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DRAFT STATEMENT OF THE COUNCIL'S REASONS

Subject: Position of the Council at first reading with a view to the adoption of a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL on specific provisions for the European territorial cooperation
goal (Interreg) supported by the European Regional Development Fund
and external financing instruments
– Draft Statement of the Council's reasons

I. INTRODUCTION

1. On 29 May 2018, the Commission tabled a proposal for a Regulation on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments¹ (Interreg Regulation), which is part of the Cohesion Policy legislative package for 2021-2027. In line with Articles 174, 176 and 177 of the Treaty on the Functioning of the European Union (TFEU), the overarching policy objective of the European Regional Development Fund (ERDF) is to strengthen the economic, social and territorial cohesion of the Union by reducing disparities between the various EU regions, among which particular attention is to be paid to certain categories of regions, including a specific reference to cross-border regions. The Interreg Regulation adopts specific provisions where one or more Member States and their regions, as well as one or more Member States and non-EU countries and their regions, cooperate across borders.
2. The European Economic and Social Committee adopted its opinion on 19 September 2018² and the Committee of the Regions adopted its opinion on 5 December 2018³.
3. The European Parliament adopted its position on the Interreg Regulation at first reading at its plenary session on 26 March 2019.
4. The Structural Measures Working Party examined the proposed Interreg Regulation in a number of meetings under Bulgarian, Austrian, Romanian, Finland's, Croatian and German Presidencies.
5. The Permanent Representatives Committee endorsed on 29 May 2019 the initial partial negotiation mandate. On 5 October 2020, the partial mandate for negotiations was updated by the Permanent Representatives Committee to take account of the European Council Conclusions on the Multiannual Financial Framework 2021-27 and the Recovery Package adopted in the special meeting of the European Council of 17, 18, 19, 20 and 21 July 2020.

¹ Doc. ST 9536/18 + ADD 1.

² OJ C 440, 6.12.2018, p. 116.

³ OJ C 86, 7.3.2019, p. 137.

6. On the basis of those mandates, the Finland's, Croatian and German Presidencies conducted interinstitutional negotiations that were concluded on 2 December 2020.
7. On 18 December 2020, the European Parliament's Regional Development Committee (REGI) approved the outcome of the interinstitutional negotiations. On 20 January 2021, the Chair of the REGI Committee addressed a letter to the Presidency of the Council indicating that he would recommend to the Plenary that the Council's position be accepted, subject to legal-linguistic verification, at Parliament's second reading.
8. Taking into account the above agreement and following legal-linguistic revision, the Council adopted its position at first reading on [xxxx 2021], in accordance with the ordinary legislative procedure laid down in Article 294 TFEU.

II. OBJECTIVE (Article 1)

9. In accordance with Article 176 of the TFEU, the ERDF is intended to help to redress the main regional imbalances in the Union. Pursuant to that Article and to the second and third paragraphs of Article 174 TFEU, the ERDF is to contribute to reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions, among which particular attention is to be paid to certain categories of regions, including a specific reference to cross-border regions.
10. The Interreg Regulation adopts the necessary specific provisions concerning the European territorial cooperation goal ('Interreg') where one or more Member States and their regions cooperate across borders with regard to effective programming, including provisions on technical assistance, monitoring, evaluation, communication, eligibility, management and control, and financial management.

11. With regard to support to Interreg programmes from the external financing instruments of the Union (the Instrument for Pre-Accession Assistance (IPA III), the Neighbourhood, Development and International Cooperation Instrument (NDICI)), the Interreg Regulation defines additional specific objectives as well the rules to integrate those funds into Interreg programmes. The Interreg Regulation also lays down the possibility of the OCTs to participate in Interreg programmes.
12. With regard to support to Interreg programmes from the Interreg funds (the ERDF and the external financing instruments of the Union), the Interreg Regulation defines the Interreg-specific objectives, the eligibility criteria for Member States, third countries, partner countries and OCTs and their regions, the financial resources, and the criteria for their allocation.

III. ANALYSIS OF THE COUNCIL'S POSITION AT FIRST READING

(a) Interreg strands (Article 3)

13. According to the Council's first reading position, cross-border, transnational and interregional cooperation programmes will be continued under Interreg. Each of those programmes is justified on its own merits and successful programme areas will be maintained.
14. Based on the experience with cross-border and transnational cooperation during the 2014-2020 programming period in outermost regions, where the combination of both strands within a single programme per cooperation area has not brought about sufficient simplification for programme authorities and beneficiaries, a specific outermost regions' strand has been established in order to enable outermost regions to cooperate with their neighbouring countries and territories in the most effective and simple way.

15. Under Interreg, the ERDF and (where applicable) external financing instruments of the Union will support the following strands:

- **Strand A:** cross-border cooperation between adjacent regions to promote integrated and harmonious regional development between neighbouring land and maritime border regions;
- **Strand B:** transnational cooperation over larger transnational territories or around sea-basins, involving national, regional and local programme partners in Member States, third countries and partner countries and OCTs, with a view to achieving a higher degree of territorial integration;
- **Strand C:** interregional cooperation to reinforce the effectiveness of cohesion policy by promoting:
 - (a) the Interreg Europe programme,
 - (b) the URBACT programme,
 - (c) the INTERACT programme, and
 - (d) the ESPON programme,
- **Strand D:** outermost regions' cooperation among themselves and with their neighbouring third or partner countries or OCTs, or regional integration and cooperation organisations, or several thereof, to facilitate their regional integration and harmonious development in their neighbourhood.

(b) Interreg-specific objectives and thematic concentration (Articles 14 and 15)

16. The ERDF contributes, under Interreg, to the specific objectives under the cohesion policy objectives. However, the list of the specific objectives under the different policy objectives is adapted to the specific needs of Interreg in order to allow for ESF-type interventions, through joint actions under Interreg programmes. In addition, two Interreg-specific objectives are added – 'a better cooperation governance' and 'a safer and more secure Europe'. Council's first reading position strikes a good balance between the five cohesion policy objectives and the two Interreg-specific objectives.
17. In this context, Interreg programmes, may support the Interreg-specific objective of 'a better cooperation governance', by one or more of the following actions:
- (a) enhance the institutional capacity of public authorities, in particular those mandated to manage a specific territory, and of stakeholders (all strands);
 - (b) enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens, civil society actors and institutions, in particular with a view to resolving legal and other obstacles in border regions (strands A, C, D and, where appropriate, strand B);
 - (c) build up mutual trust, in particular by encouraging people-to-people actions (strands A, D and, where appropriate, strand B);
 - (d) enhance institutional capacity of public authorities and stakeholders to implement macro-regional strategies and sea-basin strategies, as well as other territorial strategies (all strands);
 - (e) enhance sustainable democracy and support civil society actors and their role in reforming processes and democratic transitions (all strands with involvement of third countries, partner countries or OCTs); and
 - (f) other actions to support better cooperation governance (all strands).

18. On the other hand, Interreg programmes may also support to the Interreg-specific objective of 'a safer and more secure Europe', by actions in the fields of border crossing management and mobility and migration management, including the protection and economic and social integration of third-country nationals (for example migrants and beneficiaries of international protection).
19. Up to 20 % of the available resources to each Interreg A, B and D programme may be allocated to the Interreg-specific objective of 'a better cooperation governance' and up to 5 % may be allocated to the Interreg-specific objective of 'a safer and more secure Europe'.
20. With regard to thematic concentration, for each Interreg A, B and D programme the agreement reached with the Parliament earmarks at least 60 % of available resources to policy objective 2 (a greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe) and a maximum of two other policy objectives, whereas Interreg A programmes along internal land borders will allocate at least 60 % to policy objective 2 and policy objective 4 (a more social and inclusive Europe implementing the European Pillar of Social Rights) and a maximum of two other policy objectives.

(c) Small project funds (Articles 25)

21. Small projects bring individuals together at local level and are important for the development of border areas. What sets such projects apart is that they are modest in scope and, accordingly, the financial support needed is modest too. Council's first reading position ensures that small projects can be successfully implemented by simplifying that necessary arrangements for them and by incorporating clear rules with regard to their governance.
22. Final recipients within a small project fund will receive support through the beneficiary and will implement the small projects within that small project fund ('small project'). The beneficiary may be a cross-border legal body or an EGTC or a body which have legal personality. Within each Interreg programme, it will be possible to set up small project funds as the total contribution to small project funds shall not exceed 20 % of the total allocation of that Interreg programme.

(d) Participation of third countries or partner countries, OCTs, or regional integration or cooperation organisations in Interreg programmes under shared management (Articles 53 – 60)

23. The Council's first reading position is a step forward towards simplifying cooperation beyond borders of the Union. In order to apply a mostly common set of rules under shared management in both the participating Member States and the participating third countries or partner countries, OCTs, or regional integration or cooperation organisations, the 'normal' Interreg rules will apply. However, certain adaptations are needed to take into account the participants that are not bound by EU law. In this context, this chapter sets specific rules concerning programme authorities, management methods, eligibility, large infrastructure projects, procurement, financial management and the conclusion of financing agreements.

24. The starting point is that the eligibility of expenditure is linked to the signature of the financing agreement by the relevant third country, partner country or OCT. Interreg programme authorities may be mirrored by comparable authorities in third countries, partner countries or OCTs. Procurement for beneficiaries will follow the rules for external procurement as provided in the Financial Regulation. Other than national co-financing rate will be set when support comes from an external financing instrument of the Union or in the case of transfer of an additional contribution from a third country, partner country or OCT.

(e) Specific provisions for indirect management (Article 61)

25. The agreement reached with the Parliament provides the possibility for Interreg programmes under outermost regions' cooperation (strand D) to be implemented under indirect management. Specific rules are set out on how to implement those programmes as a whole or partially under indirect management.

IV. CONCLUSION

25. The Council's position at first reading reflects the compromise reached in negotiations between the Council and the European Parliament, with the support of the Commission.
 26. The Council believes that its position at first reading represents a balanced package for all Interreg programmes covered by this Regulation for the 2021-2027 programming period.
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