

EU FUNDING INSTRUMENTS 2014-2020

MULTIANNUAL FINANCIAL FRAMEWORK

In March 2010, the Commission adopted its communication *Europe 2020*, a strategy for smart, sustainable and inclusive growth¹, designed to deliver a high level of employment, productivity and social cohesion. The EU's funding instruments for the period 2014-2020 are designed to support Member States' efforts to promote economic reform. A *Common Strategic Framework* will translate the Europe 2020 objectives and targets into concrete investment priorities for cohesion policy, rural development (European Agricultural Fund for Rural Development, EAFRD) and maritime and fisheries policy (European Maritime and Fisheries Fund, EMFF), including for sea-basins such as the Atlantic. The Commission is expected to adopt a Communication on the Common Strategic Framework soon, followed by a public consultation.

The Commission's proposal for the Multiannual Financial Framework (MFF)² for 2014-2020 amounts to over €650 billion (see table below). The Commission has presented a set of regulations laying down the objectives and management of the EU funds in the period 2014-2020, covering cohesion policy, maritime affairs and fisheries, research and innovation, environment and climate, competitiveness. The new proposals are designed to ensure that EU investment is targeted on Europe's long-term goals for growth and jobs. These regulations will be discussed by the Council and European Parliament during the course of 2012-2013 and the new regulations should enter into force in 2014. The draft legislative package for cohesion policy also harmonizes rules related to different funds, such as the rural development and maritime and fisheries funds, to increase the coherence of EU action and simplify their implementation.

¹ COM(2010)2020

² http://ec.europa.eu/budget/reform/commission-proposals-for-the-multiannual-financial-framework-2014-2020/index_en.htm

Funds	Budget (€billion)
1. Structural and Cohesion	376.0
2. Horizon 2020	80.0
3. Maritime and Fisheries Fund (EMFF)	6.6
4. Competitiveness of Enterprises and SMEs (COSME)	2.5
5. LIFE+	3.6
6. European Agricultural Fund for Rural Development (EAFRD)	101.2
7. External Action Instruments	96.2
Total	666.1

There are two main types of EU funding: funds whose management is shared between the EU and the Member States and funds which are managed centrally by the European Commission. The Structural and Cohesion Funds, the EMFF and the EAFRD fall under the first category, whereas the research, environment and external action funds fall under the second. The bulk of EU spending (76% of the EU budget) involves funds which come under shared management by the EU Member States.

In 2013, each Member State will be asked to draw up a *Partnership Contract*. These will set out an assessment of national development needs and define priorities for use of the cohesion, rural development, maritime and fisheries funds that would support Member States' efforts to reach agreed targets for delivering on the Europe 2020 strategy. Partnership Contracts will be agreed with the Commission, committing Member States to focus on those investment priorities that are in line with their economic growth objectives. The Partnership Contract will therefore constitute an agreement between the Commission and the Member States regarding the use of EU funds. The Partnership Contracts will contain:

- thematic objectives (in line with the “Europe 2020” strategy);
- investment priorities for each thematic objective;
- conditions which will be a pre-requisite for receiving EU funding;
- targets that the Member State concerned plans to reach by the end of the programming period, as well as performance indicators and milestones.

The Partnership Contracts will define the total allocations that will be made to support the growth and jobs objectives set out in the Europe 2020 Communication. The Leadership Group and other national and regional representatives involved in the Atlantic Forum will therefore have a critically important role to play in ensuring that proper reference is made in national Partnership Contracts to the maritime policy objectives that will be highlighted by the Forum. This will help to ensure that

sufficient funds can be allocated to the priorities identified by the Forum and included in the Commission's Action Plan.

Following the conclusion of Partnership Contracts, specific *Operational Programmes* will be developed on a national or regional basis outlining more precisely the use of the specific structural and cohesion funds. Likewise, the Leadership and Steering Groups will need to work with their colleagues within Member States to ensure that relevant Operational Programmes take consistent account of the views of the Atlantic Forum and are designed to contribute effectively to sustainable growth in the Atlantic area.

STRUCTURAL AND COHESION FUNDS³

The total proposed budget for the period 2014-2020 will be **€376 billion**, including funding for the new Connecting Europe Facility, which is designed to enhance cross-border projects in energy, transport and information technology. The legislative architecture comprises:

- a general regulation setting out common rules for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF);
- three specific regulations for the ERDF, the ESF and the Cohesion Fund. These three fund-specific regulations include provisions specific to each Fund (ERDF, ESF and the Cohesion Fund), in particular regarding the scope of the Funds, investment priorities, and indicators; and
- two further regulations on European territorial cooperation and the European Grouping of Territorial Cooperation (EGTC).

The General Regulation is divided into two parts. The first part lays down a series of common provisions for the five funds with structural aims covered by the Commission's Common Strategic Framework (ERDF, ESF, Cohesion Fund, EAFRD, and EMFF). It outlines the common elements on strategic planning and programming; the thematic objectives linked to Europe 2020, which will be the basis for the Funds; and provisions on the Common Strategic Framework and on the Partnership Contracts with each Member State. Common rules will also cover eligibility, financial instruments, and management and control principles.

The second part of the General Regulation sets out specific provisions for the ERDF, ESF, and Cohesion Fund. These relate to the mission and goals of cohesion policy, the financial framework, specific programming and reporting arrangements, major projects and joint action plans. It also sets out the detailed management and control requirements under cohesion policy and the specific arrangements for financial management. Every European region may benefit from the support of ERDF and ESF. However, a distinction between “less developed”, “transition” and “more developed” regions (see figure below) will exist in order to ensure concentration of the funds according to the level of Gross Domestic Product (GDP):

³ http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm

- *less developed regions*: supporting the less developed regions will remain an important priority for cohesion policy. The catching-up process of less developed regions will require long-term sustained efforts. This category concerns those regions whose GDP per capita is less than 75 % of the average GDP of the EU-27;
- *transition regions*: this new category of region will be introduced to replace the current phasing-in and phasing-out system. This category will include all regions with a GDP per capita between 75 % and 90 % of the EU-27 average;
- *more developed regions*: while interventions in the less developed regions will remain the priority for cohesion policy, there are important challenges that concern all Member States, such as global competition in the knowledge-based economy and the shift towards the low carbon economy. This category concerns those regions whose GDP per capita is above 90 % of the average GDP of the EU-27.

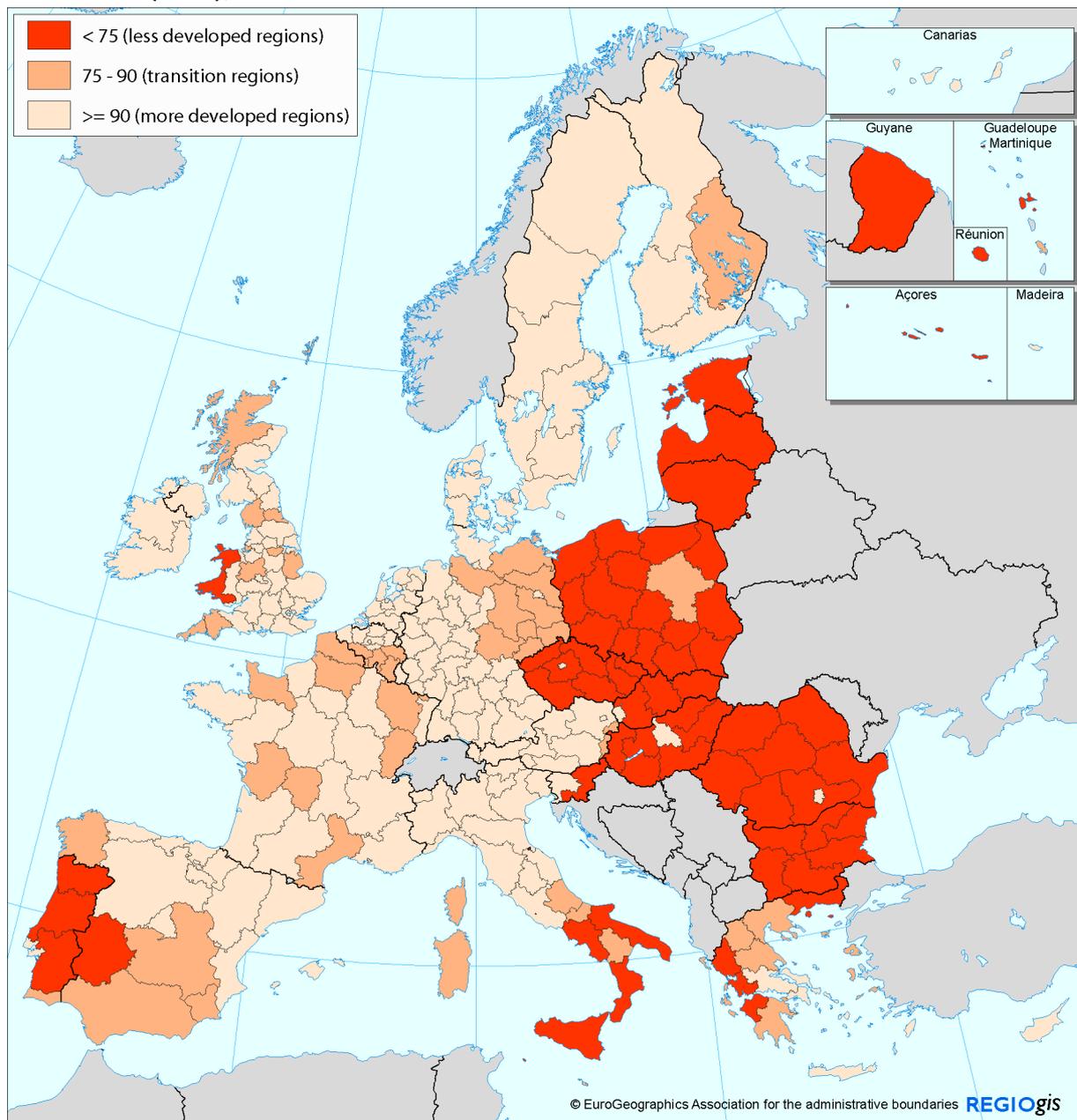
In addition, a safety net will be created for all regions that were eligible under the convergence objective in the 2007-2013 period, but whose GDP per capita is above 75 % of the GDP average of the EU-27. “Transition” or “more developed” region categories shall receive an allocation under the Structural Funds equal to at least two-thirds of their 2007-2013 allocation.

The budget for the cohesion policy 2014-2020 will be divided as following (2011 prices):

Fund	Budget (€billion)
Cohesion Fund (including infrastructure projects)	68.7
Less developed regions	162.6
Transition regions	39.0
More developed regions	53.1
Cooperation	11.7
Additional allocation for outermost and sparsely populated northern regions	0.9
Connecting Europe Facility (CEF) for transport, energy and ICT	40.0
TOTAL	376.0

Eligibility simulation 2014-2020

GDP/head (PPS), index EU27=100



The European Regional Development Fund (ERDF)

The European Regional Development Fund (ERDF) aims to strengthen economic, social and territorial cohesion in the European Union by correcting imbalances between regions. The ERDF supports regional and local development to contribute to all thematic objectives, by setting out detailed priorities to increase focus on:

- research and development, and innovation;
- improving access to and quality of information and communication technologies;
- climate change and moves towards a low-carbon economy;
- business support to SMEs;

- services of general economic interest;
- telecommunication, energy, and transport infrastructures;
- enhancing institutional capacity and effective public administration;
- health, education, and social infrastructures; and
- sustainable urban development.

The European Social Fund (ESF)

While contributing to economic, social and territorial cohesion, the European Social Fund (ESF) is the European Union's main financial instrument for investing in people. It increases the employment opportunities of European citizens, promotes better education, and improves the situation of the most vulnerable people at risk of poverty.

The regulation proposes to target the ESF on four thematic objectives throughout the Union:

- promoting employment and supporting labour mobility;
- promoting social inclusion and combating poverty;
- investing in education, skills and lifelong learning; and
- enhancing institutional capacity and an efficient public administration.

However, the ESF should also contribute to other thematic objectives such as supporting the shift towards a low carbon, climate-resilient and resource-efficient economy; enhancing the use of information and communication technologies; strengthening research, technological development and innovation; and enhancing the competitiveness of small and medium-sized enterprises (SMEs).

Cohesion Fund

The Cohesion Fund, with an allocated budget of **€68.7 billion**, helps Member States with a GNI per inhabitant of less than 90 % of the EU-27 average to invest in TEN-T transport networks and the environment.

European Territorial Cooperation

European Territorial Cooperation is a goal of cohesion policy and provides a framework for the exchanges of experience between national, regional and local actors from different Member States, as well as joint action to find common solutions to shared problems. This is all the more important given that the challenges faced by Member States and regions increasingly cut across national/regional boundaries and require joint, cooperative action at the appropriate territorial level. European Territorial Cooperation can thus also provide an important contribution to fostering the new Lisbon Treaty objective of territorial cohesion.

A separate regulation is proposed for European Territorial Cooperation to take better account of the multi-country context of the programmes and make more specific provisions for cooperation programmes and operations, as has been requested by a large number of stakeholders. The proposal thus makes references to third country participation to better reflect the reality of cooperation. It also contains more systematic references to the role that European Groupings of Territorial Cooperation (EGTC) can play in a cooperation context.

The proposal sets out the financial resources available for each strand and the criteria for their allocation to Member States. They will be allocated as follows:

- 73.24 % for cross-border cooperation;
- 20.78 % for transnational cooperation; and
- 5.98 % for interregional cooperation.

This includes the continuation of the mechanism for the transfer of resources for cooperation activities at the external borders of the Union, to be supported under the European Neighbourhood and Partnership Instrument (ENPI) and the instrument for Pre-Accession Assistance. Collaborations on programmes under the European Territorial Cooperation goal and programmes financed under external instruments should be promoted, for example the cross-border programmes for the Mediterranean (EnpiCBC MED), the Adriatic (IPA Adriatic CBC) and Black Sea (Black Sea CBC). Other recent innovative examples of territorial strategies are the Baltic and the Danube macro-regional strategies, which could be replicated in other areas in the future (in the Adriatic for example).

European Groupings of Territorial Cooperation (EGTCs)

Since 2006, local and regional partners have been able to set up European Groupings of Territorial Cooperation (EGTCs), with a common legal framework to help them overcome complicated differences between national rules and regulations. An example of a EGTC focusing on the maritime dimension of the territories involved is the EGTC “Archimed” (Mediterranean archipelago), involving the regions of Sicily, the Balearic Islands and Cyprus.

Connecting Europe Facility (CEF)⁴

The Connecting Europe Facility (2014-2020) is a new, integrated instrument for investing in EU infrastructure priorities in transport, energy and telecommunications. It will fund **€40 billion** (plus €10 billion earmarked in the Cohesion Fund, i.e. €50 billion in total) to improve transport, energy and digital networks across Europe. In particular, the Europe 2020 Project Bond

⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011PC0665:EN:NOT>

Initiative will be used as a means of securing investment resources for infrastructure projects of strategic interest.

Connecting Europe Facility (CEF)	Budget (€billion)
Energy	9.1
Transport	21.7
Telecommunications/Digital	9.2
Amount ring-fenced in the Cohesion Fund for transport infrastructures	10.0
TOTAL	50.0

RESEARCH AND INNOVATION, HORIZON 2020⁵

Horizon 2020 is the financial instrument implementing the *Innovation Union*, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness. Running from 2014 to 2020 with an **€80 billion** budget, the EU's new programme for research and innovation is an integral part of the drive to create new growth and jobs in Europe. Horizon 2020 will combine all research and innovation funding currently provided through the Framework Programmes for Research and Technical Development, the innovation related activities of the Competitiveness and Innovation Framework Programme (CIP) and the European Institute of Innovation and Technology (EIT).

Support for research and innovation under Horizon 2020 will aim at:

- **excellence in science** by strengthening the EU's position in science with a dedicated budget of €24 598 million. This will provide a boost to top-level research in Europe, including a 77% increase in funding for the European Research Council (ERC);
- **competitive industry** by strengthening industrial leadership in innovation - €17.9 billion will be devoted to this. This will involve investments in key technologies, allowing greater access to capital and support for SMEs;
- **a better society** by providing €31.7 billion to help address major societal concerns, such as climate change, developing sustainable transport and mobility, making renewable energy more affordable, ensuring food safety and security and coping with the challenge of an ageing population. Horizon 2020 will tackle these societal challenges by helping to bridge the gap between research and the market by, for example, helping innovative enterprise to develop their technological breakthroughs into viable products with real commercial potential. This market-driven approach will include creating partnerships with the private sector and Member States to bring together the resources needed.

⁵ http://ec.europa.eu/research/horizon2020/index_en.cfm

MARITIME AFFAIRS AND FISHERIES⁶

The current proposal for the Regulation on European Maritime and Fisheries Fund (EMFF) aims at achieving the objectives of the reformed CFP (Common Fisheries Policy) and of IMP (Integrated Maritime Policy). It is based on these objectives, re-defined in terms of funding:

- promotion of sustainable and competitive fisheries and aquaculture;
- fostering the development and implementation of the Union's Integrated Maritime Policy, in a complementary manner to cohesion policy and to CFP;
- promotion of balanced and inclusive territorial development of fisheries areas (including aquaculture and inland fishing);
- contribution to the implementation of the CFP.

The envelope dedicated to fisheries and maritime policies for 2014-2020, in current prices, is set at €7.535 billion, including SFAs (Sustainable Fisheries Agreements) and the compulsory contributions to RFMOs (Regional fisheries management organizations), which will be funded separately. The EMFF budget amounts, in current prices to **€6.567 billion**.

The EMFF mostly proposes measures under shared management. However IMP measures are proposed to be financed under direct management, i.e. to be managed centrally and directly from the Commission, fully in line with the subsidiarity principle. Consequently, IMP will not figure in EMFF Operational Programmes negotiated between the Commission and the Member States.

COMPETITIVENESS⁷

The Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (SMEs), COSME, with a total allocation of **€2.5 billion** for the period 2014-2020, aims to strengthen the competitiveness and sustainability of the Union's enterprises and encourage an entrepreneurial culture by promoting the creation and growth of SMEs. Activities funded through the Programme will aim to:

- improve the framework conditions to make for the competitiveness and sustainability of Union enterprises, including in the tourism sector;
- promote entrepreneurship, including among specific target groups;
- improve access to finance for SMEs in the form of equity and debt;
- improve access to markets inside the Union and globally.

⁶ http://ec.europa.eu/fisheries/reform/index_en.htm

⁷ http://ec.europa.eu/cip/files/cosme/com_2011_0834_proposition_de_reglement_en.pdf

ENVIRONMENT⁸

The total financial envelope for the LIFE Programme in the MFF Communication for the period 2014-2020 expressed in current prices is **€3.618 billion**. Within this envelope the programme for environment, with an allocated amount of **€2.7135 billion**, consists of three priority areas:

- biodiversity;
- environment and resource efficiency;
- governance and information.

The programme for climate action, with an allocated amount of **€0.9045 billion**, should support efforts contributing to the following three priority areas:

- climate change mitigation;
- climate change adaptation;
- climate governance and information.

AGRICULTURE AND RURAL DEVELOPMENT⁹

Agricultural expenditure is financed by two funds, which form part of the EU's general budget: the European Agricultural Guarantee Fund (EAGF), or pillar I of the Common Agriculture Policy (CAP) with **€17.2 billion** allocated in current prices, finances direct payments to farmers and measures to regulate agricultural markets such as intervention and export refunds, while the European Agricultural Fund for Rural Development (EAFRD), or pillar II of the CAP, with **€101.2 billion** allocated finances the rural development programmes of the Member States.

- Rural development policy retains the long-term strategic objectives of contributing to the competitiveness of agriculture, the sustainable management of natural resources and climate action and the balanced territorial development of rural areas. In line with the Europe 2020 strategy, these broad objectives of rural development support for 2014-2020 are given more detailed expression through the following six EU-wide priorities:
- fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
- enhancing competitiveness of all types of agriculture and enhancing farm viability;
- promoting food chain organization and risk management in agriculture;

⁸ <http://ec.europa.eu/environment/life/about/beyond2013.htm#proposal>

⁹ http://ec.europa.eu/agriculture/grants/index_en.htm

- restoring, preserving and enhancing ecosystems dependent on agriculture and forestry;
- promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
- promoting social inclusion, poverty reduction and economic development in rural areas.

Pillar I and Pillar II funding is complemented by additional funding of €17.1 billion consisting of €5.1 billion for research and innovation, €2.5 billion for food safety and €2.8 billion for food support for the most deprived persons in other headings of the MFF, as well as of €3.9 billion in a new reserve for crises in the agricultural sector and up to €2.8 billion in the European Globalization Adjustment Fund outside the MFF, thus bringing the total budget to **€135.6 billion** over the 2014-2020 period.

EXTERNAL ACTION¹⁰

A package of 9 external action instruments covering the full range of external support under the EU budget was adopted by the Commission in December 2011. They will allow the Union to fulfil its responsibility on the global stage: fighting poverty and promoting democracy, peace, stability and prosperity. The range of instruments will support developing countries as well as countries in the European neighbourhood and those that are preparing accession into the EU. This budget will also enable the EU to further reinforce its role on the global stage and promote its interests and values. The package comprises:

- A Joint Communication to the European Parliament and the Council: "Global Europe";
- the legislative proposals for nine geographic and thematic instruments;
- a common implementing regulation.

The total amount proposed for these nine instruments is **€6.2 billion** over the period 2014-2020 (current prices).

Of the nine geographic and thematic instruments, the following are particularly relevant for EU sea basins:

- pre-accession instrument (IPA): €4.1 billion, a stable budget at the same level of the current IPA in 2013. The new instrument will operate under simplified rules so as to facilitate access to funding for beneficiaries. The assistance will be made more result-oriented, flexible and tailored to specific needs;
- European Neighbourhood Instrument (ENI): €18.2 billion, a significant increase compared to the budget of the previous ENPI instrument. The ENI will continue

¹⁰ http://ec.europa.eu/europeaid/how/finance/mff/financial_framework_news_en.htm

to provide the bulk of funding to the European Neighbourhood countries, essentially through bilateral, regional and cross border co-operation programmes;

- instrument for Greenland: €219 million. This proposal of a revised partnership recognises the emerging international awareness towards Greenland and its geostrategic importance.