme.

(55) To reduce the administrative burden for Member States as well as for the Commission, a compulsory schedule of quarterly payment applications should be established. Commission payments should continue to be subject to a 10 % retention until the payment of the annual balance of accounts when the Commission is able to conclude that the accounts are complete, accurate and true.

(56) In order to reduce the administrative burden, the procedure for the annual acceptance of accounts should be simplified by providing simpler modalities for payments and recoveries where there is no disagreement between the Commission and the Member State.

(57) In order to safeguard the financial interests and the budget of the Union proportionate measures should be established and implemented at the level of Member States and of the Commission. The Commission should be able to interrupt payments deadlines, suspend interim payments and apply financial corrections where the respective conditions are fulfilled. The Commission should respect the principle of proportionality by taking into account the nature, gravity and frequency of irregularities and their financial implications for the budget of the Union.

(58) Member States should also prevent, detect and deal effectively with any irregularities including fraud committed by beneficiaries. Moreover, in accordance with Regulation (EU, Euratom) No 883/2013[18], and Regulations (Euratom, EC) No 2988/95[19] and No 2185/96[20] the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939[21], the European Public Prosecutor's Office may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as

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[18] Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

[19] Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

[20] Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

[21] Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1).

provided for in Directive (EU) 2017/1371[22] on the fight against fraud to the Union's financial interests by means of criminal law. Member States should take the necessary measures so that any person or entity receiving Union funds fully cooperates in the protection of the Union's financial interests, grants the necessary rights and access to the Commission, the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO) and the European Court of Auditors (ECA) and ensures that any third parties involved in the implementation of Union funds grant equivalent rights. Member States should report to the Commission on detected irregularities including fraud, and on their follow-up as well as on the follow-up of OLAF investigations.

(59) In order to encourage financial discipline, it is appropriate to define the arrangements for decommitment of budgetary commitments at programme level.

(60) In order to promote the objectives of the TFEU related to economic, social and territorial cohesion, the Investment for jobs and growth 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+ on the basis of an allocation key which is predominantly based on GDP *per capita*. 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 jobs and growth goal from the Cohesion Fund.

(61) Objective criteria should be established 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[23], as amended by Commission Regulation (EU) No 868/2014[24].

(62) In order to set out an appropriate financial framework for the ERDF, the ESF+ and the Cohesion Fund, the Commission should set out the annual breakdown of available allocations per Member State under the Investment for jobs and growth goal together with the list of eligible regions, as well as the allocations for the European territorial cooperation goal (Interreg). Taking into account that the national allocations of Member States should be established on the basis of the statistical data and forecasts available in 2018 and given the forecasting uncertainties, the Commission should review the total allocations of all Member States in 2024 on the basis of the most recent statistics available at the time and, where there is a cumulative divergence of more than +/- 5 %, it should adjust those allocations for the years 2025 to 2027 in order for the outcomes of the mid-term review and the technical adjustment exercise to be reflected in programme amendments at the same time.

(63) Trans-European transport networks projects in accordance with Regulation (EU) No [new CEF Regulation][25] will continue to be financed from the Cohesion Fund via both shared management and the direct implementation mode under the Connecting Europe Facility ('CEF'). Building on the successful approach of the 2014-2020 programming period, EUR 10 000 000 000 of the Cohesion Fund should be transferred to the CEF for this purpose.

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22 Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29).

23 Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS) (OJ L 154, 21.6.2003, p. 1).

24 Commission Regulation (EU) No 868/2014 of 8 August 2014 amending the annexes to Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS) (OJ L 241, 13.8.2014, p. 1).

25 Regulation (EU) […] of the European Parliament and of the Council of […] on [CEF] (OJ L […], […], p. […])]

(64) A certain amount of the resources from ERDF, the ESF+ and the Cohesion Fund should be allocated to the European Urban Initiative which should be implemented through direct or indirect management by the Commission.

(65) With a view to ensuring an appropriate allocation to categories of regions, as a principle, the total allocations to Member States in respect of less developed, transitional and more developed regions should not be transferable between the categories. Nevertheless, to accommodate Member State's needs to tackle specific challenges, Member States should be able to request a transfer from their allocations for more developed regions or for transition regions to less developed regions and should justify that choice. In order to ensure sufficient financial resources for less developed regions, a ceiling should be established for transfers to more developed regions or to transition regions. Transferability of resources between goals should not be possible.

(66) Within the context of the unique and specific circumstances on the island of Ireland, and with a view to supporting North-South cooperation under the Good Friday Agreement, a new 'PEACE PLUS' cross-border programme should continue and build on the work of previous programmes, Peace and INTERREG, between the border counties of Ireland and Northern Ireland. Taking into account its practical importance, this programme should be supported with a specific allocation to continue support for peace and reconciliation actions, and that an appropriate share of the Irish allocation under the European Territorial Cooperation goal (Interreg) should also be allocated to the programme.

(67) It is necessary to establish the maximum rates of co-financing in the area of cohesion policy 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. Those rates should reflect the level of economic development of regions in terms of GDP *per capita* in relation to the EU-27 average.

(68) In order to supplement and amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 of the TFEU should be delegated to the Commission in respect of the amendment of the elements contained in certain Annexes to this Regulation, i.e. for the dimensions and codes for the types of intervention, the templates for partnership agreements and programmes, the templates for the transmission of data, the use of the emblem of the Union, the elements for funding agreements and strategy documents, , the audit trail, electronic data exchange systems, the templates for the description of the management and control system, for the management declaration, for the audit opinion, for the annual control report, for the audit strategy, for the payment applications, for the accounts as well as for the determination of the level of financial corrections.

(69) In addition the power to adopt acts in accordance with Article 290 of the TFEU should be delegated to the Commission in respect of the establishment of the criteria for determining the cases of irregularities to be reported, the definition of unit costs, lump sums, flat rates and financing not linked to costs applicable to all Member States as well as the establishment of standardised off-the-shelf sampling methodologies.

(70) It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

(71) In order to ensure uniform conditions for the adoption of Partnership Agreements, the adoption or amendment of programmes as well as the application of financial corrections, implementing

powers should be conferred on the Commission. The implementing powers relating to the format to be used for reporting on irregularities, the electronic data to be recorded and stored and for the template for the final performance report should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[26]. Although these acts are of a general nature, the advisory procedure should be used given that they only set out technical aspects, forms and templates. The implementing powers in relation to the establishment of the breakdown of financial allocations for the ERDF, ESF+ and the Cohesion Fund. should be adopted without comitology procedures given that they merely reflect the application of a pre-defined calculation methodology.

(72) Since Regulation (EU) No 1303/2013 of the European Parliament and of the Council[27] or any act applicable to the 2014–2020 programming period should continue to apply to programmes and operations supported by the Funds covered under the 2014–2020 programming period. Since the implementation period of Regulation (EU) No 1303/2013 is expected to extend over to the programming period covered by this Regulation and in order to ensure continuity of implementation of certain operations approved by that Regulation, phasing provisions should be established. Each individual phase of the phased operation, which serves the same overall objective, should be implemented in accordance with the rules of the programming period under which it receives funding.

(73) The objectives of this Regulation, namely to strengthen economic, social and territorial cohesion and to lay down common financial rules for part of the budget of the Union implemented under shared management, cannot be sufficiently achieved by the Member States by reason on the one hand due to the extent of the disparities between the levels of development of the various regions and the backwardness of the least favoured regions, as well as the limit on the financial resources of the Member States and regions and on the other hand due to the need for a coherent implementation framework covering several Union funds under shared management. Since those objectives can therefore 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 of the 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.

(74) This Regulation respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union,

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[26] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

[27] 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 (OJ L 347, 20.12.2013, p. 320).

HAVE ADOPTED THIS REGULATION:

**TITLE I**

**OBJECTIVES AND GENERAL RULES ON SUPPORT**

# CHAPTER I
# Subject-matter and definitions

*Article 1*

***Subject-matter and scope***

1. This Regulation lays down:

   (a) financial rules for the European Regional Development Fund ('ERDF'), the European Social Fund Plus ('ESF+'), the Cohesion Fund,, the European Maritime and Fisheries Fund ('EMFF'), the Asylum and Migration Fund ('AMIF'), the Internal Security Fund ('ISF') and the Border Management and Visa Instrument ('BMVI') ('the Funds');

   (b) common provisions applicable to the ERDF, the ESF+, the Cohesion Fund and the EMFF.

2. This Regulation shall not apply to the Employment and Social Innovation and the Health strands of the ESF+ and to the direct or indirect management components of the EMFF, the AMIF, the ISF and the BMVI, except for technical assistance at the initiative of the Commission.

3. Articles 4 and 10, Chapter III of Title II, Chapter II of Title III, and Title VIII shall not apply to the AMIF, the ISF and the BMVI.

4. Title VIII shall not apply to the EMFF.

5. Article 11 of Chapter II and Article 15 of Chapter III of Title II, Chapter I of Title III, Articles 33 to 36 and Article 38(1) to (4) of Chapter I, Article 39 of Chapter II, Article 45 of Chapter III of Title IV, Articles 67, 71, 73 and 74 of Chapter II and Chapter III of Title VI shall not apply to Interreg programmes.

6. The Fund-specific Regulations listed below may establish complementary rules to this Regulation which shall not be in contradiction with this Regulation. In case of doubt about the application between this Regulation and Fund-specific Regulations, this Regulation shall prevail:

   (a) Regulation (EU) […] (the 'ERDF and CF Regulation')[28] ;

   (b) Regulation (EU) […] (the 'ESF+ Regulation')[29] ;

   (c) Regulation (EU) […] (the 'ETC Regulation')[30] ;

   (d) Regulation (EU) […] (the 'EMFF Regulation')[31] ;

   (e) Regulation (EU) […] (the 'AMIF Regulation')[32] ;

   (f) Regulation (EU) […] (the 'ISF Regulation')[33] ;

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28 OJ L , , p. .
29 OJ L , , p. .
30 OJ L , , p. .
31 OJ L , , p. .
32 OJ L , , p. .

(g) Regulation (EU) […] (the 'BMVI Regulation')[34] .

*Article 2*
***Definitions***

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

(1) 'relevant country specific recommendations' mean Council recommendations adopted in accordance with Article 121(2) and Article 148(4) of the TFEU relating to structural challenges which it is appropriate to address through multiannual investments that fall within the scope of the Funds as set out in Fund-specific Regulations, and relevant recommendations adopted in accordance with Article [XX] of Regulation (EU) [*number of the new Energy Union Governance Regulation*] of the European Parliament and of the Council;

(2) 'applicable law' means Union law and the national law relating to its application;

(3) 'operation' means:

(a) a project, contract, action or group of projects selected under the programmes concerned;

(b) in the context of financial instruments, a programme contribution to a financial instrument and the subsequent financial support provided to final recipients by that financial instrument;

(4) 'operation of strategic importance' means an operation which provides a key contribution to the achievement of the objectives of a programme and which are subject to particular monitoring and communication measures;

(5) 'priority' in the context of the AMIF, the ISF and the BMVI, means a specific objective; in the context of the EMFF it means a 'type of areas of support' as referred to in the nomenclature laid down in Annex III of the EMFF Regulation;

(6) 'specific objective' in the context of the EMFF, shall be understood as 'areas of support' as referred to in Annex III of the EMFF Regulation;

(7) 'intermediate body' means any public or private law body which acts under the responsibility of a managing authority, or which carries out functions or tasks on behalf of such an authority;

(8) 'beneficiary' means:

(a) a public or private law body, an entity with or without legal personality or a natural person, responsible for initiating or both initiating and implementing operations;

(b) in the context of public-private partnerships ('PPP'), the public law body initiating a PPP operation or the private partner selected for its implementation;

(c) in the context of State aid schemes, the undertaking which receives the aid;

(d) in the context of financial instruments, the body that implements the holding fund or, where there is no holding fund structure, the body that implements the specific fund or, where the managing authority manages the financial instrument, the managing authority;

(9) 'small project fund' means an operation in an Interreg programme aimed at the selection and implementation of projects of limited financial volume;

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33 OJ L , , p. .
34 OJ L , , p. .

(10) 'target' means a pre-agreed value to be achieved at the end of the programming period in relation to an indicator included under a specific objective;

(11) 'milestone' means an intermediate value to be achieved at a given point in time during the programming period in relation to an indicator included under a specific objective;

(12) 'output indicator' means an indicator to measure the specific deliverables of the intervention;

(13) 'result indicator' means an indicator to measure the short term effects of the interventions supported, with particular reference to the direct addressees, population targeted or users of infrastructure;

(14) 'PPP operation' means an operation which is implemented under a partnership between public bodies and the private sector in line with a PPP agreement, and which aims to provide public services through risk sharing, pooling of private sector expertise or additional sources of capital;

(15) 'financial instrument' means a structure through which financial products are provided;

(16) 'financial product' means equity or quasi equity investments, loans and guarantees as defined in Article 2 of Regulation (EU, Euratom) [...] ('the Financial Regulation');

(17) 'final recipient' means a legal or natural person receiving support from the Funds through a beneficiary of a small project fund or from a financial instrument;

(18) 'programme contribution' means the support from the Funds and the national public and private, if any, co-financing, to a financial instrument;

(19) 'body implementing a financial instrument' means a body, governed by public or private law, carrying out tasks of a holding fund or of a specific fund;

(20) 'holding fund' means a fund set up by a managing authority under one or more programmes, to implement financial instruments through one or more specific funds;

(21) 'specific fund' means a fund, set-up by a managing authority or a holding fund, to provide financial products to final recipients;

(22) 'leverage effect' means the amount of reimbursable financing provided to final recipients divided by the amount of the contribution from the Funds;

(23) 'multiplier ratio' in the context of guarantee instruments, means a ratio between the value of the underlying disbursed new loans, equity or quasi-equity investments, and the amount of the programme contribution set aside as agreed in guarantee contracts to cover expected and unexpected losses from those new loans, equity or quasi-equity investments;

(24) 'management costs' means direct or indirect costs reimbursed against evidence of expenditure incurred in the implementation of financial instruments;

(25) 'management fees' means a price for services rendered, as determined in the funding agreement between the managing authority and the body implementing a holding fund or a specific fund; and, where applicable, between the body implementing a holding fund and the body implementing a specific fund;

(26) 'relocation' means a transfer of the same or similar activity or part thereof within the meaning of Article 2(61a) of Commission Regulation (EU) No 651/2014[35] declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the TFEU;

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[35] Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1).

(27) 'public contribution' means any contribution to the financing of operations the source of which is the budget of national, regional or local public authorities or of any European grouping of territorial cooperation (EGTC) established in accordance with Regulation (EC) No 1082/2006 of the European Parliament and of the Council [36], the budget of the Union made available to the 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;

(28) 'accounting year' means the period from 1 July to 30 June of the following year, 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 2022; for the final accounting year, it means the period from 1 July 2029 to 30 June 2030;

(29) 'irregularity' means any breach of applicable law, resulting from an act or omission by an economic operator involved in the implementation of the Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging unjustified expenditure to that budget;

(30) 'serious deficiency' means a deficiency in the effective functioning of the management and control system of a programme for which significant improvements in the management and control systems are required and where any of the key requirements 2, 4, 5, 9, 12, 13 and 15 referred to in Annex X, or two or more of the other key requirements are assessed into categories 3 and 4 of that Annex;

(31) 'total error rate' means the sum of the projected random errors and, if applicable, systemic errors and uncorrected anomalous errors, divided by the population;

(32) 'residual error rate' means the total error rate less the financial corrections applied by the Member State which intend to reduce the risks identified by the audit authority in its audits of operations;

(33) '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;

(34) 'sampling unit' means one of the units, which may be an operation, a project within an operation or a payment claim by a beneficiary, into which a population is divided for the purpose of sampling;

(35) 'escrow account' means, in the case of a PPP operation a bank account covered by a written agreement between a public body beneficiary and the private partner approved by the managing authority or an intermediate body used for payments during and/or after the eligibility period;

(36) 'participant' means a natural person benefiting from an operation but not receiving financial support from the Funds;

(37) 'climate proofing' means a process to ensure that infrastructure is resilient to the adverse impacts of the climate in accordance with national rules and guidance, where available, or internationally recognised standards.

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[36] Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC) (OJ L 210, 31.7.2006, p. 19).

*Article 3*
***Calculation of time limits for Commission actions***

Where a time limit is set for an action by the Commission, that time limit shall start when all information in accordance with the requirements laid down in this Regulation or in Fund-specific Regulations have been submitted by the Member State.

That time limit shall be suspended from the day following the date on which the Commission sends its observations or a request for revised documents to the Member State and until the Member State responds to the Commission.

# CHAPTER II
# Policy objectives and principles for the support of the Funds

*Article 4*
***Policy objectives***

1. The ERDF, the ESF+, the Cohesion Fund and the EMFF shall support the following policy objectives:
   (a) a smarter Europe by promoting innovative and smart economic transformation;
   (b) a greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management;
   (c) a more connected Europe by enhancing mobility and regional ICT connectivity;
   (d) a more social Europe implementing the European Pillar of Social Rights;
   (e) a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives.
2. The ERDF, the ESF+ and the Cohesion Fund shall contribute to the actions of the Union leading to strengthening of its economic, social and territorial cohesion in accordance with Article 174 of the TFEU by pursuing the following goals:
   (a) Investment for jobs and growth in Member States and regions, to be supported by the ERDF, the ESF+ and the Cohesion Fund; and
   (b) European territorial cooperation (Interreg), to be supported by the ERDF.
3. Member States shall provide information on the support for environment and climate objectives using a methodology based on types of intervention for each of the Funds. That methodology shall consist of assigning a specific weighting to the support provided at a level which reflects the extent to which such support makes a contribution to environmental objectives and to climate objectives. In the case of the ERDF, the ESF+ and the Cohesion Fund weightings shall be attached to dimensions and codes for the types of intervention established in Annex I.
4 Member States and the Commission shall ensure the coordination, complementarity and coherence between the Funds and other Union instruments such as the Reform Support Programme, including the Reform Delivery Tool and the Technical Support Instrument. They shall optimise mechanisms for coordination between those responsible to avoid duplication during planning and implementation.

*Article 5*

***Shared management***

1. The Member States and the Commission shall implement the budget of the Union allocated to the Funds under shared management in accordance with Article [63] of Regulation (EU, Euratom) [number of the new financial regulation] (the 'Financial Regulation').

2. However, the Commission shall implement the amount of support from the Cohesion Fund transferred to the Connecting Europe Facility ('CEF'), the European Urban Initiative, Interregional Innovative Investments, the amount of support transferred from the ESF+ to transnational cooperation, the amounts contributed to InvestEU[37] and technical assistance at the initiative of the Commission under direct or indirect management in accordance with [points (a) and (c) of Article 62(1)] of the Financial Regulation.

3. The Commission may implement outermost regions' cooperation under the European territorial cooperation goal (Interreg) under indirect management.

*Article 6*

***Partnership and multi-level governance***

1. Each Member State shall organise a partnership with the competent regional and local authorities. That partnership shall include at least the following partners:

   (a) urban and other public authorities;

   (b) economic and social partners;

   (c) relevant bodies representing civil society, environmental partners, and bodies responsible for promoting social inclusion, fundamental rights, rights of persons with disabilities, gender equality and non-discrimination.

2. In accordance with the multi-level governance principle, the Member State shall involve those partners in the preparation of Partnership Agreements and throughout the preparation and implementation of programmes including through participation in monitoring committees in accordance with Article 34.

3. The organisation and implementation of partnership shall be carried out in accordance with Commission Delegated Regulation (EU) No 240/2014[38].

4. At least once a year, the Commission shall consult the organisations which represent the partners at Union level on the implementation of programmes.

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37 [Regulation (EU) No […] on […] (OJ L […], […], p. […])].

38 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 (OJ L 74, 14.3.2014, p. 1).

**TITLE II**
**STRATEGIC APPROACH**

# CHAPTER I
# Partnership Agreement

*Article 7*
***Preparation and submission of the Partnership Agreement***

1. Each Member State shall prepare a Partnership Agreement which sets out arrangements for using the Funds in an effective and efficient way for the period from 1 January 2021 to 31 December 2027.

2. The Member State shall submit the Partnership Agreement to the Commission before or at the same time as the submission of the first programme.

3. The Partnership Agreement may be submitted together with the relevant annual National Reform Programme.

4. The Member State shall draw up the Partnership Agreement in accordance with the template set out in Annex II. It may include the Partnership Agreement in one of its programmes.

5. Interreg programmes may be submitted to the Commission before the submission of the Partnership Agreement.

*Article 8*
***Content of the Partnership Agreement***

The Partnership Agreement shall contain the following elements:

(a) the selected policy objectives indicating by which of the Funds and programmes they will be pursued and a justification thereto, and where relevant, a justification for using the delivery mode of the InvestEU, taking into account relevant country-specific recommendations;

(b) for each of the selected policy objectives referred to in point (a):

(i) a summary of the policy choices and the main results expected for each of the Funds, including where relevant, through the use of InvestEU;

(ii) coordination, demarcation and complementarities between the Funds and, where appropriate, coordination between national and regional programmes;

(iii) complementarities between the Funds and other Union instruments, including LIFE strategic integrated projects and strategic nature projects;

(c) the preliminary financial allocation from each of the Funds by policy objective at national level, respecting Fund-specific rules on thematic concentration;

(d) where relevant, the breakdown of financial resources by category of regions drawn up in accordance with Article 102(2) and the amounts of allocations proposed to be transferred between categories of regions pursuant to Article 105;

(e) the amounts to be contributed to InvestEU by Fund and by category of regions;

(f) the list of planned programmes under the Funds with the respective preliminary financial allocations by fund and the corresponding national contribution by category of regions;

(g) a summary of the actions which the Member State concerned shall take to reinforce its administrative capacity of the implementation of the Funds.

With regard to the European territorial cooperation goal (Interreg), the Partnership Agreement shall only contain the list of planned programmes.

*Article 9*

***Approval of the Partnership Agreement***

1. The Commission shall assess the Partnership Agreement and its compliance with this Regulation and with the Fund-specific rules. In its assessment, the Commission shall, in particular, take into account relevant country-specific recommendations.

2. The Commission may make observations within three months of the date of submission by the Member State of the Partnership Agreement.

3. The Member State shall review the Partnership Agreement taking into account the observations made by the Commission.

4. The Commission shall adopt a decision by means of an implementing act approving the Partnership Agreement no later than four months after the date of submission of that Partnership Agreement by the Member State concerned. The Partnership Agreement shall not be amended.

5. If, pursuant to Article 7(4), the Partnership Agreement is included in a programme, the Commission shall adopt a decision by means of an implementing act approving that programme no later than six months after the date of submission of that programme by the Member State concerned.

Article 10

***Use of the ERDF, the ESF+, the Cohesion Fund and the EMFF delivered through InvestEU***

1. Member States may allocate, in the Partnership Agreement or in the request for an amendment of a programme, the amount of ERDF, the ESF+, the Cohesion Fund and the EMFF to be contributed to InvestEU and delivered through budgetary guarantees. The amount to be contributed to InvestEU shall not exceed 5 % of the total allocation of each Fund, except in duly justified cases. Such contributions shall not constitute transfers of resources under Article 21.

2. For the Partnership Agreement, resources of the current and future calendar years may be allocated. For the request for an amendment of a programme, only resources of future calendar years may be allocated.

3. The amount referred to in paragraph 1 shall be used for the provisioning of the part of the EU guarantee under the Member State compartment.

4. Where a contribution agreement, as set out in Article [9] of the [InvestEU Regulation], has not been concluded by 31 December 2021 for an amount referred to in paragraph 1 allocated in the Partnership Agreement, the Member State shall submit a request for amendment of a programme or programmes to use the corresponding amount.

The contribution agreement for an amount referred to in paragraph 1 allocated in the request of the amendment of a programme shall be concluded simultaneously with the adoption of the decision amending the programme.

5. Where a guarantee agreement, as set out in Article [9] of the [InvestEU Regulation], has not been concluded within nine months from the approval of the contribution agreement, the respective amounts paid into the common provisioning fund as a provisioning shall be transferred back to a programme or programmes and the Member State shall submit a corresponding request for a programme amendment.

6. Where a guarantee agreement, as set out in Article [9] of the [InvestEU Regulation], has not been fully implemented within four years from the signature of the guarantee agreement, the Member State may request that amounts committed in the guarantee agreement but not covering underlying loans or other risk bearing instruments shall be treated in accordance with paragraph 5.

7. Resources generated by or attributable to the amounts contributed to InvestEU and delivered through budgetary guarantees shall be made available to the Member State and shall be used for support under the same objective or objectives in the form of financial instruments.

8. The Commission shall re-budget contributed amounts which have not been used for InvestEU for the year in which the corresponding programme amendment is approved. Such re-budgetisation may not go beyond the year 2027.

The decommitment time limit for the re-budgeted amount in accordance with Article 99 shall start from the year in which the contribution has been re-budgeted.

# CHAPTER II
# Enabling conditions and performance framework

*Article 11*
***Enabling conditions***

1. For each specific objective, prerequisite conditions for its effective and efficient implementation ('enabling conditions') are laid down in this Regulation.

Annex III lays down horizontal enabling conditions applicable to all specific objectives and the criteria necessary for the assessment of their fulfilment.

Annex IV lays down thematic enabling conditions for the ERDF, the Cohesion Fund and the ESF+ and the criteria necessary for the assessment of their fulfilment.

2. When preparing a programme or introducing a new specific objective as part of a programme amendment, the Member State shall assess whether the enabling conditions linked to the selected specific objective are fulfilled. An enabling condition is fulfilled where all the related criteria are met. The Member State shall identify in each programme or in the programme amendment the fulfilled and non-fulfilled enabling conditions and where it considers that an enabling condition is fulfilled, it shall provide justification.

3. Where an enabling condition is not fulfilled at the time of approval of the programme or the programme amendment, the Member State shall report to the Commission as soon as it considers the enabling condition fulfilled with justification.

4. The Commission shall, within three months of receipt of the information referred to in paragraph 3, perform an assessment and inform the Member State where it agrees with the fulfilment.

Where the Commission disagrees with the assessment of the Member State, it shall inform the Member State accordingly and give it the opportunity to present its observations within one month.

5. Expenditure related to operations linked to the specific objective cannot be included in payment applications until the Commission has informed the Member State of the fulfilment of the enabling condition pursuant to paragraph 4.

The first sub-paragraph shall not apply to operations that contribute to the fulfilment of the corresponding enabling condition.

6. The Member State shall ensure that enabling conditions are fulfilled and applied throughout the programming period. It shall inform the Commission of any modification impacting the fulfilment of enabling conditions.

Where the Commission considers that an enabling condition is no longer fulfilled, it shall inform the Member State and give it the opportunity to present its observations within one month. Where the Commission concludes that the non-fulfilment of the enabling condition persists, expenditure related to the specific objective concerned cannot be included in payment applications as from the date the Commission informs the Member State accordingly.

7. Annex IV shall not apply to programmes supported by the EMFF.

*Article 12*
***Performance framework***

1. The Member State shall establish a performance framework which shall allow monitoring, reporting on and evaluating programme performance during its implementation, and contribute to measuring the overall performance of the Funds.

The performance framework shall consist of:

(a) the output and result indicators linked to specific objectives set in the Fund-specific Regulations;

(b) milestones to be achieved by the end of the year 2024 for output indicators; and

(c) targets to be achieved by the end of the year 2029 for output and result indicators.

2. Milestones and targets shall be established in relation to each specific objective within a programme, with the exception of technical assistance and of the specific objective addressing material deprivation set out in Article [4(c)(vii)] of the ESF+ Regulation.

3. Milestones and targets shall allow the Commission and the Member State to measure progress towards the achievement of the specific objectives. They shall meet the requirements set out in Article [33(3)] of the Financial Regulation.

*Article 13*
***Methodologies for the establishment of the performance framework***

1. The methodologies to establish the performance framework shall include:

(a) the criteria applied by the Member State to select indicators;

(b) data or evidence used, data quality assurance and the calculation method;

(c) factors that may influence the achievement of the milestones and targets and how they were taken into account.

2. The Member State shall make those methodologies available upon request by the Commission.

*Article 14*
***Mid-term review***

1. For programmes supported by the ERDF, the ESF+ and the Cohesion Fund, the Member State shall review each programme, taking into account the following elements:

   (a) the challenges identified in relevant country-specific recommendations adopted in 2024;

   (b) the socio-economic situation of the Member State or region concerned;

   (c) the progress in achieving the milestones;

   (d) the outcome of the technical adjustment as set out in Article 104(2), where applicable.

2. The Member State shall submit to the Commission by 31 March 2025 a request for the amendment of each programme in accordance with Article 19(1). The Member State shall justify the amendment on the basis of the elements set out in paragraph 1.

   The revised programme shall include:

   (a) the allocations of the financial resources by priority including the amounts for the years 2026 and 2027;

   (b) revised or new targets;

   (c) the revised allocations of the financial resources resulting from the technical adjustment set out in Article 104(2) including the amounts for the years 2025, 2026 and 2027, where applicable.

3. Where as a result of the review a new programme is submitted, the financing plan under point (ii) of Article 17(3)(f) shall cover the total financial appropriation for each of the Funds as of the year of the programme approval.

# CHAPTER III
# Measures linked to sound economic governance

*Article 15*
***Measures linking effectiveness of Funds to sound economic governance***

1. The Commission may request a Member State to review and propose amendments to relevant programmes, where this is necessary to support the implementation of relevant Council Recommendations.

   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[39] of the European Parliament and of the Council provided that these amendments are deemed necessary to help correct the macro-economic imbalances.

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 and shall indicate the programmes or priorities which it considers are concerned and the nature of the amendments expected.

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 relevant 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 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 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 it is satisfied that any observations submitted have been duly taken into account, it shall adopt a decision approving the amendments to the relevant programmes in accordance with the time limit set out in Article [19(4)].

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 suspend all or part of the payments for the programmes or priorities concerned in accordance with Article 91.

7. The Commission shall make a proposal to the Council to suspend all or part of the commitments or payments for one or more of 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 of the European Parliament and of the Council [40] 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 as referred to in Council Regulation (EC) No 332/2002[41] and as a consequence decides not to authorise the disbursement of the financial assistance granted to that Member State;

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[39] Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

[40] Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

[41] Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 53, 23.2.2002).

(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 of the European Parliament and of the Council[42], or with the measures requested by a Council decision adopted in accordance with Article 136(1) TFEU.

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 payment applications submitted for the programmes concerned after the date of the decision to suspend.

The Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within 10 days of adoption of the decision or recommendation referred to in the previous sub-paragraph, recommend that the Council cancel the suspension referred to in the same sub-paragraph.

8. A proposal by the Commission for 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 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 7 in relation to the suspension of payments.

9. The scope and level of the suspension of commitments or payments to be imposed shall be proportionate, shall respect the equality of treatment between Member States and shall take into account the economic and social circumstances of the Member State concerned, in particular the level of unemployment, the level of poverty or social exclusion 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.

10. The suspension of commitments shall be subject to a maximum of 25 % of the commitments relating to the next calendar year for the Funds or 0,25 % of nominal GDP whichever is lower, in any of the following cases:

(a) in the first case of non-compliance with an excessive deficit procedure as referred to under point (a) of paragraph 7;;

(b) in the first case of non- compliance relating to a corrective action plan under an excessive imbalance procedure as referred to under point b of paragraph 7;

(c) in case of non-compliance with the recommended corrective action pursuant to an excessive imbalance procedure as referred to under point (c) of paragraph 7;

(d) in the first case of non-compliance as referred to under points (d) and (e) of paragraph 7.

In case of persistent non-compliance, the suspension of commitments may exceed the maximum percentages set out in the first sub-paragraph.

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42 Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

11. The Council shall lift the suspension of commitments on a proposal from the Commission, in accordance with the procedure set out in paragraph 8, 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[43] or the Council has decided in accordance with Article 126(12) TFEU to abrogate the decision on the existence of an excessive deficit;

(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 a Member State has taken appropriate measures as referred to in Regulation (EC) No 332/2002;

(d) where the Commission has concluded that the Member State concerned has taken appropriate 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.

After the Council has lifted the suspension of commitments, the Commission shall re-budget the suspended commitments in accordance with Article [8] of Council Regulation (EU, Euratom) [ *[...] (MFF regulation)*].

Suspended commitments may not be re-budgeted beyond the year 2027.

The decommitment time limit for the re-budgeted amount in accordance with Article 99 shall start from the year in which the suspended commitment has been re-budgeted.

A decision concerning the lifting of the suspension of payments shall be taken by the Council on a proposal by the Commission where the applicable conditions set out in in the first sub-paragraph are fulfilled.

12. 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 7 is fulfilled for a Member State, immediately inform the European Parliament and provide details of the Funds and programmes which could be subject to a suspension of commitments.

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

The Commission shall transmit the proposal for suspension of commitments or the proposal to lift such a suspension, to the European Parliament and to the Council.

13. Paragraphs 1 to 12 shall not apply to priorities or programmes under Article [4(c)(v)(ii)] of ESF+ Regulation.

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[43] Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

## TITLE III
## PROGRAMMING

# CHAPTER I
# General provisions on the Funds

*Article 16*
***Preparation and submission of programmes***

1. Member States shall prepare programmes to implement the Funds for the period from 1 January 2021 to 31 December 2027.

2. Member States shall submit programmes to the Commission no later than 3 months after the submission of the Partnership Agreement.

3. Member States shall prepare programmes in accordance with the programme template set out in Annex V.

   For the AMIF, the ISF and the BMVI, the Member State shall prepare programmes in accordance with the programme template set out in Annex VI.

*Article 17*
***Content of programmes***

1. Each programme shall set out a strategy for the programme's contribution to the policy objectives and the communication of its results.

2. A programme shall consist of priorities. Each priority shall correspond to a single policy objective or to technical assistance. A priority corresponding to a policy objective shall consist of one or more specific objectives. More than one priority may correspond to the same policy objective.

   For programmes supported by the EMFF, each priority may correspond to one or more policy objectives. Specific objectives correspond to areas of support as defined in Annex [III] to the EMFF Regulation.

   For programmes supported by the AMIF, the ISF and the BMVI, a programme shall consist of specific objectives.

3. Each programme shall set out:

   (a) a summary of the main challenges, taking into account:

      (i) economic, social and territorial disparities, except for programmes supported by the EMFF;

      (ii) market failures, investment needs and complementarity with other forms of support;

      (iii) challenges identified in relevant country-specific recommendations and other relevant Union recommendations addressed to the Member State;

      (iv) challenges in administrative capacity and governance;

      (v) lessons learnt from past experience;

      (vi) macro-regional strategies and sea-basin strategies where Member States and regions participate in such strategies;

(vii) for programmes supported by the AMIF, the ISF and the BMVI, progress in implementing the relevant Union *acquis* and action plans;

(b) a justification for the selected policy objectives, corresponding priorities, specific objectives and the forms of support;

(c) for each priority, except for technical assistance, specific objectives;

(d) for each specific objective:

(i) the related types of actions, including a list of planned operations of strategic importance, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate;

(ii) output indicators and result indicators with the corresponding milestones and targets;

(iii) the main target groups;

(iv) specific territories targeted, including the planned use of integrated territorial investment, community-led local development or other territorial tools;

(v) the interregional and transnational actions with beneficiaries located in at least one other Member State;

(vi) the planned use of financial instruments;

(vii) the types of intervention and an indicative breakdown of the programmed resources by type of intervention or area of support;

(e) the planned use of technical assistance in accordance with Articles 30 to 32 and relevant types of intervention;

(f) a financing plan containing:

(i) a table specifying the total financial allocations for each of the Funds and for each category of region for the whole programming period and by year, including any amounts transferred pursuant to Article 21;

(ii) a table specifying the total financial allocations for each priority by Fund and by category of region and the national contribution and whether it is made up of public and private contribution;

(iii) for programmes supported by the EMFF, a table specifying for each type of area of support, the amount of the total financial allocations of the support from the Fund and the national contribution;

(iv) for programmes supported by the AMIF, the ISF and the BMVI, a table specifying, by specific objective, the total financial allocations by type of action, the national contribution and whether it is made up of public and private contribution;

(g) the actions taken to involve the relevant partners referred to in Article 6 in the preparation of the programme, and the role of those partners in the implementation, monitoring and evaluation of the programme;

(h) for each enabling condition, established in accordance with Article 11, Annex III and Annex IV, an assessment of whether the enabling condition is fulfilled at the date of submission of the programme;

(i) the envisaged approach to communication and visibility for the programme through defining its objectives, target audiences, communication channels, social media outreach, planned budget and relevant indicators for monitoring and evaluation;

(j) the managing authority, the audit authority and the body which receives payments from the Commission.

Points (c) and (d) of this paragraph shall not apply to the specific objective set out in Article [4(c)(vii)] of the ESF+Regulation.

4. By way of derogation from point (d) of paragraph 3, for each specific objective of programmes supported by the AMIF, the ISF and the BMVI the following shall be provided:

(a) a description of the initial situation, challenges and responses supported by the Fund;

(b) indication of the operational objectives;

(c) an indicative list of actions and their expected contribution to the specific and operational objectives;

(d) where applicable, a justification for the operating support, specific actions, emergency assistance, and actions as referred to in Articles [16 and 17] of the AMIF regulation;

(e) output and result indicators with the corresponding milestones and targets;

(f) an indicative breakdown of the programmed resources by type of intervention.

5. Types of intervention shall be based on a nomenclature set out in Annex I. For programmes supported by the AMIF, the ISF and the BMVI, types of intervention shall be based on a nomenclature set out in the Fund-specific Regulations.

6. For ERDF, ESF+ and Cohesion Fund programmes submitted in accordance with Article 16, the table referred to in paragraph (3)(f)(ii) shall include the amounts for the years 2021 to 2025 only.

7. The Member State shall communicate to the Commission any changes in the information referred to in paragraph (3)(j) without requiring a programme amendment.

*Article 18*

***Approval of programmes***

1. The Commission shall assess the programme and its compliance with this Regulation and with the Fund-specific Regulations, as well as its consistency with the Partnership Agreement. In its assessment, the Commission shall, in particular, take into account relevant country-specific recommendations.

2. The Commission may make observations within three months of the date of submission of the programme by the Member State.

3. The Member State shall review the programme taking into account the observations made by the Commission.

4. The Commission shall adopt a decision by means of an implementing act approving the programme no later than six months after the date of submission of the programme by the Member State.

*Article 19*

***Amendment of programmes***

1. The Member State may submit a motivated request for an amendment of a programme together with the amended programme setting out the expected impact of that amendment on the achievement of the objectives.

2. The Commission shall assess the amendment and its compliance with this Regulation and with the Fund-specific Regulations, including requirements at national level, and may make observations within three months of the submission of the amended programme.

3. The Member State shall review the amended programme and take into account the observations made by the Commission.

4. The Commission shall approve the amendment of a programme no later than six months after its submission by the Member State.

5. The Member State may transfer during the programming period an amount of up to 5 % of the initial allocation of a priority and no more than 3 % of the programme budget to another priority of the same Fund of the same programme. For the programmes supported by the ERDF and ESF+, the transfer shall only concern allocations for the same category of region.

   Such transfers shall not affect previous years. They shall be considered to be not substantial and shall not require a decision of the Commission amending the programme. They shall however, comply with all regulatory requirements. The Member State shall submit to the Commission the revised table referred to under points (f)(ii), (f)(iii) or (f)(iv) of Article 17(3) as applicable.

6. 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 programme. Member States shall inform the Commission of such corrections.

7. For programmes supported by the EMFF, amendments to the programmes relating to the introduction of indicators shall not require the approval of the Commission.

*Article 20*

***Joint support from the ERDF, the ESF+ and the Cohesion Fund***

1. The ERDF, the ESF+ and the Cohesion Fund may jointly provide support for programmes under the Investment for jobs and growth goal.

2. The ERDF and the ESF+ may finance, in a complementary manner and subject to a limit of 10 % of support from those Funds for each priority of a programme, all or 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 implementation.

*Article 21*

***Transfer of resources***

1. Member States may request the transfer of up to 5 % of programme financial allocations from any of the Funds to any other Fund under shared management or to any instrument under direct or indirect management.

2. Transferred resources shall be implemented in accordance with the rules of the Fund or the instrument to which the resources are transferred and, in the case of transfers to instruments under direct or indirect management, for the benefit of the Member State concerned.

3. Requests under paragraph 1 shall set out the total amount transferred for each year by Fund and by category of region, where relevant, shall be duly justified and shall be accompanied by the revised programme or programmes, from which the resources are to be transferred in accordance with Article 19 indicating to which other Fund or instrument the amounts are transferred.

4. The Commission may object to a request for transfer in the related programme amendment where this would undermine the achievement of the objectives of the programme from which the resources are to be transferred.

5. Only resources of future calendar years may be transferred.

# CHAPTER II
# Territorial development

*Article 22*
***Integrated territorial development***

The Member State shall support integrated territorial development through territorial and local development strategies in any of the following forms:

(a) integrated territorial investments;

(b) community-led local development;

(c) another territorial tool supporting initiatives designed by the Member State for investments programmed for the ERDF under the policy objective referred in Article 4(1)(e).

*Article 23*
***Territorial strategies***

1. Territorial strategies implemented pursuant to points (a) or (c) of Article 22 shall contain the following elements:

   (a) the geographical area covered by the strategy;

   (b) an analysis of the development needs and the potential of the area;

   (c) a description of an integrated approach to address the identified development needs and the potential;

   (d) a description of the involvement of partners in accordance with Article 6 in the preparation and in the implementation of the strategy.

   They may also contain a list of operations to be supported.

2. Territorial strategies shall be drawn up under the responsibility of the relevant urban, local or other territorial authorities or bodies.

3. Where the list of operations to be supported has not been included in the territorial strategy, the relevant urban, local or other territorial authorities or bodies shall select or shall be involved in the selection of operations.

   Selected operations shall comply with the territorial strategy.

4. Where an urban, local or other territorial authority or body carries out tasks falling under the responsibility of the managing authority other than the selection of operations, the authority shall be identified by the managing authority as an intermediate body.

5. Support may be provided for the preparation and design of territorial strategies.

*Article 24*
***Integrated territorial investment***

1. Where a strategy implemented in accordance with Article 23 involves investments that receive support from one or more Funds, from more than one programme or from more than one priority of the same programme, actions may be carried out as an integrated territorial investment ('ITI').

2. The managing authority shall ensure that the electronic system for the programme or programmes provides for the identification of operations and outputs and results contributing to an ITI.

*Article 25*
***Community-led local development***

1. The ERDF, the ESF+ and the EMFF may support community-led local development.

2. The Member State shall ensure that community-led local development is:

   (a) focused on subregional areas;

   (b) led by local action groups composed of representatives of public and private local socio-economic interests, in which no single interest group controls the decision-making;

   (c) carried out through integrated strategies in accordance with Article 26;

   (d) supportive of networking, innovative features in the local context and, where appropriate, cooperation with other territorial actors.

3. Where support to strategies referred to in paragraph 2(c) is available from more than one Fund, the relevant managing authorities shall organise a joint call for selection of those strategies and establish a joint committee for all the Funds concerned to monitor the implementation of those strategies. The relevant managing authorities may choose one of the Funds concerned to support all preparatory, management and animation costs referred to in points (a) and (c) of Article 28(1) related to those strategies.

4. Where the implementation of such a strategy involves support from more than one Fund, the relevant managing authorities may choose one of the Funds concerned as the Lead Fund.

5. The rules of the Lead Fund shall apply to that strategy. The authorities of other funds shall rely on decisions and management verifications made by the competent Lead Fund authority.

6. The authorities of the Lead Fund shall provide the authorities of other Funds with information necessary to monitor and make payments in accordance with the rules set out in the Fund-specific Regulation.

*Article 26*
***Community-led local development strategies***

1. The relevant managing authorities shall ensure that each strategy referred to in Article 25(2)(c) sets out the following elements:

(a) the geographical area and population covered by that strategy;

(b) the community involvement process in the development of that strategy;

(c) an analysis of the development needs and potential of the area;

(d) the objectives of that strategy, including measurable targets for results, and related planned actions;

(e) the management, monitoring and evaluation arrangements, demonstrating the capacity of the local action group to implement that strategy;

(f) a financial plan, including the planned allocation from each Fund and programme concerned.

2. The relevant managing authorities shall define criteria for the selection of those strategies, set up a committee to carry out this selection and approve the strategies selected by that committee.

3. The relevant managing authorities shall complete the first round of selection of strategies and ensure the local action groups selected can fulfil their tasks set out in Article 27(3) within 12 months of the date of the approval of the relevant programme or, in the case of strategies supported by more than one Fund, within 12 months of the date of the approval of the last programme concerned.

4. The decision approving a strategy shall set out the allocation of each Fund and programme concerned and set out the responsibilities for the management and control tasks under the programme or programmes.

*Article 27*

***Local action groups***

1. Local action groups shall design and implement the strategies referred to in Article 25(2)(c).

2. The managing authorities 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 local action groups, exclusively, shall carry out all of the following tasks:

(a) building the capacity of local actors to develop and implement operations;

(b) drawing up a non-discriminatory and transparent selection procedure and criteria, which avoids conflicts of interest and ensures that no single interest group controls selection decisions;

(c) preparing and publishing calls for proposals;

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

(e) monitoring progress towards the achievement of objectives of the strategy;

(f) evaluating the implementation of the strategy.

4. Where local action groups carry out tasks not covered by paragraph 3 that fall under the responsibility of the managing authority or of the paying agency, those local action groups shall be identified by the managing authority as intermediate bodies in accordance with the Fund-specific rules.

5. The local action group may be a beneficiary and may implement operations in accordance with the strategy.

*Article 28*

***Support from Funds for community-led local development***

1. The Member State shall ensure that support from the Funds for community-led local development covers:

   (a) capacity building and preparatory actions supporting the design and future implementation of the strategies;

   (b) the implementation of operations, including cooperation activities and their preparation, selected under the local development strategy;

   (c) the management, monitoring and evaluation of the strategy and its animation.

2. The support referred to under point (a) of paragraph 1 shall be eligible regardless of whether the strategy is subsequently selected for funding.

   The support referred to under point (c) of paragraph 1 shall not exceed 25 % of the total public contribution to the strategy.

# CHAPTER III
# Technical assistance

*Article 29*

**Technical assistance at the initiative of the Commission**

1. At the initiative of the Commission, the Funds may support preparatory, monitoring, control, audit, evaluation, communication including corporate communication on the political priorities of the Union, visibility and all administrative and technical assistance actions necessary for the implementation of this Regulation and, where appropriate with third countries.

2. Such actions may cover future and previous programming periods.

3. The Commission shall set out its plans when a contribution from the Funds is envisaged in accordance with Article [110] of the Financial Regulation.

4. Depending on the purpose, the actions referred to in this Article can be financed either as operational or administrative expenditure.

*Article 30*

***Technical assistance of Member States***

1. At the initiative of a Member State, the Funds may support actions, which may concern previous and subsequent programming periods, necessary for the effective administration and use of those Funds.

2. Each Fund may support technical assistance actions eligible under any of the other Funds.

3. Within each programme, technical assistance shall take the form of a priority relating to one single Fund.

*Article 31*

***Flat-rate financing for technical assistance of Member States***

1. Technical assistance to each programme shall be reimbursed as a flat-rate by applying the percentages set out in paragraph 2 to the eligible expenditure included in each payment application pursuant to Article 85(3)(a) or (c) as appropriate.

2. The percentage of the Funds reimbursed for technical assistance shall be the following:

   (a) for the ERDF support under the Investment for jobs and growth goal, and for the Cohesion Fund support: 2,5 %;

   (b) for the ESF+ support: 4% and for programmes under Article 4(1)(c)(vii) of the ESF+ Regulation: 5 %;

   (c) for the EMFF support: 6 %;

   (d) for the AMIF, the ISF and the BMVI support: 6 %.

3. Specific rules for technical assistance for Interreg programmes shall be set out in the ETC Regulation .

*Article 32*

***Financing not linked to costs for technical assistance of Member States***

In addition to Article 31, the Member State may propose to undertake additional technical assistance actions to reinforce the capacity of Member State authorities, beneficiaries and relevant partners necessary for the effective administration and use of the Funds.

Support for such actions shall be implemented by financing not linked to costs in accordance with Article 89.

## TITLE IV
## MONITORING, EVALUATION, COMMUNICATION AND VISIBILITY

# CHAPTER I
# Monitoring

*Article 33*

***Monitoring committee***

1. The Member State shall set up a committee to monitor the implementation of the programme ('monitoring committee') within three months of the date of notification to the Member State concerned of the decision approving the programme.

   The Member State may set up a single monitoring committee to cover more than one programme.

2. Each monitoring committee shall adopt its rules of procedure.

3. The monitoring committee shall meet at least once a year and shall review all issues that affect the programme's progress towards achieving its objectives.

4. The Member State shall publish the rules of procedures of the monitoring committee and all the data and information shared with the monitoring committee on the website referred to in Article 44(1).

5. Paragraphs 1 to 4 shall not apply to programmes under Article [4(c)(vi)] of the ESF+ Regulation and related technical assistance.

*Article 34*
***Composition of the monitoring committee***

1. The Member State shall determine the composition of the monitoring committee and shall ensure a balanced representation of the relevant Member State authorities and intermediate bodies and of representatives of the partners referred to in Article 6.

   Each member of the monitoring committee shall have a vote.

   The Member State shall publish the list of the members of the monitoring committee on the website referred to in Article 44(1).

2. Representatives of the Commission shall participate in the work of the monitoring committee in an advisory capacity.

*Article 35*
***Functions of the monitoring committee***

1. The monitoring committee shall examine:

   (a) the progress in programme implementation and in achieving the milestones and targets;

   (b) any issues that affect the performance of the programme and the measures taken to address those issues;

   (c) the contribution of the programme to tackling the challenges identified in the relevant country-specific recommendations;

   (d) the elements of the *ex ante* assessment listed in Article 52(3) and the strategy document referred to in Article 53(2);

   (e) the progress made in carrying out evaluations, syntheses of evaluations and any follow-up given to findings;

   (f) the implementation of communication and visibility actions;

   (g) the progress in implementing operations of strategic importance, where relevant;

   (h) the fulfilment of enabling conditions and their application throughout the programming period;

   (i) the progress in administrative capacity building for public institutions and beneficiaries, where relevant.

2. The monitoring committee shall approve:

   (a) the methodology and criteria used for the selection of operations, including any changes thereto, after consultation with the Commission pursuant to Article 67(2), without prejudice to points (b), (c) and (d) of Article 27(3);

   (b) the annual performance reports for programmes supported by the EMFF, the AMF, the ISF and the BMVI, and the final performance report for programmes supported by the ERDF, the ESF+ and the Cohesion Fund;

   (c) the evaluation plan and any amendment thereto;

   (d) any proposal by the managing authority for the amendment of a programme including for transfers in accordance with Article 19(5) and Article 21.

*Article 36*
***Annual performance review***

1. An annual review meeting shall be organised between the Commission and each Member State to examine the performance of each programme.

   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.

2. For programmes supported by the AMIF, the ISF and the BMVI, the review meeting shall be organised at least twice during the programming period.

3. For programmes supported by the ERDF, the ESF+ and the Cohesion Fund, the Member State shall no later than one month before the annual review meeting provide the Commission with the information on the elements listed in Article 35(1).

   For programmes under Article [4(1)(c)(vii)] of the ESF+ Regulation, the information to be provided shall be limited to points (a), (b), (e), (f) and (h) of Article 35(1).

4. The outcome of the annual review meeting shall be recorded in agreed minutes.

5. The Member State shall follow up issues raised by the Commission and inform the Commission within three months of the measures taken.

6. For programmes supported by the EMFF, the AMF, the ISF and the BMVI, the Member State shall submit an annual performance report in accordance with the Fund-specific Regulations.

*Article 37*
***Transmission of data***

1. The managing authority shall electronically transmit to the Commission cumulative data for each programme by 31 January, 31 March, 31 May, 31 July, 30 September and 30 November of each year in accordance with the template set out in Annex VII.

   The first transmission shall be due by 31 January 2022 and the last one by 31 January 2030.

   For programmes under Article 4(1)(c)(vii) of the ESF+ Regulation, data shall be transmitted annually by 30 November.

2. The data shall be broken down for each priority by specific objective and by category of regions, and shall refer to:

   (a) the number of selected operations, their total eligible cost, the contribution from the Funds and the total eligible expenditure declared by the beneficiaries to the managing authority, all broken down by types of intervention;

   (b) the values of output and result indicators for selected operations and values achieved by operations.

3. For financial instruments data shall also be provided on the following:

   (a) eligible expenditure by type of financial product;

   (b) amount of management costs and fees declared as eligible expenditure;

   (c) the amount, by type of financial product, of private and public resources mobilised in addition to the Funds;

   (d) interest and other gains generated by support from the Funds to financial instruments referred to in Article 54 and resources returned attributable to support from the Funds as referred to in Article 56.

4. The data submitted in accordance with this Article shall be reliable and up-to-date as of the end of the month preceding the month of submission.

5. The managing authority shall publish all the data transmitted to the Commission on the website referred to in Article 44(1).

6. For programmes supported by the EMFF, the Commission shall adopt an implementing act in accordance with the advisory procedure referred to in Article 109(2) in order to establish the template to be used for the implementation of this Article.

*Article 38*
***Final performance report***

1. For programmes supported by the ERDF, the ESF+ and the Cohesion Fund, each managing authority shall submit to the Commission a final performance report of the programme by 15 February 2031.

2. The final performance report shall assess the achievement of programme objectives based on the elements listed in Article 35(1) with the exception of the information provided under Article 35(1)(d).

3. The Commission shall examine the final performance report and inform the managing authority of any observations within five months of the date of receipt of the final performance report. 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. The Commission shall inform the Member State of the acceptance of the report.

4. The managing authority shall publish final performance reports on the website referred to in Article 44(1).

5. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt an implementing act establishing the template for the final performance report. That implementing act shall be adopted in accordance with the advisory procedure referred to in Article 108.

# CHAPTER II
# Evaluation

*Article 39*
***Evaluations by the Member State***

1. The managing authority shall carry out evaluations of the programme. Each evaluation shall assess the programme's effectiveness, efficiency, relevance, coherence and EU added value with the aim to improve the quality of the design and implementation of programmes.

2. In addition, the managing authority shall carry out an evaluation for each programme to assess its impact by 30 June 2029.

3. The managing authority shall entrust evaluations to functionally independent experts.

4. The managing authority or the Member State shall ensure the necessary procedures to produce and collect the data necessary for evaluations.

5. The managing authority or the Member State shall draw up an evaluation plan. That evaluation plan may cover more than one programme. For the AMIF, the ISF and the BMVI, that plan shall include a mid-term evaluation to be completed by 31 March 2024.

6. The managing authority shall submit the evaluation plan to the monitoring committee no later than one year after the approval of the programme.

7. The managing authority shall publish all evaluations on the website referred to in Article 44(1).

*Article 40*
***Evaluation by the Commission***

1. The Commission shall carry out a mid-term evaluation to examine the effectiveness, efficiency, relevance, coherence and EU added value of each Fund by the end of 2024. The Commission may make use of all relevant information already available in accordance with Article [128] of the Financial Regulation.

2. The Commission shall carry out a retrospective evaluation to examine the effectiveness, efficiency, relevance, coherence and EU added value of each Fund by 31 December 2031.

# CHAPTER III
# Visibility, transparency and communication

## SECTION I
## VISIBILITY OF SUPPORT FROM THE FUNDS

*Article 41*
***Visibility***

Each Member State shall ensure:

(a) the visibility of support in all activities relating to operations supported by the Funds with particular attention to operations of strategic importance;

(b) communication to Union citizens of the role and achievements of the Funds through a single website portal providing access to all programmes involving that Member State.

*Article 42*
***Emblem of the Union***

Member States, managing authorities and beneficiaries shall use the emblem of the European Union in accordance with Annex VIII when carrying out visibility, transparency and communication activities.

*Article 43*
***Communication officers and networks***

1. Each Member State shall identify a communication coordinator for visibility, transparency and communication activities in relation to the support from the Funds, including programmes under the European territorial cooperation goal (Interreg) where that Member State hosts the managing authority. The communication coordinator shall coordinate communication and visibility measures across programmes.

The communication coordinator shall involve in the visibility, transparency and communication activities the following bodies:

(a) European Commission Representations and European Parliament Liaison Offices in the Member States; as well as Europe Direct Information Centres and other networks;educational and research institutions;

(b) other relevant partners and bodies.

2. Each managing authority shall identify a communication officer for each programme ('programme communication officer').

3. The Commission shall run a network comprising communication coordinators, programme communication officers and Commission representatives to exchange information on visibility, transparency and communication activities.

## SECTION II
## TRANSPARENCY OF IMPLEMENTATION OF THE FUNDS AND COMMUNICATION ON PROGRAMMES

*Article 44*
***Responsibilities of the managing authority***

1. The managing authority shall ensure that, within six months of the programme's approval, there is a website where information on programmes under its responsibility is available, covering the programme's objectives, activities, available funding opportunities and achievements.

2. The managing authority shall publish on the website referred to in paragraph 1, at the latest one month before the opening of a call for proposal, a short summary of planned and published calls for proposals with the following data:

(a) geographical area covered by the call for proposal;

(b) policy objective or specific objective concerned;

(c) type of eligible applicants;

(d) total amount of support for the call;

(e) start and end date of the call.

3. The managing authority shall make the list of operations selected for support by the Funds publicly available on the website in at least one of the official languages of the Union and shall update that list at least every three months. Each operation shall have a unique code. The list shall contain the following data:

(a) in the case of legal entities, the beneficiary's name;

(b) where the beneficiary is a natural person the first name and the surname;

(c) for EMFF operations linked to a fishing vessel, the Union fishing fleet register identification number as referred to in Commission Implementing Regulation (EU) 2017/218[44];

(d) name of the operation;

[44] Commission Implementing Regulation (EU) 2017/218 of 6 February 2017 on the Union fishing fleet register (OJ L 34, 9.2.2017, p. 9).

(e) the purpose of the operation and its achievements;

(f) start date of the operation;

(g) expected or actual date of completion of the operation;

(h) total cost of the operation;

(i) Fund concerned;

(j) specific objective concerned;

(k) Union co-financing rate;

(l) location indicator or geolocation for the operation and country concerned;

(m) for mobile operations or operations covering several locations the location of the beneficiary where the beneficiary is a legal entity; or the region on NUTS 2 level where the beneficiary is a natural person;

(n) type of intervention for the operation in accordance with Article 67(3)(g);

For data referred to in points (b), (c) and (k) of the first sub-paragraph, the data shall be removed after two years from the date of the initial publication on the website.

For programmes supported by the EMFF, the data referred to in points (b) and (c) of the first sub-paragraph shall only be published if such publication is in line with national law on the protection of personal data.

4. The data referred to in paragraphs 2 and 3 shall be published on the website in open, machine-readable formats, as set out in Article 5(1) of the Directive 2003/98/EC[45] of the European Parliament and of the Council, which allows data to be sorted, searched, extracted, compared and reused.

5. The managing authority shall inform the beneficiaries that the data will be made public before the publication takes place in accordance with this Article.

6. The managing authority shall ensure that all communication and visibility material including at the level of beneficiaries is made available upon request to Union Institutions, bodies or agencies and that a royalty-free, non-exclusive and irrevocable licence to use such material and any pre-existing rights attached to it is granted to the Union in accordance with Annex VIII.

*Article 45*

***Responsibilities of beneficiaries***

1. Beneficiaries and bodies implementing financial instruments shall acknowledge support from the Funds, including resources reused in accordance with Article 56, to the operation by:

(a) providing on the beneficiary's professional website or social media sites, where such sites exist, 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) providing a statement highlighting the support from the Funds in a visible manner on documents and communication material relating to the implementation of the operation, used for the public or for participants;

[45] Directive 2003/98/EC of the European Parliament and of the Council of 17 November 2003 on the re-use of public sector information (OJ L 345, 31.12.2003, p. 90).

(c) publicly displaying plaques or billboards as soon as the physical implementation of operations involving physical investment or the purchase of equipment starts, with regard to the following:

(i) operations supported by the ERDF and the Cohesion Fund the total cost of which exceeds EUR 500 000;

(ii) operations supported by the ESF+, the EMFF, the ISF, the AMIF and the BMVI the total cost of which exceeds EUR 100 000.

(d) for operations not falling under point (c), publicly displaying at least one printed or electronic display of a minimum size A3 with information about the operation highlighting the support from the Funds;

(e) for operations of strategic importance and operations whose total cost exceed EUR 10 000 000 organising a communication event and involving the Commission and the responsible managing authority in a timely manner.

For operations supported under the specific objective set out in Article 4(1)(c)(vii) of the ESF+ Regulation, this requirement shall not apply.

2. For small project funds, the beneficiary shall ensure that final recipients comply with the requirements set out in paragraph 1.

For financial instruments, the beneficiary shall ensure that final recipients comply with the requirements set out in point (c) of paragraph 1.

3. Where the beneficiary does not comply with its obligations under Article 42 or paragraphs 1 and 2 of this Article, the Member State shall apply a financial correction by cancelling up to 5 % of the support from the Funds to the operation concerned.

# TITLE V
# FINANCIAL SUPPORT FROM THE FUNDS

## CHAPTER I
## Forms of Union contribution

*Article 46*

***Forms of Union contribution to programmes***

The Union contribution may take any of the following forms:

(a) financing not linked to costs of the relevant operations in accordance with Article 89 and based on either of the following:

(i) the fulfilment of conditions;

(ii) the achievement of results;

(b) reimbursement of eligible costs actually incurred by beneficiaries or the private partner of PPP operations and paid in implementing operations ;

(c) unit costs in accordance with Article 88, which cover all or certain specific categories of eligible costs, clearly identified in advance by reference to an amount per unit;

(d) lump sums in accordance with Article 88, which cover in global terms all or certain specific categories of eligible costs, clearly identified in advance;

(e) flat-rate financing in accordance with Article 88, which covers specific categories of eligible costs, clearly identified in advance, by applying a percentage;

(f) a combination of the forms referred to in points (a) to (e).

# CHAPTER II
# Forms of support by Member States

*Article 47*
***Forms of support***

Member States shall use the contribution from the Funds to provide support to beneficiaries in the form of grants, financial instruments or prizes or a combination thereof.

## SECTION I
## FORMS OF GRANTS

*Article 48*
***Forms of grants***

1. Grants provided by Member States to beneficiaries may take any of the following forms:

(a) reimbursement of eligible costs actually incurred by a beneficiary or the private partner of PPP operations and paid in implementing operations, including contributions in kind and depreciation;

(b) unit costs;

(c) lump sums;

(d) flat-rate financing;

(e) a combination of the forms referred to in points (a) to (d), provided that each form 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.

Where the total cost of an operation does not exceed EUR 200 000, the contribution provided to the beneficiary from the ERDF, the ESF+, the AMIF, the ISF and the BMVI shall take the form of unit costs, lump sums or flat rates, except for operations for which the support constitutes State aid. Where flat-rate financing is used, only the categories of costs to which the flat-rate applies may be reimbursed in accordance with point (a) of the first sub-paragraph.

In addition, allowances and salaries paid to participants may be reimbursed in accordance with point (a) of the first sub-paragraph.

2. The amounts for the forms of grants referred to under point (b), (c) and (d) 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, other objective information or an expert judgement;

(ii) the verified historical data of individual beneficiaries;

(iii) the application of the usual cost accounting practices of individual beneficiaries;

(b) draft budget established on a case-by-case basis and agreed *ex ante* by the body selecting the operation, where the total cost of the operation does not exceed EUR 200 000;

(c) in accordance with the rules for application of corresponding unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation;

(d) in accordance with the rules for application of corresponding unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar type of operation;

(e) flat rates and specific methods established by this Regulation or the Fund-specific Regulations.

*Article 49*

***Flat-rate financing for indirect costs concerning grants***

Where a flat rate is used to cover indirect costs of an operation, it shall be based on one of the following:

(a) a flat rate of up to 7 % of eligible direct costs, in which case the Member State shall not be required to perform a calculation to determine the applicable rate;

(b) a flat rate of up to 15 % of eligible direct staff costs in which case the Member State shall not be required to perform a calculation to determine the applicable rate;

(c) a flat rate of up to 25 % of eligible direct costs, provided that the rate is calculated in accordance with Article 48(2)(a).

In addition, where a Member State has calculated a flat rate in accordance with Article 67(5)(a) of Regulation (EU) No 1303/2013, that flat rate may be used for a similar operation for the purposes of point (c).

*Article 50*

***Direct staff costs concerning grants***

1. Direct staff costs of an operation may be calculated at a flat rate of up to 20 % of the direct costs other than the direct staff costs of that operation, without there being a requirement for the Member State to perform a calculation to determine the applicable rate, provided that the direct costs of the operation do not include public works contracts or supply or service contracts which exceed in value the thresholds set out in Article 4 of Directive 2014/24/EU of the European Parliament and of the Council [46] or in Article 15 of Directive 2014/25/EU of the European Parliament and of the Council [47].

   For the AMIF, the ISF and the BMVI, any costs subject to public procurement and the direct staff costs of that operation shall be excluded from the basis for calculation of the flat rate.

2. For the purposes of determining direct staff costs, an hourly rate may be calculated in one of the following ways:

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[46] Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65).

[47] Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).

(a) by dividing the latest documented annual gross employment costs by 1720 hours for persons working full time, or by a corresponding pro-rata of 1720 hours, for persons working part-time;

(b) by dividing the latest documented monthly gross employment costs by the monthly working time of the person concerned in accordance with applicable national legislation referred to in the contract for employment.

3. When applying the hourly rate calculated in accordance with paragraph 2, the total number of hours declared per person for a given year or month shall not exceed the number of hours used for the calculation of that hourly rate.

4. Where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12 month period.

5. Staff costs related to individuals who work on part-time assignment on the operation may be calculated as a fixed percentage of the gross employment costs, in line with a fixed percentage of time worked on the operation per month, with no obligation to establish a separate working time registration system. The employer shall issue a document for employees setting out that fixed percentage.

*Article 51*

***Flat rate financing for eligible costs other than direct staff costs concerning grants***

1. A flat rate of up to 40 % of eligible direct staff costs may be used in order to cover the remaining eligible costs of an operation. The Member State shall not be required to perform a calculation to determine the applicable rate.

2. For operations supported by the AMIF, the ISF, the BMVI, the ESF+ and the ERDF, salaries and allowances paid to participants shall be considered additional eligible costs not included in the flat rate.

3. The flat rate referred to in paragraph 1 of this Article shall not be applied to staff costs calculated on the basis of a flat rate as referred to in Article 50(1).

## SECTION II

## FINANCIAL INSTRUMENTS

*Article 52*

***Financial instruments***

1. Managing authorities may provide a programme contribution, under one or more programmes, to financial instruments set up at national, regional, transnational or cross border level and managed by, or under the responsibility of, the managing authority which contribute to achieving specific objectives.

2. Financial instruments shall provide support to final recipients only for new investments expected to be financially viable, such as generating revenues or savings, and which do not find sufficient funding from market sources.

3. Support from the Funds through financial instruments shall be based on an *ex ante* assessment drawn up under the responsibility of the managing authority. The *ex ante* assessment shall be completed before managing authorities decide to make programme contributions to financial instruments.

The *ex ante* assessment shall include at least the following elements:

(a) the proposed amount of programme contribution to a financial instrument and the expected leverage effect;

(b) the proposed financial products to be offered, including the possible need for differentiated treatment of investors;

(c) the proposed target group of final recipients;

(d) the expected contribution of the financial instrument to the achievement of specific objectives.

The *ex ante* assessment may be reviewed or updated and may cover part or the entire territory of the Member State and may be based on existing or updated *ex ante* assessments.

4. Support to final recipients may be combined with any form of Union contribution, including from the same Fund and may cover the same expenditure item. In that case, the Funds' financial instrument support, which is part of a financial instrument operation, shall not be declared to the Commission for support under another form, another Fund or another Union instrument.

5. Financial instruments may be combined with ancillary programme support in the form of grants as a single financial instrument operation, within a single funding agreement, where both distinct forms of support shall be provided by the body implementing the financial instrument. In such case the rules applicable to financial instruments shall apply to that single financial instrument operation.

6. In the case of combined support under paragraphs 4 and 5, separate records shall be kept for each source of support.

7. The sum of all forms of combined support shall 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.

*Article 53*

***Implementation of financial instruments***

1. Financial instruments managed by the managing authority may only provide loans or guarantees. The managing authority shall set out the terms and conditions of the programme contribution to the financial instrument in a strategy document including all the elements set outin Annex IX.

2. Financial instruments managed under the responsibility of the managing authority may be set up as either of the following:

(a) an investment of programme resources into the capital of a legal entity;

(b) separate blocks of finance or fiduciary accounts within an institution.

The managing authority shall select the body implementing a financial instrument.

When the body selected by the managing authority implements a holding fund, that body may further select other bodies to implement a specific fund.

3. The terms and conditions of programme contributions to financial instruments implemented in accordance with paragraph 2, shall be set out in funding agreements between:

(a) the duly mandated representatives of the managing authority and the body implementing a holding fund, where applicable;

(b) the duly mandated representatives of the managing authority, or, where applicable, the body implementing a holding fund and the body implementing a specific fund.

Those funding agreements shall include all the elements set out in Annex IX.

4. The financial liability of the managing authority shall not exceed the amount committed by the managing authority to the financial instrument under the relevant funding agreements.

5. The bodies implementing the financial instruments concerned, or in the context of guarantees, the body providing the underlying loans, shall select final recipients , taking due account of the programme objectives and the potential for the financial viability of the investment as justified in the business plan or an equivalent document. The selection process of final recipients shall be transparent, justified by the nature of the action and shall not give rise to a conflict of interest.

6. National co-financing of a programme may be provided either by the managing authority or at the level of holding funds, or at the level of specific funds, or at the level of investments in final recipients, in accordance with the Fund-specific rules. When the national co-financing is provided at the level of investments in final recipients, the body implementing financial instruments shall keep documentary evidence demonstrating the eligibility of the underlying expenditure.

7. The managing authority, in managing the financial instrument pursuant to paragraph 2, or the body implementing the financial instrument, in managing the financial instrument pursuant to paragraph 3, shall keep separate accounts or maintain an accounting code per priority and per each category of region for each programme contribution and separately for resources referred to in Articles 54 and 56 respectively.

*Article 54*

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

1. Support from the Funds paid to financial instruments shall be placed in interest-bearing accounts in financial institutions domiciled within Member States and shall be managed in line with active treasury management and sound financial management.

2. Interest and other gains attributable to support from the Funds paid to financial instruments shall be used under the same objective or objectives as the initial support from the Funds, either within the same financial instrument; or, following the winding up of the financial instrument, in other financial instruments or other forms of support, until the end of the eligibility period.

3. Interest and other gains referred to in paragraph 2 not used in accordance with that provision shall be deducted from the eligible expenditure.

*Article 55*

***Differentiated treatment of investors***

1. Support from the Funds to financial instruments invested in final recipients as well as any type of income generated by those investments, which are attributable to the support from the Funds, may be used for differentiated treatment of investors operating under the market economy principle through an appropriate sharing of risks and profits.

2. The level of such differentiated treatment shall not exceed what is necessary to create incentives for attracting private resources, established by either a competitive process or an independent assessment.

*Article 56*

***Re-use of resources attributable to the support from the Funds***

1. Resources paid back, before the end of the eligibility period, to financial instruments from investments in final recipients or from the release of resources set aside as agreed in guarantee contracts, including capital repayments and any type of generated income that is attributable to the support from the Funds, shall be re-used in the same or other financial instruments for further investments in final recipients, under the same specific objective or objectives and for any management costs and fees associated to such further investments.

2. Member States shall adopt the necessary measures to ensure that the resources referred to in paragraph 1 and paid back to financial instruments during a period of at least eight years after the end of the eligibility period, are re-used in accordance with the policy objectives of the programme or programmes under which they were set up, either within the same financial instrument or, following the exit of those resources from the financial instrument, in other financial instruments or in other forms of support.

# CHAPTER III
# Eligibility rules

*Article 57*

***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 Regulations.

2. Expenditure shall be eligible for a contribution from the Funds if it has been incurred by a beneficiary or the private partner of a PPP operation and paid in implementing operations, between the date of submission of the programme to the Commission or from 1 January 2021, whichever date is earlier, and 31 December 2029.

   For costs reimbursed pursuant to points (b) and (c) of Article 48(1), the actions constituting the basis for reimbursement shall be carried out between the date of submission of the programme to the Commission or from 1 January 2021, whichever is earlier, and 31 December 2029.

3. For the ERDF, expenditure related to operations covering more than one category of region as set out in Article 102(2) within a Member State shall be allocated to the categories of regions concerned on a *pro rata* basis, based on objective criteria.

   For the ESF+, expenditure related to operations shall contribute to the achievement of the specific objectives of the programme.

4. All or part of an operation may be implemented outside of a Member State, including outside the Union, provided that the operation contributes to the objectives of the programme.

5. For grants taking the forms of points (b), (c) and (d) of Article 48(1), the expenditure which shall be eligible for a contribution from the Funds shall equal the amounts calculated in accordance with Article 48(2).

6. Operations shall not be selected for support by the Funds where they have been physically completed or fully implemented before the application for funding under the programme is submitted to the managing authority, irrespective of whether all related payments have been made.

7. Expenditure which becomes eligible as a result of a programme amendment shall be eligible from the date of the submission of the corresponding request to the Commission.

For the ERDF, the Cohesion Fund, that shall be the case where a new type of intervention referred to in Table 1 of Annex I or, for the AMIF, the ISF and the BMVI, in the Fund-specific Regulations is added in the programme.

Where a programme is amended in order to provide a response to natural disasters, the programme may provide that the eligibility of expenditure relating to such amendment starts from the date when the natural disaster occurred.

8. Where a new programme is approved in the context of the mid-term review in accordance with Article 14, expenditure shall be eligible from the date of submission of the corresponding request to the Commission.

9. An operation may receive support from one or more Funds or from one or more programmes and from other Union instruments. In such cases expenditure declared in a payment application for one of the Funds shall not be declared for either of the following:

(a) support from another Fund or Union instrument;

(b) support from the same Fund under another programme.

The amount of expenditure to be entered into a payment application of a Fund may be calculated for each Fund and for the programme or programmes concerned on a *pro rata* basis, in accordance with the document setting out the conditions for support.

*Article 58*
***Non eligible costs***

1. The following costs shall not be eligible for a contribution from the Funds:

(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 for an 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 %; for guarantees those percentages shall apply to the amount of the underlying loan;

(c) value added tax ('VAT'), except for operations the total cost of which is below EUR 5 000 000.

For point (b), the limits shall not apply to operations concerning environmental conservation.

2. The Fund-specific Regulations may identify additional costs that are not eligible for a contribution from each Fund.

*Article 59*
***Durability of operations***

1. The Member State shall repay the contribution from the Funds to an operation comprising investment in infrastructure or productive investment, 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, that operation is subject to any of the following:

(a) a cessation or transfer of a productive activity;

(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.

The Member State 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. Operations supported by the ESF+ shall repay the support from the ESF+ only when they are subject to an obligation for maintenance of investment under State aid rules.

3. Paragraphs 1 and 2 shall not apply to any operation which undergoes cessation of a productive activity due to a non-fraudulent bankruptcy.

*Article 60*
***Relocation***

1. Expenditure supporting relocation as defined in Article 2(26) shall not be eligible for a contribution from the Funds.

2. Where a contribution from the Funds constitutes State aid, the managing authority shall satisfy itself that the contribution does not support relocation in accordance with Article 14(16) of Commission Regulation (EU) No 651/2014.

*Article 61*
***Specific eligibility rules for grants***

1. Contributions in kind in the form of provision of works, goods, services, land and real estate for which no payment supported by invoices, or documents of equivalent probative value, has been made, may be eligible where the following conditions 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 in kind can be independently assessed and verified;

(d) in the case of provision of land or real estate, a 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 Article shall be certified by an independent qualified expert or duly authorised official body and shall not exceed the limit laid down in Article 58(1)(b).

2. Depreciation costs for which no payment supported by invoices has been made, 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 those costs were reimbursed in the form referred to in Article 48(1)(a);

(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.

*Article 62*

***Specific eligibility rules for financial instruments***

1. Eligible expenditure of a financial instrument shall be the total amount of programme contribution paid to, or, in the case of guarantees, set aside as agreed in guarantee contracts, by, the financial instrument within the eligibility period, where that amount corresponds to:

   (a) payments to final recipients, in the case of loans, equity and quasi-equity investments;

   (b) resources set aside as agreed in guarantee contracts, whether outstanding or having already come to maturity, in order to honour possible guarantee calls for losses, calculated based on a multiplier ratio covering a multiple amount of underlying disbursed new loans, equity or quasi-equity investments in final recipients;

   (c) payments to, or for the benefit of, final recipients where financial instruments are combined with other Union contribution in a single financial instrument operation in accordance with Article 52(5);

   (d) payments of management fees and reimbursements of management costs incurred by the bodies implementing the financial instrument.

2. For point (b) of paragraph 1, the multiplier ratio shall be established in a prudent *ex ante* risk assessment and agreed in the relevant funding agreement. The multiplier ratio may be reviewed, where justified by subsequent changes in market conditions. Such a review shall not have retroactive effect.

3. For point (d) of paragraph 1, management fees shall be performance based. Where bodies implementing a holding fund and/or specific funds, pursuant to Article 53(3), are selected through a direct award of contract, the amount of management cost and fees paid to those bodies that can be declared as eligible expenditure shall be subject to a threshold of up to 5 % of the total amount of programme contributions disbursed to final recipients in loans, equity or quasi-equity investments or set aside as agreed in guarantee contracts.

   That threshold is not applicable where the selection of bodies implementing financial instruments is made through a competitive tender in accordance with the applicable law and the competitive tender establishes the need for a higher level of management costs and fees.

4. Where arrangement fees, or any part thereof, are charged to final recipients, they shall not be declared as eligible expenditure.

5. The eligible expenditure declared in accordance with paragraph 1 shall not exceed the sum of the total amount of support from the Funds paid for the purposes of that paragraph and the corresponding national co-financing.

## TITLE VI
### MANAGEMENT AND CONTROL

# CHAPTER I
# General rules on management and control

*Article 63*
***Responsibilities of Member States***

1. Member States shall have management and control systems for their programmes in accordance with this Title and ensure their functioning in accordance with sound financial management and the key requirements listed in Annex X.

2. Member States shall ensure the legality and regularity of expenditure included in the accounts submitted to the Commission and shall take all required actions to prevent, detect and correct and report on irregularities including fraud.

3. Member States shall, upon request of the Commission, take the actions necessary to ensure the effective functioning of their management and control systems and the legality and regularity of expenditure submitted to the Commission. Where that action is an audit, the Commission officials or their authorised representatives may take part.

4. Member States shall ensure the quality and reliability of the monitoring system and of data on indicators.

5. Member States shall have systems and procedures to ensure that all documents required for the audit trail asset out in Annex XI are kept in accordance with the requirements set out in Article 76.

6. Member Stated shall make arrangements for ensuring the effective examination of complaints concerning the Funds. They shall, upon request by the Commission, examine complaints submitted to the Commission falling within the scope of their programmes and shall inform the Commission of the results of those examinations.

   For the purposes of this Article, complaints cover any dispute between potential and selected beneficiaries with regard to the proposed or selected operation and any disputes with third parties on the implementation of the programme or operations thereunder, irrespective of the qualification of means of legal redress established under national law.

7. Member States shall ensure that all exchanges of information between beneficiaries and the programme authorities are carried out by means of electronic data exchange systems in accordance with Annex XII.

   For programmes supported by the EMFF, the AMIF, the ISF and the BMVI, the first sub-paragraph shall apply as from 1 January 2023.

   The first sub-paragraph shall not apply to programmes under Article [4(1)(c)(vii)] of the ESF+ Regulation.

8. Member States shall ensure that all official exchanges of information with the Commission are carried out by means of an electronic data exchange system in accordance with Annex XIII.

9. Each Member State shall draw up, after the approval of the programme and at the latest by the time of submission of the final payment application for the first accounting year and no later than 30 June 2023, a description of the management and control system in accordance with

the template set out in Annex XIV. It shall keep that description updated to reflect any subsequent modifications.

10. The Commission is empowered to adopt delegated acts in accordance with Article 107 to supplement paragraph 2 of this Article by setting out the criteria for determining the cases of irregularity to be reported and the data to be provided.

11. The Commission shall adopt an implementing act setting out the format to be used for reporting of irregularities in accordance with the advisory procedure referred to in Article 109(2) in order to ensure uniform conditions for the implementation of this Article.

*Article 64*

***Commission powers and responsibilities***

1. The Commission shall satisfy itself that Member States have management and control systems that comply with this Regulation and that those systems function effectively during the implementation of the programmes. The Commission shall draw up an audit strategy and an audit plan which shall be based on a risk-assessment.

   The Commission and the audit authorities shall coordinate their audit plans.

2. Commission audits shall be carried out up to three calendar years following the acceptance of the accounts in which the expenditure concerned was included. This period shall not apply to operations where there is a suspicion of fraud.

3. For the purpose of their audits, Commission officials or their authorised representatives 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 Funds or to management and control systems and shall receive copies in the specific format requested.

4. For on-the-spot audits, the following shall also apply:

   (a) the Commission shall give at least 12 working days' notice for the audit to the competent programme authority, except in urgent cases. Officials or authorised representatives of the Member State may take part in such audits.

   (b) where the application of national provisions reserves certain acts for agents specifically designated by national legislation, Commission officials and authorised 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.

   (c) the Commission shall transmit the preliminary audit findings, in at least one of the official languages of the Union, no later than 3 months after the last day of the audit, to the competent Member State authority.

   (d) the Commission shall transmit the audit report, in at least one of the official languages of the Union, no later than 3 months from the date of receiving a complete reply from the competent Member State authority to the preliminary audit findings.

   The Commission may extend the time limits referred in points (c) and (d) by an additional three months.

*Article 65*
***Programme authorities***

1. For the purposes of Article [63(3)] of the Financial Regulation, the Member State shall identify for each programme a managing authority and an audit authority. Where a Member State makes use of the option referred to in Article 66(2), the body concerned shall be identified as a programme authority. Those same authorities may be responsible for more than one programme.

2. The audit authority shall be a public authority, functionally independent from the auditees.

3. The managing authority may identify one or more intermediate bodies to carry out certain tasks under its responsibility. Arrangements between the managing authority and intermediate bodies shall be recorded in writing.

4. Member States shall ensure that the principle of separation of functions between and within the programme authorities is respected.

5. The body implementing the programme co-fund as referred to in Article [11] of Regulation EU (…) [*Horizon Europe Rules for Participation*] shall be identified as an intermediate body by the managing authority of the relevant programme, in line with paragraph 3.

# CHAPTER II
# Standard management and control systems

*Article 66*
***Functions of the managing authority***

1. The managing authority shall be responsible for managing the programme with a view to delivering the objectives of the programme. In particular, it shall have the following functions:

   (a) select operations in accordance with Article 67;

   (b) carry out programme management tasks in accordance with Article 68;

   (c) support the work of the monitoring committee in accordance with Article 69;

   (d) supervise intermediate bodies;

   (e) record and store in an electronic system the data on each operation necessary for monitoring, evaluation, financial management, verifications and audits, and shall ensure the security, integrity and confidentiality of data and the authentication of the users.

2. The Member State may entrust the accounting function referred to in Article 70 to the managing authority or to another body.

3. For programmes supported by the AMIF, the ISF and the BMVI, the accounting function shall be carried out by the managing authority or under its responsibility.

4. The Commission shall adopt an implementing act in accordance with the advisory procedure referred to in Article 109(2) in order to ensure uniform conditions for the electronic data to be recorded and stored referred to in point (e) of paragraph 1. That implementing act shall be adopted in accordance with the advisory procedure referred to in Article 109(2).

*Article 67*

***Selection of operations by the managing authority***

1. For the selection of operations, the managing authority shall establish and apply criteria and procedures which are non-discriminatory, transparent, ensure gender equality and take account of the Charter of Fundamental Rights of the European Union and the principle of sustainable development and of the Union policy on the environment in accordance with Articles 11 and 191(1) of the TFEU.

   The criteria and procedures shall ensure the prioritisation of operations to be selected with a view to maximise the contribution of Union funding to the achievement of the objectives of the programme.

2. Upon request of the Commission, the managing authority shall consult the Commission and take its comments into account prior to the initial submission of the selection criteria to the monitoring committee and before any subsequent changes to those criteria.

3. In selecting operations, the managing authority shall:

   (a) ensure that selected operations comply with the programme and provide an effective contribution to the achievement of its specific objectives;

   (b) ensure that selected operations are consistent with the corresponding strategies and planning documents established for the fulfilment of enabling conditions;

   (c) ensure that selected operations present the best relationship between the amount of support, the activities undertaken and the achievement of objectives;

   (d) verify that the beneficiary has the necessary financial resources and mechanisms to cover operation and maintenance costs;

   (e) ensure that selected operations which fall under the scope of Directive 2011/92/EU of the European Parliament and of the Council [48] are subject to an environmental impact assessment or a screening procedure, on the basis of the requirements of that Directive as amended by Directive 2014/52/EU of the European Parliament and of the Council [49];

   (f) verify that where the operations have started before the submission of an application for funding to the managing authority, applicable law has been complied with;

   (g) ensure that selected operations fall within the scope of the Fund concerned and are attributed to a type of intervention or area of support for the EMFF;

   (h) ensure that operations do not include activities which were part of an operation subject to relocation in accordance with Article 60 or which would constitute a transfer of a productive activity in accordance with Article 59(1)(a);

   (i) ensure that selected operations are not affected by a reasoned opinion by the Commission in respect of an infringement under Article 258 of the TFEU that puts at risk the legality and regularity of expenditure or the performance of operations;

   (j) ensure the climate proofing of investments in infrastructure with an expected lifespan of at least five years.

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[48] Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 26, 28.1.2012, p. 1).

[49] Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment (OJ L 124, 25.4.2014, p. 1).

4. The managing authority shall ensure that the beneficiary is provided with a document setting out all the conditions for support for each operation including the specific requirements concerning the products or services to be delivered, the financing plan, the time-limit for its execution and where applicable, the method to be applied for determining the costs of the operation and the conditions for payment of the grant.

5. For operations awarded a Seal of Excellence certification, or selected under the programme co-fund under Horizon Europe, the managing authority may decide to grant support from the ERDF or the ESF+ directly, provided that such operations are consistent with the objectives of the programme.

   The co-financing rate of the instrument providing the Seal of Excellence certification or the programme co-fund shall apply and shall be set out in the document referred in paragraph 4.

6. When the managing authority selects an operation of strategic importance, it shall inform the Commission immediately and shall provide all relevant information to the Commission about that operation.

*Article 68*

***Programme management by the managing authority***

1. The managing authority shall:

   (a) carry out management verifications to verify that the co-financed products and services have been delivered, that the operation complies with applicable law, the programme and the conditions for support of the operation, and:

      (i) where costs are to be reimbursed pursuant to Article 48(1)(a), that the amount of expenditure claimed by the beneficiaries in relation to those costs has been paid and that beneficiaries maintain separate accounting records for all transactions relating to the operation;

      (ii) where costs are to be reimbursed pursuant to points (b), (c) and (d) of Article 48(1), that the conditions for reimbursement of expenditure to the beneficiary have been met;

   (b) ensure, subject to the availability of funding, that a beneficiary receives the amount due in full and no later than 90 days from the date of submission of the payment claim by the beneficiary;

   (c) have effective and proportionate anti-fraud measures and procedures in place, taking into account the risks identified;

   (d) prevent, detect and correct irregularities;

   (e) confirm that the expenditure entered into the accounts is legal and regular;

   (f) draw up the management declaration in accordance with the template set out in Annex XV;

   (g) provide forecasts of the amount for payment applications to be submitted for the current and subsequent calendar years by 31 January and 31 July, in accordance with Annex VII.

   For point (b) of the first sub-paragraph, 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.

For PPP operations, the managing authority shall carry out payments to an escrow account set up for that purpose in the name of the beneficiary for use in accordance with the PPP agreement.

2. Management verifications referred to in point (a) of paragraph 1 shall be risk-based and proportionate to the risks identified as defined in a risk management strategy.

   Management verifications shall include administrative verifications in respect of payment claims by beneficiaries and on-the-spot verifications of operations. They shall be carried out at the latest before preparation of the accounts in accordance with Article 92.

3. Where the managing authority is also a beneficiary under the programme, arrangements for the management verifications shall ensure separation of functions.

4. By way of derogation from paragraph 2, the ETC Regulation may establish specific rules on management verifications applicable to Interreg programmes.

*Article 69*

***Support of the work of the monitoring committee by the managing authority***

The managing authority shall:

(a) provide the monitoring committee in a timely manner with all information necessary to carry out its tasks;

(b) ensure the follow-up of the decisions and recommendations of the monitoring committee.

*Article 70*

***The accounting function***

1. The accounting function shall consist of the following tasks:

   (a) drawing up and submitting payment applications to the Commission in accordance with Articles 85 and 86;

   (b) drawing up the accounts in accordance with Article 92 and keeping records of all the elements of the accounts in an electronic system;

   (c) converting the amounts of expenditure incurred in another currency into euro by using the monthly accounting exchange rate of the Commission in the month during which the expenditure is registered in the accounting systems of the body responsible for carrying out the tasks set out in this Article.

2. The accounting function shall not comprise verifications at the level of beneficiaries.

3. By way of derogation from point (c) of paragraph 1, the ETC Regulation may establish a different method to convert the amounts of expenditure incurred in another currency into euro.

*Article 71*

***Functions of the audit authority***

1. The audit authority shall be responsible for carrying out system audits, audits on operations and audits of accounts in order to provide independent assurance to the Commission regarding the effective functioning of the management and control systems and the legality and regularity of the expenditure included in the accounts submitted to the Commission.

2. Audit work shall be carried out in accordance with internationally accepted audit standards.

3. The audit authority shall draw up and submit to the Commission:

(a) an annual audit opinion in accordance with Article [63(7)] of the Financial Regulation and with the template set out in Annex XVI and based on all audit work carried out, covering the following distinct components:

(i) the completeness, veracity and accuracy of the accounts;

(ii) the legality and regularity of the expenditure included in the accounts submitted to the Commission;

(iii) the effective functioning of the management and control system.

(b) an annual control report fulfilling the requirements of Article [63(5)(b)] of the Financial Regulation, in accordance with the template set out in Annex XVII and, supporting the audit opinion referred to in point (a) and setting out a summary of the findings, including an analysis of the nature and extent of errors and deficiencies in the systems as well as the proposed and implemented corrective actions and the resulting total error rate and residual error rate for the expenditure entered in the accounts submitted to the Commission.

4. Where programmes are grouped for the purpose of audits of operations pursuant to Article 73(2), the information required under paragraph (3)(b) may be grouped in a single report.

Where the audit authority makes use of this option for programmes supported by the AMIF, the ISF and the BMVI, the information required under paragraph (3)(b) shall be reported by Fund.

5. The audit authority shall transmit to the Commission system audit reports as soon as the contradictory procedure with the relevant auditees is concluded.

6. The Commission and the audit authorities shall meet on a regular basis and at least once a year, unless otherwise agreed, to examine the audit strategy, the annual control report, the audit opinion, to coordinate their audit plans and methods and to exchange views on issues relating to the improvement of management and control systems.

*Article 72*

***Audit strategy***

1. The audit authority shall prepare an audit strategy based on a risk assessment, taking account of the management and control system description provided for in Article 63(9), covering system audits and audits of operations. The audit strategy shall include system audits of newly identified managing authorities and authorities in charge of the accounting function within nine months following their first year of functioning. The audit strategy shall be prepared in accordance with the template set out in Annex XVIII and shall be updated annually following the first annual control report and audit opinion provided to the Commission. It may cover one or more programmes.

2. The audit strategy shall be submitted to the Commission upon request.

*Article 73*

***Audits of operations***

1. Audits of operations shall cover expenditure declared to the Commission in the accounting year on the basis of a sample. That sample shall be representative and based on statistical sampling methods.

2. Where the population consists of less than 300 sampling units, a non-statistical sampling method may be used on the professional judgement of the audit authority. In such cases, the size of the sample shall be sufficient to enable the audit authority to draw up a valid audit opinion. The non-statistical sampling method shall cover a minimum of 10 % of the sampling units in the population of the accounting year, selected randomly.

The statistical sample may cover one or more programmes receiving support from the ERDF, the Cohesion Fund and the ESF+ and, subject to stratification where appropriate, one or more programming periods according to the professional judgement of the audit authority.

The sample of operations supported by the AMIF, the ISF and the BMVI and by the EMFF shall cover operations supported by each Fund separately.

3. Audits of operations shall include on-the-spot verification of the physical implementation of the operation only where it is required by the type of operation concerned.

The ESF+ Regulation may set out specific provisions for programmes under Article [4(1)(c)(vii)] of the ESF+ Regulation.

4. The Commission is empowered to adopt a delegated act in accordance with Article 107 to supplement this Article by setting out standardised off-the-shelf sampling methodologies and modalities to cover one or more programming periods.

*Article 74*

***Single audit arrangements***

1. When carrying out audits, the Commission and the audit authorities shall take due account of the principles of single audit and proportionality in relation to the level of risk to the budget of the Union. They shall avoid duplication of audits of the same expenditure declared to the Commission with the objective of minimising the cost of management verifications and audits and the administrative burden on beneficiaries.

The Commission and audit authorities shall first use all information and records available in the electronic system referred to in Article 66(1)(e), including results of management verifications and only request and obtain additional documents and audit evidence from the beneficiaries concerned where, based on their professional judgement, this is required to support robust audit conclusions.

2. For programmes for which the Commission concludes that the opinion of the audit authority is reliable and the Member State concerned participates in the enhanced cooperation on the European Public Prosecutor's Office, the Commission's own audits shall be limited to auditing the work of the audit authority.

3. Operations for which the total eligible expenditure does not exceed EUR 400 000 for the ERDF and the Cohesion Fund, EUR 300 000 for the ESF+, EUR 200 000 for the EMFF, the AMIF, the ISF and the BMVI 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 where there has already been an audit in that year by the Court of Auditors, provided that the results of that Court of Auditors' audit for such operations can be used by the audit authority or the Commission for the purpose of fulfilling their respective tasks.

4. Nothwithstanding the provisions of paragraph 3, any operation may be subject to more than one audit, if the audit authority concludes based on its professional judgment, that it is not possible to draw up a valid audit opinion.

5. Paragraphs 2 and 3 shall not apply where:

   (a) there is a specific risk of irregularity or an indication of fraud;

   (b) there is a need to re-perform the work of the audit authority for obtaining assurance as to its effective functioning;

   (c) there is evidence of a serious deficiency in the work of the audit authority.

*Article 75*

***Management verifications and audits of financial instruments***

1. The managing authority shall carry out on-the-spot management verifications in accordance with Article 68(1) only at the level of bodies implementing the financial instrument and, in the context of guarantee funds, at the level of bodies delivering the underlying new loans.

2. The managing authority shall not carry out on-the-spot verifications at the level of the European Investment Bank ('EIB') or other international financial institutions in which a Member State is a shareholder.

   However, the EIB or other internationally financial institutions in which a Member State is a shareholder shall provide control reports supporting the payment applications to the managing authority.

3. The audit authority shall carry out system audits and audits of operations in accordance with Articles 71, 73 or 77 at the level of bodies implementing the financial instrument and, in the context of guarantee funds, at the level of bodies delivering the underlying new loans.

4. The audit authority shall not carry out audits at the level of the EIB or other international financial institutions in which a Member State is a shareholder, for financial instruments implemented by them.

   However, the EIB or other international financial institutions in which a Member State is a shareholder shall provide to the Commission and to the audit authority an annual audit report drawn up by their external auditors by the end of each calendar year. This report shall cover the elements included in Annex XVII.

5. The EIB or other international financial institutions shall provide to the programme authorities all the necessary documents to enable them to fulfil their obligations.

*Article 76*

***Availability of documents***

1. Without prejudice to the rules governing State aid, the managing authority shall ensure that all supporting documents related to an operation supported by the Funds are kept at the appropriate level for a five-year period from 31 December of the year in which the last payment by the managing authority to the beneficiary is made.

2. This time period shall be interrupted either in the case of legal proceedings or by a request of the Commission.

# CHAPTER III
# Reliance on national management systems

*Article 77*
***Enhanced proportionate arrangements***

The Member State may apply the following enhanced proportionate arrangements for the management and control system of a programme when the conditions set out in Article 78 are fulfilled:

(a) by way of derogation from Article 68(1)(a) and 68(2), the managing authority may apply only national procedures to carry out management verifications;

(b) by way of derogation from Article 73(1) and (3), the audit authority may limit its audit activity to a statistical sample of 30 sampling units for the programme or group of programmes concerned;

(c) the Commission, shall limit its own audits to a review of the work of the audit authority through re-performance at its level only, unless available information suggests a serious deficiency in the work of the audit authority.

For point (b), where the population consists of less than 300 sampling units, the audit authority may apply a non-statistical sampling method in accordance with Article 73(2).

*Article 78*
***Conditions for application of enhanced proportionate arrangements***

1. The Member State may apply the enhanced proportionate arrangements set out in Article 77 at any time during the programming period, where the Commission has confirmed in its published annual activity reports for the last two years preceding the Member State's decision to apply the provisions of this Article, that the programme's management and control system is functioning effectively and that the total error rate for each year is below 2 %. When assessing the effective functioning of the programme's management and control system, the Commission shall take into account the participation of the Member State concerned in the enhanced cooperation on the European Public Prosecutor's Office.

   Where a Member State decides to use this option, it shall notify the Commission on the application of the proportionate arrangements set out in Article 77 which shall apply from the start of the subsequent accounting year.

2. At the start of the programming period, the Member State may apply the arrangements referred to in Article 77, provided that the conditions set out in paragraph 1 of this Article are met with respect to a similar programme implemented in 2014-2020 and where the management and control arrangements established for the 2021-2027 programme build largely on those for the previous programme. In such cases, the enhanced proportionate arrangements will apply from the start of the programme.

3. The Member State shall establish or update accordingly the description of the management and control system and the audit strategy described in Articles 63(9) and 72.

*Article 79*
***Adjustment during the programming period***

1. Where the Commission or the audit authority conclude, based on the audits carried out and the annual control report, that the conditions set out in Article 78 are no longer fulfilled, the

Commission shall request the audit authority to carry out additional audit work in accordance with Article 63(3) and take remedial actions.

2. Where the subsequent annual control report confirms that the conditions continue not to be fulfilled, thus limiting the assurance provided to the Commission on the effective functioning of the management and control systems and of the legality and regularity of expenditure, the Commission shall request the audit authority to carry out system audits.

3. The Commission may, after having given to the Member State the opportunity to present its observations, inform the Member State that the enhanced proportionate arrangements set out in Article 77 shall no longer be applied.

## TITLE VII
## FINANCIAL MANAGEMENT, SUBMISSION AND EXAMINATION OF ACCOUNTS AND FINANCIAL CORRECTIONS

# CHAPTER I
# Financial management

## SECTION I
## GENERAL ACCOUNTING RULES

*Article 80*
***Budgetary commitments***

1. The decision approving the programme in accordance with Article 18 shall constitute a financing decision within the meaning of [Article 110(3)] of the Financial Regulation and its notification to the Member State concerned shall constitute a legal commitment.

   That decision shall specify the Union contribution per Fund and per year.

2. The budgetary commitments of the Union in respect of each programme shall be made by the Commission in annual instalments for each Fund during the period between 1 January 2021 and 31 December 2027.

3. By way of derogation from Article 111(2) of the Financial Regulation, the budgetary commitments for the first instalment shall follow the adoption of the programme by the Commission.

*Article 81*
***Use of the euro***

Any amounts set out in programmes, reported or declared to the Commission by Member States shall be denominated in euro.

*Article 82*
***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 98 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.

## SECTION II
## RULES FOR PAYMENTS TO MEMBER STATES

*Article 83*
***Types of payments***

Payments shall take the form of pre-financing, interim payments and payments of the balance of the accounts for the accounting year.

*Article 84*
***Pre-financing***

1. The Commission shall pay pre-financing based on the total support from the Funds set out in the decision approving the programme pursuant to Article 17(3)(f)(i).

2. The pre-financing for each Fund shall be paid in yearly instalments before 1 July of each year, subject to availability of funds, as follows:

   (a) 2021: 0.5 %;

   (b) 2022: 0.5 %;

   (c) 2023: 0.5 %;

   (d) 2024: 0.5 %;

   (e) 2025: 0.5 %;

   (f) 2026: 0.5 %

   Where a programme is adopted after 1 July 2021, the earlier instalments shall be paid in the year of adoption.

3. By way of derogation from paragraph 2, for Interreg programmes, specific rules on pre-financing shall be set out in the ETC Regulation.

4. The amount paid as pre-financing shall be cleared from the Commission accounts no later than with the final accounting year.

5. Any interest generated by the pre-financing shall be used for the programme concerned in the same way as the Funds and shall be included in the accounts for the final accounting year.

*Article 85*
***Payment applications***

1. The Member State shall submit a maximum of four payment applications per programme, per Fund and per accounting year. Every year the time limit for each payment application shall be 30 April, 31 July, 31 October and 26 December.

   The last payment application submitted by 31 July shall be deemed to be the final payment application for the accounting year that has ended 30 June.

2. Payment applications shall not be admissible unless the latest assurance package due has been submitted.

3. Payment applications shall be submitted to the Commission in accordance with the template set out in Annex XIX and include, for each priority and by category of region:

   (a) the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations, as entered in the system of the body carrying out the accounting function;

   (b) the amount for technical assistance calculated in accordance with Article 31(2);

   (c) the total amount of public contribution paid or to be paid, as entered in the accounting systems of the body carrying out the accounting function;

4. By way of derogation from point (a) of paragraph 3, the following shall apply:

   (a) where the Union contribution is made pursuant to point (a) of Article 46, the amounts included in a payment application shall be the amounts justified by the progress in the fulfilment of conditions, or achievement of results, in accordance with the decision referred to in Article 89(2);

   (b) where the Union contribution is made pursuant to points (c), (d) and (e) of Article 46, the amounts included in an payment application shall be the amounts determined in accordance with the decision referred to in Article 88(3);

   (c) for the forms of grants listed in points (b), (c) and (d) of Article 48(1), the amounts included in a payment application shall be the costs calculated on the applicable basis.

5. By way of derogation from point (c) of paragraph 3, in the case of aid schemes under Article 107 of the 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.

*Article 86*

***Specific elements for financial instruments in payment applications***

1. Where financial instruments are implemented in accordance with Article 53(2), payment applications submitted in accordance with Annex XIX shall include the total amounts disbursed or, in the case of guarantees, the amounts set aside as agreed in guarantee contracts, by the managing authority to final recipients as referred to in points (a), (b) and (c) of Article 62(1).

2. Where financial instruments are implemented in accordance with Article 53(3), payment applications that include expenditure for financial instruments shall be submitted in accordance with the following conditions:

   (a) the amount included in the first payment application shall have been paid to the financial instruments and may be up to 25 % of the total amount of programme contributions committed to the financial instruments under the relevant funding agreement, in accordance with the relevant priority and category of region, if applicable;

   (b) the amount included in subsequent payment applications submitted during the eligibility period shall include the eligible expenditure as referred to in Article 62(1).

3. The amount included in the first payment application, referred to in point (a) of paragraph 2, shall be cleared from Commission accounts no later than the final accounting year.

   It shall be disclosed separately in payment applications.

*Article 87*

***Common rules for payments***

1. Subject to available funding, the Commission shall make interim payments no later than 60 days after the date on which a payment application is received by the Commission.

2. Each payment shall be attributed to the earliest open budget commitment of the Fund and category of region concerned. The Commission shall reimburse as interim payments 90 % of the amounts included in the payment application, which results from applying the co-financing rate for each priority to the total eligible expenditure or to the public contribution as appropriate. The Commission shall determine the remaining amounts to be reimbursed or to be recovered when calculating the balance of the accounts in accordance with Article 94.

3. The support from the Funds to a priority in interim payments shall not be higher than the amount of the support from the Funds for the priority laid down in the decision of the Commission approving the programme.

4. Where the Union contribution takes the form of point (a) of Article 46 or where the grants take the form listed in points (b), (c) and (d) of Article 48(1) the Commission shall not pay more than the amount requested by the Member State.

5. In addition, the support from the Funds to a priority in the payment of the balance of the final accounting year shall not exceed any of the following amounts:

   (a) the public contribution declared in payment applications;

   (b) support from the Funds paid to beneficiaries;

   (c) the amount requested by the Member State.

6. On the request of a Member State, interim payments may be increased by 10 % above the co-financing rate applicable to each priority for the Funds, if a Member State meets one of the following conditions after [date of adoption of this Regulation]:

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

   (b) the Member State receives medium-term financial assistance under the ESM as established by the Treaty establishing the ESM of 2 February 2012 or as referred to in Council Regulation (EC) No 332/2002[50] conditional on the implementation of a macro-economic adjustment programme;

   (c) financial assistance is made available to the Member State conditional on the implementation of a macroeconomic adjustment programme as specified in Regulation (EU) No 472/2013[51] of the European Parliament and of the Council.

   The increased rate, which may not exceed 100 %, shall apply to requests for payments until the end of the calendar year in which the related financial assistance comes to an end.

7. Paragraph 6 shall not apply to Interreg programmes.

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[50] Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 53, 23.2.2002, p. 1).

[51] Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

*Article 88*

***Reimbursement of eligible expenditure based on unit costs, lump sums and flat rates***

1. The Commission may reimburse the Union contribution to a programme on the basis of unit costs, lump sums and flat rates for reimbursement of the Union contribution to a programme.

2. In order to make use of a Union contribution to the programme based on unit costs, lump sums and flat rates as referred to in Article 46, Member States shall submit a proposal to the Commission in accordance with the templates set out in Annexes V and VI, as part of the programme or of a request for its amendment.

   The amounts and rates proposed by the Member State shall be established on the basis of the delegated act referred to in paragraph 4 or on the basis of the following:

   (a) a fair, equitable and verifiable calculation method based on any of the following:

      (i) statistical data, other objective information or an expert judgement;

      (ii) verified historical data;

      (iii) the application of usual cost accounting practices;

   (b) draft budgets;

   (c) the rules on corresponding unit costs and lump sums applicable in Union policies for a similar type of operation;

   (d) the rules on corresponding unit costs and lump sums applied under schemes for grants funded entirely by the Member State for a similar type of operation.

3. The Commission decision approving the programme or its amendment shall set out the types of operations covered by the reimbursement based on unit costs, lump sums and flat rates, the definition and the amounts covered by unit costs, lump sums and flat rates and the methods for adjustment of the amounts.

   Member States shall use one of the forms of grants as referred to in Article 48(1) to support operations for which expenditure is reimbursed by the Commission on the basis of this Article.

   Commission or Member States audits shall exclusively aim at verifying that the conditions for reimbursement by the Commission have been fulfilled.

4. The Commission is empowered to adopt a delegated act in accordance with Article 107 to supplement this Article by defining unit costs, lump sums, flat rates, their amounts and adjustment methods in the ways referred to in the second sub-paragraph of paragraph 2.

*Article 89*

***Financing not linked to costs***

1. In order to make use of a Union contribution to all or parts of a priority of programmes based on financing not linked to costs, the Member State shall submit a proposal to the Commission in accordance with the templates set out in Annexes V and VI, as part of the programme or of a request for its amendment. The proposal shall contain the following information:

   (a) identification of the priority concerned and the overall amount covered by the financing not linked to costs; a description of the part of the programme and the type of operations covered by the financing not linked to costs;

   (b) a description of the conditions to be fulfilled or of the results to be achieved and a timeline;

(c) intermediate deliverables triggering reimbursement by the Commission;

(d) measurement units;

(e) the schedule for reimbursement by the Commission and related amounts linked to the progress in the fulfilment of conditions or achievement of results;

(f) the arrangements for verification of the intermediate deliverables and of the fulfilment of conditions or achievement of results;

(g) the methods for adjustment of the amounts, where applicable;

(h) the arrangements to ensure the audit trail in accordance with Annex XI demonstrating the fulfilment of conditions or achievement of results.

2. The Commission decision approving the programme or the request for its amendment shall set out all the elements listed in paragraph 1.

3. Member States shall use one of the forms of grants as referred to in Article 48(1) to support operations for which expenditure is reimbursed by the Commission on the basis of this Article.

Commission or Member States audits shall exclusively aim at verifying that the conditions for reimbursement by the Commission have been fulfilled or the results have been achieved.

4. The Commission is empowered to adopt a delegated act in accordance with Article 107 to supplement this Article by establishing amounts for financing not linked to costs by type of operation, the methods for adjustment of the amounts and the conditions to be fulfilled or the results to be achieved.

## SECTION III
## INTERRUPTIONS AND SUSPENSIONS

### *Article 90*
### ***Interruption of the payment deadline***

1. The Commission may interrupt the payment deadline for payments, except for pre-financing, for a maximum period of six months where any of the following conditions is met:

(a) there is evidence to suggest a serious deficiency and for which corrective measures have not been taken;

(b) the Commission has to carry out additional verifications following receipt of information that expenditure in a payment application may be linked to an irregularity.

2. The Member State may agree to extend the interruption period by three months.

3. The Commission shall limit the interruption to the part of the expenditure affected by the elements referred to in paragraph 1, unless it is not possible to identify the part of the expenditure affected. The Commission shall inform the Member State in writing of the reason for interruption and shall ask them to remedy the situation. The Commission shall end the interruption as soon as the measures remedying the elements referred to in paragraph 1 have been taken.

4. The Fund-specific rules for the EMFF may lay down specific bases for interruption of payments linked to non-compliance with rules applicable under the Common Fisheries Policy.

*Article 91*
***Suspension of payments***

1. The Commission may suspend all or part of payments after having given the Member State the opportunity to present its observations, if any of the following conditions is met:
   (a) the Member State has failed to take the necessary action to remedy the situation giving rise to an interruption under Article 90;
   (b) there is a serious deficiency;
   (c) the expenditure in payment applications is linked to an irregularity that has not been corrected;
   (d) there is a reasoned opinion by the Commission in respect of an infringement under Article 258 of the TFEU that puts at risk the legality and regularity of expenditure
   (e) the Member State has failed to take the necessary action in accordance with Article 15(6).
2. The Commission shall end the suspension of all or part of payments when the Member State has taken the measures remedying the elements referred to in paragraph 1.
3. 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.

# CHAPTER II
# Submission and examination of accounts

*Article 92*
***Content and submission of accounts***

1. For each accounting year for which payment applications have been submitted, the Member State shall submit to the Commission by 15 February, the following documents ('the assurance package') which shall cover the preceding accounting year as defined in Article 2(28):
   (a) the accounts in accordance with the template set out in Annex XX;
   (b) the management declaration referred to in Article 68(1)(f) in accordance with the template set out in Annex XV;
   (c) the audit opinion referred to in Article 71(3)(a) in accordance with the template set out in Annex XVI;
   (d) the annual control report referred to in Article 71(3)(b) in accordance with the template set out in Annex XVII.
2. The deadline referred to in paragraph 1 may exceptionally be extended by the Commission to 1 March, upon communication by the Member State concerned.
3. The accounts shall include at the level of each priority and, where applicable, fund and category of region:
   (a) the total amount of eligible expenditure entered into the accounting systems of the body carrying out the accounting function which has been included in the final payment application for the accounting year and the total amount of the corresponding public contribution paid or to be paid;

(b) the amounts withdrawn during the accounting year;

(c) the amounts of public contribution paid to each financial instrument;

(d) for each priority, an explanation on any differences between the amounts declared pursuant to point (a) and the amounts declared in payment applications for the same accounting year.

4. The accounts shall not be admissible if Member States have not undertaken the necessary corrections to reduce the residual risk on the legality and regularity of the expenditure included in the accounts to less than 2 %.

5. Member States shall in particular deduct from the accounts:

(a) the irregular expenditure which has been subject to financial corrections in accordance with Article 97;

(b) the expenditure which is subject to an ongoing assessment of its legality and regularity;

(c) other amounts as necessary to reduce to 2 % the residual error rate of the expenditure declared in the accounts.

The Member State may include expenditure under point (b) of the first sub-paragraph in a payment application in subsequent accounting years once its legality and regularity is confirmed.

6. The Member State may replace irregular amounts which it has 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 Article 98.

7. As part of the assurance package, the Member State shall submit for the last accounting year the final performance report referred to in Article 38 or the last annual implementation report for the EMFF, the AMIF, the ISF and the BMVI.

*Article 93*
***Examination of accounts***

The Commission shall satisfy itself that the accounts are complete, accurate and true by 31 May of the year following the end of the accounting year unless Article 96 applies.

*Article 94*
***Calculation of the balance***

1. When determining the amount chargeable to the Funds 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 95(2) and to which the co-financing rate for each priority is to be applied;

(b) the total amount of interim payments made by the Commission during that accounting year.

2. 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 in subsequent payments to the same programme. Such a recovery shall not constitute a financial correction and shall not reduce support from the Funds to the programme. The amount recovered shall constitute assigned revenue in accordance with Article [177(3)] of the Financial Regulation.

*Article 95*

***Procedure for the examination of accounts***

1. The procedure set out in Article 96 shall apply in either of the following cases:

   (a) the audit authority has provided a qualified or adverse audit opinion due to reasons linked to the completeness, accuracy and veracity of the accounts;

   (b) the Commission has evidence putting into question the reliability of an unqualified audit opinion.

2. In all other cases, the Commission shall calculate the amounts chargeable to the Funds in accordance with Article 94 and make the respective payments or recoveries before 1 July. That payment or recovery shall constitute the acceptance of accounts.

*Article 96*

***Contradictory procedure for the examination of accounts***

1. If the audit authority provides an audit opinion which is qualified due to reasons linked to the completeness, accuracy and veracity of the accounts, the Commission shall ask the Member State to revise the accounts and to resubmit the documents referred to in Article 92(1) within one month.

   Where by the time limit set out in the first sub-paragraph:

   (a) the audit opinion is unqualified, Article 94 shall apply and the Commission shall pay any additional amount due or proceed to a recovery within two months;

   (b) the audit opinion is still qualified or documents have not been re-submitted by the Member State, paragraphs 2, 3 and 4 shall apply.

2. If the audit opinion remains qualified due to reasons linked to the completeness, accuracy and veracity of the accounts or if the audit opinion remains unreliable, the Commission shall inform the Member State on the amount chargeable to the Funds for the accounting year.

3. Where the Member State agrees with this amount within one month, the Commission shall pay any additional amount due or proceed to a recovery in accordance with Article 94 within two months.

4. Where the Member State does not agree with the amount referred to in paragraph 2, the Commission shall establish the amount chargeable to the Funds for the accounting year. Such an act shall not constitute a financial correction and shall not reduce support from the Funds to the programme. The Commission shall pay any additional amount due or proceed to a recovery in accordance with Article 94 within two months.

5. With regard to the final accounting year, the Commission shall pay or recover the annual balance of the accounts for programmes supported by the ERDF, the ESF+ and the Cohesion Fund no later than two months after the date of acceptance of the final performance report as referred to in Article 38.

# CHAPTER III
# Financial corrections

*Article 97*
***Financial corrections by Member States***

1. Member States shall protect the Union budget and apply financial corrections by cancelling all or part of the support from the Funds to an operation or programme when expenditure declared to the Commission is found to be irregular.

2. Financial corrections shall be recorded in the accounts for the accounting year in which the cancellation is decided.

3. The support from the Funds cancelled may be reused by the Member State within the programme concerned except for an operation that was subject of that correction or, where a financial correction is made for a systemic irregularity, for any operation affected by the systemic irregularity.

4. 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.

5. By way of derogation from paragraphs 1 to 3, in operations comprising financial instruments, a contribution cancelled in accordance with this Article, as a result of an individual irregularity, may be re-used within the same operation under the following conditions:

   (a) where the irregularity that gives rise to the cancellation of the contribution is detected at the level of the final recipient: only for other final recipients within the same financial instrument;

   (b) where the irregularity that gives rise to the cancellation of the contribution is detected at the level of the body implementing the specific fund, where a financial instrument is implemented through a structure with a holding fund, only for other bodies implementing specific funds.

   Where that irregularity that gives rise to the cancellation of the contribution is detected at the level of the body implementing the holding fund, or at the level of the body implementing the specific fund where a financial instrument is implemented through a structure without a holding fund, the contribution cancelled shall not be reused within the same operation.

   Where a financial correction is made for a systemic irregularity, the contribution cancelled shall not be reused for any operation affected by the systemic irregularity.

6. The bodies implementing financial instrument shall reimburse to Member States programme contributions affected by irregularities, together with interest and any other gains generated by those contributions.

   The bodies implementing financial instruments shall not reimburse to Member States the amounts referred to in the first subparagraph provided that those bodies demonstrate for a given irregularity that the following cumulative conditions are fulfilled:

   (a) the irregularity occurred at the level of final recipients or, in the case of a holding fund, at the level of bodies implementing specific funds or final recipients;

   (b) the bodies implementing financial instruments performed their obligations, in relation to the programme contributions affected by the irregularity, in accordance with applicable

law and acted with the degree of professional care, transparency and diligence expected from a professional body experienced in implementing financial instruments;

(c) the amounts affected by the irregularity could not be recovered notwithstanding that the bodies implementing financial instruments pursued all applicable contractual and legal measures with due diligence.

*Article 98*

***Financial corrections by the Commission***

1. The Commission shall make financial corrections by reducing support from the Funds to a programme where it concludes that:

   (a) there is a serious deficiency which has put at risk the support from the Funds already paid to the programme;

   (b) expenditure contained in accepted accounts is irregular and was not detected and reported by the Member State;

   (c) the Member State has not complied with its obligations under Article 91 prior to the opening of the financial correction procedure by the Commission.

   Where the Commission applies flat-rate or extrapolated financial corrections, this shall be carried out in accordance with Annex XXI.

2. Before taking a decision on a financial correction, the Commission shall inform the Member State of its conclusions and give the Member State the opportunity to present its observations within two months.

3. Where the Member State does not accept the 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 to form the basis for Commission conclusions on the application of the financial correction.

4. The Commission shall decide on a financial correction by means of an implementing act within 12 months of the hearing or from submission of additional information as required by the Commission.

   When deciding on a financial correction, the Commission shall take account of all information and observations submitted.

   Where a Member States agrees to the financial correction for cases referred to in points (a) and (c) of paragraph 1 before the adoption of the decision referred to in paragraph 1, the Member State may reuse the amounts concerned. This possibility shall not apply to financial correction for cases referred to in (b) of paragraph 1.

5. 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.

# CHAPTER IV
# Decommitment

*Article 99*
***Decommitment principles and rules***

1. The Commission shall decommit any amount in a programme which has not been used for pre-financing in accordance with Article 84 or for which a payment application has not been submitted in accordance with Articles 85 and 86 by 26 December of the second calendar year following the year of the budget commitments for the years 2021 to 2026.

2. The amount to be covered by pre-financing or payment applications by the time limit established in paragraph 1 concerning the budget commitment of 2021 shall be 60 % of that commitment. 10 % of the budget commitment of 2021 shall be added to each budget commitment for the years 2022 to 2025 for the purposes of calculating the amounts to be covered.

3. The part of commitments still open on 31 December 2029 shall be decommitted if the assurance package and the final performance report for programmes supported by the ESF+, the ERDF and the Cohesion Fund have not been submitted to the Commission by the time limit set out in Article 38(1).

*Article 100*
***Exceptions to the decommitment rules***

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 payment application for reasons of *force majeure* seriously affecting implementation of all or part of the programme.

   The national authorities claiming *force majeure* shall demonstrate the direct consequences of the *force majeure* on the implementation of all or part of the programme.

2. By 31 January, the Member State shall send to the Commission information on the exceptions referred to in points (a) and (b) of paragraph 1 for the amount to be declared by 26 December.

*Article 101*
***Procedure for decommitment***

1. On the basis of the information it has received as of 31 January, the Commission shall inform the Member State of the amount of the decommitment resulting from that information.

2. The Member State shall have one month to agree to the amount to be decommitted or to submit its observations.

3. By 30 June, the Member State shall submit to the Commission a revised financing plan reflecting, for the calendar year concerned, the reduced amount of support over one or more priorities of the programme. For programmes supported by more than one Fund, the amount of support shall be reduced by Fund proportionately to the amounts concerned by the decommitment that had not been used in the calendar year concerned.

In the absence of such submission, the Commission shall revise the financing plan by reducing the contribution from the Funds for the calendar year concerned. That reduction shall be allocated to each priority proportionately to the amounts concerned by the decommitment that had not been used in the calendar year concerned.

4. The Commission shall amend the decision approving the programme no later than 31 October.

## TITLE VIII
## FINANCIAL FRAMEWORK

*Article 102*

***Geographical coverage of support for the Investment for jobs and growth goal***

1. The ERDF, the ESF+ and the Cohesion Fund shall support the Investment for jobs and growth goal in all regions corresponding to level 2 of the common classification of territorial units for statistics ('NUTS level 2 regions') established by Regulation (EC) No 1059/2003 as amended by Commission Regulation (EC) No 868/2014.

2. Resources from the ERDF and ESF+ for the Investment for jobs and growth 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 ('less developed regions');

   (b) transition regions, whose GDP *per capita* is between 75 % and 100% of the average GDP of the EU-27 ('transition regions');

   (c) more developed regions, whose GDP *per capita* is above 100 % of the average GDP of the EU-27 ('more developed regions').

   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 standards ('PPS') and calculated on the basis of Union figures for the period 2014-2016, 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 2014-2016, is less than 90 % of the average GNI *per capita* of the EU-27 for the same reference period.

4. The Commission shall adopt a decision by means of implementing act setting out the list of regions fulfilling the criteria of one of the three categories of regions and of Member States fulfilling the criteria of paragraph 3. That list shall be valid from 1 January 2021 to 31 December 2027.

*Article 103*

***Resources for economic, social and territorial cohesion***

1. The resources for economic, social and territorial cohesion available for budgetary commitment for the period 2021-2027 shall be EUR 330 624 388 630 in 2018 prices.

   For the purposes of programming and subsequent inclusion in the budget of the Union, that amount shall be indexed at 2 % per year.

2. The Commission shall adopt a decision, by means of implementing act, setting out the annual breakdown of the global resources per Member State under the Investment for jobs and

growth goal, per category of regions, together with the list of eligible regions in accordance with the methodology set out in Annex XXII.

That decision shall also set out the annual breakdown of the global resources per Member State under the European territorial cooperation goal (Interreg).

3. 0,35 % of the global resources after the deduction of the support to the CEF referred to in Article 104(4), shall be allocated to technical assistance at the initiative of the Commission.

*Article 104*

***Resources for the Investment for jobs and growth goal and for the European territorial cooperation goal (Interreg)***

1. Resources for the Investment for jobs and growth goal shall amount to 97.5 % of the global resources (i.e., a total of EUR 322 194 388 630) and shall be allocated as follows:

   (a) 61.6 % (i.e a total of EUR 198 621 593 157) for less developed regions;

   (b) 14.3 % (i.e a total of EUR 45 934 516 595) for transition regions;

   (c) 10.8 % (i.e., a total of EUR 34 842 689 000) for more developed regions;

   (d) 12.8 % (i.e., a total of EUR 41 348 556 877) for Member States supported by the Cohesion Fund;

   (e) 0.4 % (i.e., a total of EUR 1 447 034 001) as additional funding for the outermost regions identified in Article 349 of the TFEU and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession.

2. In 2024, the Commission shall, in its technical adjustment for the year 2025 in accordance with Article [6] of Regulation (EU, Euratom) [[…] (*MFF Regulation*)], review the total allocations under the Investment for jobs and growth goal of each Member State for 2025 to 2027.

   The Commission shall in its review apply the allocation method set out in Annex XXII on the basis of the then available most recent statistics.

   Following the technical adjustment, the Commission shall amend the implementing act setting out a revised annual breakdown referred to in Article 103(2).

3. The amount of resources available for the ESF+ under the Investment for jobs and growth goal shall be EUR 88 646 194 590.

   The amount of additional funding for the outermost regions referred to in point (e) in paragraph 1 allocated to the ESF+ shall be EUR 376 928 934.

4. The amount of support from the Cohesion Fund to be transferred to the CEF shall be EUR 10 000 000 000. It shall be spent for transport infrastructure projects by launching specific calls in accordance with Regulation (EU) [*number of new CEF Regulation*] exclusively in Member States eligible for funding from the Cohesion Fund.

   The Commission shall adopt 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.

   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 2021 budgetary exercise.

30% of the resources transferred to the CEF shall be available immediately after the transfer to all Member States eligible for funding from the Cohesion Fund to finance transport infrastructure projects in accordance with Regulation (EU) [*the new CEF Regulation*].

Rules applicable for the transport sector under Regulation (EU) [*new CEF Regulation*] shall apply to the specific calls referred to in the first subparagraph. Until 31 December 2023, the selection of projects eligible for financing shall respect the national allocations under the Cohesion Fund with regard to 70% of the resources transferred to the CEF.

As of 1 January 2024, 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) [*the new CEF Regulation*].

5. EUR 500 000 000 of the resources for the Investment for jobs and growth goal shall be allocated to the European Urban Initiative under direct or indirect management by the Commission.

6. EUR 175 000 000 of the ESF+ resources for the Investment for jobs and growth goal shall be allocated for transnational cooperation supporting innovative solutions under direct or indirect management.

7. Resources for the European territorial cooperation goal (Interreg) shall amount to 2.5 % of the global resources available for budgetary commitment from the Funds for the period 2021-2027 (i.e. a total of EUR 8 430 000 000).

*Article 105*
***Transferability of resources***

1. The Commission may accept a proposal by a Member State in its submission of the Partnership Agreement or in the context of the mid-term review, for a transfer:

   (a) of not more than 15 % of the total allocations for less developed regions to transition regions or more developed regions and from transition regions to more developed regions;

   (b) from the allocations for more developed regions or transition regions to less developed regions.

2. The total allocations to each Member State in respect of the Investment for jobs and growth goal and the European territorial cooperation goal (Interreg) shall not be transferable between those goals.

*Article 106*
***Determination of co-financing rates***

1. The Commission decision approving a programme shall fix the co-financing rate and the maximum amount of support from the Funds for each priority.

2. For each priority, the Commission decision shall set out whether the co-financing rate for the priority is to be applied to either of the following:

   (a) total contribution, including public and private contribution;

   (b) public contribution.

3. The co-financing rate for the Investment for jobs and growth goal at the level of each priority shall not be higher than:

(a) 70 % for the less developed regions ;

(b) 55 % for the transition regions;

(c) 40 % for the more developed regions.

The co-financing rates set out under point (a), shall also apply to outermost regions.

The co-financing rate for the Cohesion Fund at the level of each priority shall not be higher than 70 %.

The ESF+ Regulation may establish higher co-financing rates for priorities supporting innovative actions in accordance with Article [14] of that Regulation.

4. The co-financing rate for Interreg programmes shall be no higher than 70 %.

The ETC Regulation may establish higher co-financing rates for external cross-border cooperation programmes under the European territorial cooperation goal (Interreg).

5. Technical assistance measures implemented at the initiative of, or on behalf of, the Commission may be financed at the rate of 100 %.

## TITLE IX
## DELEGATION OF POWER, IMPLEMENTING, TRANSITIONAL AND FINAL PROVISIONS

# CHAPTER I
# Delegation of power and implementing provisions

*Article 107*
***Delegation of powers***

The Commission is empowered to adopt delegated acts in accordance with Article 108 to amend the Annexes to this Regulation in order adapt to changes occuring during the programming period for non-essential elements of this Regulation, except for Annexes III, IV, X and XXII.

*Article 108*
***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 63(10), Article 73(4), Article 88(4), Article 89(4) and Article 107 shall be conferred on the Commission for an indeterminate period of time from date of entry into force of this Regulation.

3. The delegation of power referred to in Article 63(10), Article 73(4), Article 88(4) and and Article 89(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. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Article 63(10), Article 73(4), Article 88(4), Article 89(4) and 107 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 109*
***Committee Procedure***

1. The Commission shall be assisted by a committee. 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.

# CHAPTER II
# Transitional and final provisions

*Article 110*
***Transitional provisions***

Regulation (EC) No 1303/2013 or any other act applicable to the 2014–2020 programming period shall continue to apply to programmes and operations supported by the ERDF, the ESF+, the Cohesion Fund and the EMFF under that period.

*Article 111*
***Conditions for operations subject to phased implementation***

1. The managing authority may proceed with the selection of an operation consisting of the second phase of an operation selected for support and started under Regulation (EC) No 1303/2013, provided that the following cumulative conditions are met:

   (a) the operation, as selected for support under Regulation (EC) No 1303/2013, has two phases identifiable from a financial point of view with separate audit trails;

   (b) the total cost of the operation exceeds EUR 10 million;

   (c) expenditure included in a payment application in relation to the first phase is not included under any payment applications in relation to the second phase;

   (d) the second phase of the operation complies with applicable law and is eligible for support from the ERDF, the ESF+ and the Cohesion Fund under the provisions of this Regulation or the Fund-specific Regulations;

   (e) the Member State commits to complete during the programming period and render operational the second and final phase in the final implementation report submitted in accordance with Article 141 of Regulation (EC) No 1303/2013.

2. The provisions of this Regulation shall apply to the second phase of the operation.

*Article 112*

***Entry into force***

This Regulation shall enter into force on the twentieth 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 the Member States in accordance with the Treaties.

Done at Strasbourg,

| | |
|---|---|
| *For the European Parliament* | *For the Council* |
| *The President* | *The President* |

# LEGISLATIVE FINANCIAL STATEMENT

## 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

### 1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management Instrument

### 1.2. Policy area(s) concerned *(Programme cluster)*

Cohesion and values

### 1.3. The proposal/initiative relates to:

☐ **a new action**

☐ **a new action following a pilot project/preparatory action**[52]

X **the extension of an existing action**

☐ **a merger or redirection of one or more actions towards another/a new action**

### 1.4. Grounds for the proposal/initiative

*1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

During 2019 Adoption of the regulation

During 2020 Negotiation of programmes

1 January 2021 Start of the new programmes

*1.4.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

**Reasons for action at European level (ex-ante)**

EU action for the European Regional Development Fund, the European Social Fund Plus, Cohesion Fund, EMFF, AMIF, ISF and BMVI is justified on the grounds of the objectives laid out in Article 174 TFEU. The right to act is enshrined in Article 175 TFEU which explicitly calls on the Union to implement this policy by means of Structural Funds, in conjunction with Article 177, which defines the role of the Cohesion Fund. The aims of the ESF, ERDF and the Cohesion Fund are defined in Articles 162, 176 and 177 TFEU respectively. The actions related to fisheries are justified by Article 39 TFEU.

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

[52] As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

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

Expected generated Union added value (ex-post)

Effectiveness and efficiency: where EU action goes further in getting results. For example, in many countries, cohesion policy represents around 50% (or more) of public investment – these Member States would not have the financial capacity to carry out such investments otherwise. Moreover, smart specialisation strategies (RIS3) would not exist in most regions, whether more or less developed, nor would they be maintained, without the ERDF.

Contribution to goals which matter to EU citizens. The promotion of jobs and growth, green and low carbon growth, social inclusion and the integration of migrantss, the good maintenance of borders – all these matter to citizens. Moreover the enabling conditions promote structural reforms and the modernisation of administration.

*1.4.3. Lessons learned from similar experiences in the past*

(1) Simplification: the need to reduce the administrative burden. This was a key and repeated finding. Over complex management, control and audit systems were a source of administrative uncertainty and implementation delay and a disincentive to apply for support. The use of simplified cost options was a particular recommendation.

(2) Flexibility to respond to emerging needs. For example, the ex post evaluation of ERDF and the Cohesion Fund found that the adaptation of programmes in the economic crisis was one of the success stories in the 2007-2013 period and should be built upon.

(3) The potential of financial instruments (FIs). Evaluations found that FIs have the potential to be a more efficient means of funding investment in some policy areas, but there are delays in implementation and it is a challenge to spread their use.

*1.4.4. Compatibility and possible synergy with other appropriate instruments*

By the nature of the support, the most significant synergies are with Horizon Europe and the Connecting Europe Facility:

Horizon Europe will focus on 'European excellence' (the generation and exploitation of new knowledge, leading edge research) ERDF on 'regional relevance' (diffusion of existing knowledge and technology to places that need it, embedding it locally via smart specialization strategies, building local innovation systems).

To enable consistency with the Connecting Europe Facility (CEF), there is enhanced synergy and complementarity where the CEF will focus in particular on the "core network" while the  the ERDF and the Cohesion Fund will also provide support for the "comprehensive network", including ensuring regional and local access thereto as well as transport connections within urban areas.

## 1.5. Duration and financial impact

☐ **limited duration**

– ☐ in effect from [DD/MM]YYYY to [DD/MM]YYYY

– X Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to 2029 for payment appropriations.

☐ **unlimited duration**

– Implementation with a start-up period from YYYY to YYYY,

followed by full-scale operation.

## 1.6. Management mode(s) planned[53]

☐ **Direct management** by the Commission

– ☐ by its departments, including by its staff in the Union delegations;

– ☐ by the executive agencies

X **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

– ☐ third countries or the bodies they have designated;

– ☐ international organisations and their agencies (to be specified);

– ☐the EIB and the European Investment Fund;

– ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation;

– ☐ public law bodies;

– ☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

– ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

– ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

– *If more than one management mode is indicated, please provide details in the 'Comments' section.*

[53] Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx

## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and reporting rules

*Specify frequency and conditions.*

The monitoring system builds on the best practices of the 2014-2020 budgetary period and will continue to be based on a system of shared management. Monitoring Committees set up for each programme will be given a more prominent role in supervising the programme performance and all the factors influencing this. For transparency, documents submitted to the monitoring committees will be required to be publicly available. Annual performance review meetings between the Commission and Member States complement the system. The requirement for annual implementation reports will be abolished in exchange for more frequent and up-to-date submission of data. A requirement for a final performance report will be kept.

The definition of commonly applicable indicators will contribute to the availability of monitoring information that can be aggregated at Union level.

Electronic data enables the combination of simplification and transparency. In the 2014-2020 period, it was a requirement to establish a system of electronic data exchange between beneficiaries and managing authorities as well as between different authorities of the management and control system. The current regulation builds on this and develops further certain aspects in terms of gathering data. All data necessary for monitoring progress in implementation, including results and performance of programmes, will now be transmitted electronically. Every two months, the open data platform will be updated which means that it will almost reflect performance in real time.

### 2.2. Management and control system(s)

#### *2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

Given the positive results from the reducing error rates reported by the European Court of Auditors (and the uncertainty stemming from not having been in place for a full implementation cycle of programmes, thus definitive conclusions on all its aspects cannot be drawn) it is necessary to keep in place existing fundamental principles of the management and controls system and the financial management rules introduced for the 2014-2020 period.

It is, however, also necessary to recognise the delayed start of 2014-2020 implementation and the sometimes, the unnecessary administrative burden some of the requirements introduced. It is therefore proposed that the tasks and responsibilities of different bodies in the management and control system are set out in a clearer way, in particular with regard to the selection of operations and requirements to ensure compliance with the principles of sound financial management.

All details and secondary rules previously set out in secondary legislation are included in the legislative text to ensure predictability. There is no requirement for undertaking the designation process; the provisions promote the roll-over of existing systems. A higher degree of simplification is proposed for programmes with a well-functioning management and control system and a good track record. Requirements are also clarified with regard to risk based management verifications, single audit

arrangements, as well as in the field of minimum requirements for smaller programmes where non-statistical sampling methods may be necessary to be used.

be used.

*2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The changes and simplification options considered by the Commission post 2020 take into account various Court of Auditors' recommendations for preparation of post 2020 legislation, in particular those calling for reconsideration of the design of the delivery mechanism for the funds (Recommendation 1 of the audit 2015/AUD/0195) taking into account suggestions of the High Level Group.

High error rates in the past were often linked to a lack of legal certainty and different interpretations of the same governing rules, such as in the area of public procurement. Commission introduces several aspects in the new CPR proposal, such as risk based management verifications, a risk based audit strategy, rules on a proportionate need for statistical sampling and specific provisions on proportionality of controls and reliance on national systems, etc.

Detailed Annexes on relevant aspects of the management and control systems aim at providing legal certainty without the need for subsequent secondary legislative acts or lengthy guidance notes that normally follow adoption of the CPR.

*2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

The current delivery mechanism in shared management is at times criticised, including by the Court of Auditors, for being too complex and error prone with high costs at all levels of control. Commission has considered all these critical elements carefully with a view to finding the right balance between accountability, simplification and performance.

Simplification has been introduced to prevent the risk of overlap of controls performed at the different levels upon beneficiairies, and of the overlap between different functions of the mangement and control set up. For instance, for post 2020, the Certification Authorities (currently over 210 in number) shall be replaced by an accounting function that will not be able to duplicate controls in the future. In addition, streamlining of the audit activities is proposed with a decrease of audits of operations carried out at the level of beneficiaries. Specific provisions on enhanced proportionate arrangements are indeed provided for, taking into account the past effective functioning of the management and control system of a programme.

In terms of targeted assurance level, at the stage of the legislative proposals the aim is to maintain the error rate below the materiality threshold of 2%. A different materiality threshold could only be discussed on a case-by-case basis in the light of the legislative debate, notably when the Legislative Authority would not (fully) endorse the proposed programme simplifications and/or would cap the controls, which would have consequences on the expected error rate.

## 2.3. Measures to prevent fraud and irregularities

*Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.*

Commission continues to look into further stregthening all measures put in place by managing authorities for prevention of fraud and irregularites post 2020.

Managing authorities will have to maintain effective and proportionate anti-fraud measures and procedures, specifically taking into account identified risks of fraud.

E-Cohesion and interactive IT systems will remain major requirements for the future. Managing authorities will be enable to roll over the irregularities and fraud prevention processes and systems they have put in place.

## 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

### 3.1. Heading of the multiannual financial framework and new expenditure budget line(s) proposed

| Heading of multiannual financial framework | Budget line | Type of expenditure | Contribution | | | |
|---|---|---|---|---|---|---|
| | Number | Diff./Non-diff.[54] | from EFTA countries [55] | from candidate countries[56] | from third countries | within the meaning of Article [21(2)(b)] of the Financial Regulation |
| **02. Cohesion & Values** | 05.02: European Regional Development Fund (ERDF)<br>05.03: Cohesion Fund (CF)<br>05.03.YY Contribution to the Connecting Europe facility (CEF)<br>07.02: European Social Fund (ESF) | Diff | NO | NO | NO | NO |

[54] Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.
[55] EFTA: European Free Trade Association.
[56] Candidate countries and, where applicable, potential candidates from the Western Balkans.

## 3.2. Estimated impact on expenditure

### *3.2.1. Summary of estimated impact on expenditure*

EUR million in current prices (to three decimal places)

| **Heading of multiannual financial framework** | **02.** | Cohesion and Values |
|---|---|---|

| | | | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | ***Post 2027*** | **TOTAL** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 05.02: European Regional Development Fund (ERDF) | Commitments | | 29,440.110 | 30,327.771 | 31,279.590 | 35,259.611 | 33,267.540 | 34,307.819 | 35,425.598 | | **226,308.000** |
| | Payments | | 1,164.755 | 1,341.699 | 12,834.033 | 16,236.551 | 29,081.391 | 38,297.376 | 38,210.997 | 89,204.236 | **226,308.000** |
| 05.03: Cohesion Fund (CF) | Commitments | | 4,522.388 | 4,684.978 | 4,862.038 | 5,044.652 | 5,232.977 | 5,428.152 | 5,631.603 | | **35,407.000** |
| | Payments | | 175.643 | 200.023 | 3,490.734 | 3,019.315 | 4,914.058 | 5,243.048 | 4,989.748 | 13,374.217 | **35,407.000** |
| 05.03.YY Contribution to the Connecting Europe facility (CEF) | Commitmenst | | 1,441.457 | 1,493.281 | 1,549.717 | 1,607.923 | 1,667.949 | 1,730.159 | 1.795.007 | | **11,285.000** |
| | Payments | | 83.293 | 504.603 | 528.852 | 548.807 | 569.400 | 590.655 | 612.703 | 7,847.181 | **11,285.000** |
| 07.02: European Social Fund (ESF) | Commitments | | 12,983.946 | 13,384.351 | 13,814.025 | 14,256.194 | 14,711.141 | 15,181.257 | 15,669.085 | | **100,000.000**[57] |
| | Payments | | 511.825 | 592.614 | 5,940.557 | 7,241.014 | 12,930766 | 16,995.138 | 16,806.577 | 38,981.508 | **100,000.000** |
| Of which appropriations of an administrative nature financed from the envelope of the programme[58] | Commitments = Payments | | 40.300 | 40.600 | 35.900 | 36.200 | 36.500 | 36.800 | 37.100 | | **263.400** |

[57] This amount does not include the amount for health, employment and social innovation (EUR 1 174 million).

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **TOTAL[59] appropriations for the envelope of the programme** | Commitments | | 48,388.000 | 49,891.000 | 51,506.000 | 53,169.000 | 54,880.000 | 56,648.000 | 58,522.000 | | **373,000.000** |
| | Payments | | 1,935.516 | 2,638.939 | 22,794.176 | 27,,045.687 | 47,432.616 | 61,126.217 | 60,620.025 | 149,407.142 | **373,000.000** |

| **Heading of multiannual financial framework** | 7 | 'Administrative expenditure' |
|---|---|---|

EUR million (to three decimal places)

| **DG EMPL** | | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | ***Post 2027*** | **TOTAL** |
|---|---|---|---|---|---|---|---|---|---|---|
| Human resources[60] | | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | | **599.599** |
| Other administrative expenditure[61] | | | | | | | | | | |
| **TOTAL appropriations under HEADING 7 – DG EMPL** | (Total commitments = Total payments) | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | | **599.599** |

58 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research. This figure is included in the above-mentioned amounts by Fund; it covers only REGIO's Technical assistance. As regards EMPL, see details in separate proposal COM(2018) 382 final. Technical assistance for the CEF is not included in this financial statement.

59 Totals do not tally with individual amounts due to rounding.

60 Identical figures are also mentioned in separate proposal COM(2018) 382 final.

61 See separate proposal COM(2018) 382 final.

EUR million (to three decimal places)

| DG REGIO | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | *Post 2027* | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| Human resources | | 80.506 | 82.116 | 83.758 | 85.433 | 87.141 | 88.883 | 90.660 | | **598.497** |
| Other administrative expenditure | | 2.370 | 2.417 | 2.465 | 2.514 | 2.564 | 2.615 | 2.667 | | **17.612** |
| **TOTAL appropriations under HEADING 7 – DG REGIO** | (Total commitments = Total payments) | 82.876 | 84.533 | 86.223 | 87.947 | 89.705 | 91.498 | 93.327 | | **616.019** |

EUR million in current prices (to three decimal places)

| TOTAL EMPL AND REGIO | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | *Post 2027* | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| Human resources | | 166.163 | 167.773 | 169.415 | 171.090 | 172.798 | 174.540 | 176.317 | | **1,198.006** |
| Other administrative expenditure | | 2.370 | 2.417 | 2.465 | 2.514 | 2.564 | 2.615 | 2.667 | | **17.612** |
| **TOTAL appropriations under HEADING 7 of the multiannual financial framework** | (Total commitments = Total payments) | **168.533** | **170.190** | **171.880** | **173.604** | **175.362** | **177.155** | **178.984** | | **1,215.618** |

EUR million in current prices (to three decimal places)

| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | *Post 2027* | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| **TOTAL appropriations across HEADINGS** of the multiannual financial framework | Commitments | 48,556.533 | 50,061.190 | 51,677.880 | 53,332.604 | 55,055.362 | 56,825.155 | 58,700.984 | | **374,215.618** |
| | Payments | 2,104.049 | 2,809.129 | 22,966.056 | 27,219.291 | 47,607.978 | 61,303.372 | 60,799.009 | 149,407.142 | **374,215.618** |

### 3.2.2. *Summary of estimated impact on appropriations of an administrative nature*

– ☐ The proposal/initiative does not require the use of appropriations of an administrative nature

– **X** The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million in current prices (to three decimal places)

| Years | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | TOTAL |
|---|---|---|---|---|---|---|---|---|

## DG EMPL

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **HEADING 7 of the multiannual financial framework** | | | | | | | | |
| Human resources[62] | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | **599.599** |
| Other administrative expenditure[63] | | | | | | | | |
| **Subtotal HEADING 7 of the multiannual financial framework** | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | 85.657 | **599.599** |

## DG REGIO

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **HEADING 7 of the multiannual financial framework** | | | | | | | | |
| Human resources | 80.506 | 82.116 | 83.758 | 85.433 | 87.141 | 88.883 | 90.660 | **598.497** |
| Other administrative expenditure | 2.370 | 2.417 | 2.465 | 2.514 | 2.564 | 2.615 | 2.667 | **17.612** |
| **Subtotal HEADING 7 of the multiannual financial framework** | 82.876 | 84.533 | 86.223 | 87.947 | 89.705 | 91.498 | 93.327 | **616.019** |

## TOTAL EMPL AND REGIO

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **HEADING 7 of the multiannual financial framework** | | | | | | | | |
| Human resources | 166.163 | 167.773 | 169.415 | 171.090 | 172.798 | 174.540 | 176.317 | **1,198.006** |
| Other administrative expenditure | 2.370 | 2.417 | 2.465 | 2.514 | 2.564 | 2.615 | 2.667 | **17.612** |
| **Subtotal HEADING 7 of the multiannual financial framework** | 168.533 | 170.190 | 171.880 | 173.604 | 175.362 | 177.155 | 178.984 | **1.215.618** |

62 Identical figures are also mentioned in separate proposal COM(2018) 382 final.

63 See separate proposal COM(2018) 382 final.

## DG EMPL

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Outside HEADING 7[64] of the multiannual financial framework** | | | | | | | | |
| Human resources | 5.000 | 5.000 | 5.000 | 5.000 | 5.000 | 5.000 | 5.000 | **35.000** |
| Other expenditure of an administrative nature | 20.000 | 20.000 | 15.000 | 15.000 | 15.000 | 15.000 | 15.000 | **115.000** |
| **Subtotal outside HEADING 7 of the multiannual financial framework** | 25.000 | 25.000 | 20.000 | 20.000 | 20.000 | 20.000 | 20.000 | **150.000** |

## DG REGIO

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Outside HEADING 7[65] of the multiannual financial framework** | | | | | | | | |
| Human resources | 4.400 | 4.500 | 4.600 | 4.700 | 4.800 | 4.900 | 5.000 | **32.900** |
| Other expenditure of an administrative nature | 10.900 | 11.100 | 11.300 | 11.500 | 11.700 | 11.900 | 12.100 | **80.600** |
| **Subtotal outside HEADING 7 of the multiannual financial framework** | 15.300 | 15.600 | 15.900 | 16.200 | 16.500 | 16.800 | 17.100 | **113.400** |

## TOTAL EMPL AND REGIO

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Outside HEADING 7[66] of the multiannual financial framework** | | | | | | | | |
| Human resources | 9.400 | 9.500 | 9.600 | 9.700 | 9.800 | 9.900 | 10.000 | **67.900** |
| Other expenditure of an administrative nature | 30.900 | 31.100 | 26.300 | 26.500 | 26.700 | 26.900 | 27.100 | **195.500** |

64 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

65 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

66 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Subtotal outside HEADING 7 of the multiannual financial framework** | 40.300 | 40.600 | 35.900 | 36.200 | 36.500 | 36.800 | 37.100 | **263.400** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **TOTAL** | **208.833** | **210.790** | **207.780** | **209.804** | **211.862** | **213.955** | **216.084** | **1.479.108** |

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

3.2.2.1. Estimated requirements of human resources

– ☐ The proposal/initiative does not require the use of human resources.

– **X** The proposal/initiative requires the use of human resources, as explained below:

**EMPL**

| Years | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| **• Establishment plan posts (officials and temporary staff)** | | | | | | | | |
| Headquarters and Commission's Representation Offices[67] | | 599 | 599 | 599 | 599 | 599 | 599 | 599 |
| Delegations | | | | | | | | |
| Research | | | | | | | | |
| **• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED[68]** Heading 7 | | | | | | | | |
| Financed from HEADING 7 of the multiannual financial framework | - at Headquarters | | | | | | | |
| | - in Delegations | | | | | | | |
| Financed from the envelope of the programme[69] | - at Headquarters | 99 | 99 | 99 | 99 | 99 | 99 | 99 |
| | - in Delegations | | | | | | | |
| Research | | | | | | | | |
| Other (specify) | | | | | | | | |
| **TOTAL** | | **698** | **698** | **698** | **698** | **698** | **698** | **698** |

**REGIO**

| Years | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| **• Establishment plan posts (officials and temporary staff)** | | | | | | | | |
| Headquarters and Commission's Representation Offices[70] | | 542 | 542 | 542 | 542 | 542 | 542 | 542 |
| Delegations | | | | | | | | |
| Research | | | | | | | | |
| **• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED[71]** Heading 7 | | | | | | | | |
| Financed from HEADING 7 of the multiannual financial framework | - at Headquarters | 38.5 | 38.5 | 38.5 | 38.5 | 38.5 | 38.5 | 38.5 |
| | - in Delegations | | | | | | | |

67 The figures are based on the allocation as granted in 2018 (SEC(2017) 528), from which are deducted the staff allocated to the EGF, subject to a separate proposal (COM(2018) 382 final).

68 AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

69 Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

70 The figures are based on the allocation as granted in 2018 (SEC(2017) 528). As regards staff allocated to IPA III, see separate proposal COM(2018) 382 final.

71 AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Financed from the envelope of the programme[72] | - at Headquarters | 71 | 71 | 71 | 71 | 71 | 71 | 71 |
| | - in Delegations | | | | | | | |
| Research | | | | | | | | |
| Other (specify) | | | | | | | | |
| **TOTAL** | | **651.5** | 651.5 | 651.5 | 651.5 | 651.5 | 651.5 | 651.5 |

## EMPL and REGIO

| **TOTAL Establishment plan posts (Officials and temporary staff)** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Headquarters and Commission's Representation Offices | 1141 | 1141 | 1141 | 1141 | 1141 | 1141 | 1141 |
| Delegations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Research | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL External Staff (in FTE)** | 208.5 | 208.5 | 208.5 | 208.5 | 208.5 | 208.5 | 208.5 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **GRAND TOTAL** | **1349.5** | **1349.5** | **1349.5** | **1349.5** | **1349.5** | **1349.5** | **1349.5** |

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

| | |
|---|---|
| Officials and temporary staff | • To contribute to the analysis, negotiation, modification and/or preparation for approval proposals for programmes and/or projects in Member States.<br>• To contribute to manage, monitor and evaluate the implementation of programmes/projects approved.<br>• To ensure compliance with the rules governing programmes. |
| External staff | • Idem and /or administrative support |

[72] Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

*3.2.3. Third-party contributions*

The proposal/initiative:

– **X** does not provide for co-financing by third parties

– ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

| Years | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Specify the co-financing body | | | | | | | | |
| TOTAL appropriations co-financed | | | | | | | | |

## 3.3. Estimated impact on revenue

– **X** The proposal/initiative has no financial impact on revenue.

– ☐ The proposal/initiative has the following financial impact:

  – ☐ on own resources

  – ☐ on other revenue

please indicate, if the revenue is assigned to expenditure lines ☐

EUR million (to three decimal places)

| Budget revenue line: | Impact of the proposal/initiative[73] | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Article ……. | | | | | | | |

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

[73] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.