

Council and Parliament reach provisional political agreement on new framework for regional investment



The German Presidency of the Council and the European Parliament struck a political deal on two structural funds that together will account for **over €240 billion of EU investment** in the 2021-2027 period.

The European Regional Development Fund (ERDF) and the Cohesion Fund are part of the next multiannual financial framework, which needs to be adopted before the fund-specific legislation can be enacted.

While the ERDF covers all regions across Europe, the Cohesion Fund is aimed at member states whose per capita GNI is less than 90% of the EU average.

The draft regulation agreed by the co-legislators simplifies the rules for the two funds and sets the scope of their support over the next seven years.

The twin transition

All member states will use ERDF resources to contribute to the **digital and green transition** by financing projects in a wide variety of areas, such as research and innovation, digitalisation of services, energy efficiency, renewable energy, circular economy and biodiversity.

At the same time, in the **spirit of solidarity** and to **help redress regional imbalances**, member states and regions with higher per capita GNI will have to dedicate a substantial share of their national envelopes to smart economic transformation and green investment. Less prosperous member states and regions will be able to invest more in improving access to quality employment and quality education and training, as well as in the social inclusion of disadvantaged groups.

Climate change mitigation

Both the ERDF and the Cohesion Fund will contribute to reducing greenhouse gas emissions in line with the EU goal of **climate neutrality by 2050**.

The co-legislators agreed to a **limited exception** for the **funding of projects linked to natural gas for climate mitigation purposes**. Member states can invest in **natural gas to replace coal-based heating systems** and in the **distribution and transport of natural gas as a bridging technology and substitute for coal**.

Building resilience

As a result of the COVID-19 pandemic, new provisions were included to strengthen disaster resilience.

As small and medium-sized enterprises (SMEs) are the backbone of the EU's economy, the co-legislators decided that the ERDF should support **competitiveness of SMEs** and **job creation in SMEs**, including by **productive investments**.

Another new provision allows for **investment in medical equipment and supplies** in addition to infrastructure to **boost the resilience of health services**. This means that member states will be able to receive funding not only to build a new hospital, for example, but also to purchase protective equipment, ventilators and other necessary medical supplies.

Sustainable Urban Development will play an enhanced role due to higher support to make **cities greener, climate-friendly and more inclusive**. Since **tourism and culture** have been particularly badly hit by the pandemic, member states will be able to increase support for these sectors and exploit their potential for economic recovery.

Funding will also be available for ICT equipment and connectivity for **online education and training**.

Next steps

The full text of the draft regulation will be finalised by the co-legislators in the first months of 2021 under the Portuguese presidency.