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To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review

Delegations will find attached document COM(2025) 123 final.

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2025/0084 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures
to address strategic challenges in the context of the mid-term review**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The mid-term review of cohesion policy presents an opportunity for Member States to redirect 2021-2027 resources towards investment in defence capabilities and for the competitiveness and strategic autonomy of the EU and in other emerging priorities, including clean industrial deal objectives by submitting corresponding programme amendments to the Commission. However, the framework for cohesion policy investments set out in the ERDF, Cohesion Fund and JTF regulations is not sufficiently aligned with these new priorities. Furthermore, additional flexibility is required to accelerate investment in these areas, notably to reinforce the resilience of the EU economy and all its regions at a critical geopolitical juncture such as the one the EU is currently facing. This proposal sets out a number of adjustments to these regulations to achieve these objectives.

Aligning cohesion policy investments to new priorities

In recent years, geopolitical dynamics have been marked by profound uncertainty, necessitating a fundamental re-evaluation of the EU's strategic autonomy, resilience and preparedness. These shifts are unfolding alongside the green, social and technological transitions, which are rapidly reshaping the world around us. The challenges posed by these simultaneous transformations were comprehensively analysed in the report on the "Future of European Competitiveness", published in September 2024. The report underscores the urgent need to close the innovation gap, accelerate decarbonisation efforts to strengthen economic competitiveness, and reduce external dependencies by diversifying supply chains and scaling-up domestically produced green energy investing in climate resilience, digitalisation and critical sectors.

In response, several major initiatives have already been launched to enhance the EU's economic resilience and strategic autonomy. These include the "Strategic Technologies for Europe Platform" (STEP), which aims to strengthen Europe's technological leadership; "REPowerEU", designed to reduce reliance on external energy sources and accelerate the green transition, to complete interventions already underway via cohesion policy programmes and the "Recovery and Resilience Facility" (RRF), to support structural changes in Member States and regions as well as to enhance their resilience.

As the EU's main investment instrument within the Multiannual Financial Framework (MFF), cohesion policy plays a crucial role in supporting these priorities. It drives targeted investments that contribute to economic, social and territorial cohesion while at the same time addressing emerging challenges. However, the regulatory framework governing the 2021-2027 cohesion policy funds was drafted, negotiated and adopted before the series of major geopolitical and economic events that have since reshaped some of the EU's strategic political priorities.

Similarly, the Partnership Agreements and the national and regional cohesion policy programmes were developed and approved within this same timeframe, hence reflecting the priorities set at the time. Given the evolving global and regional context, the 2025 mid-term review presents a critical opportunity to assess their implementation and the effectiveness of their contribution to the evolving priorities. This review will help determine the extent to which cohesion policy programmes can directly and swiftly respond to rapidly changing political, economic and social realities.

At the same time, it has become evident that the early implementation of the 2021-2027 cohesion policy programmes has faced challenges which have not been conducive to a swift uptake and rapid disbursement of the funds, leading to delays in their implementation compared to previous programming periods. These delays come at a time when strong and accelerated investment is essential to support economic resilience and competitiveness.

- Against this backdrop, the Commission is proposing targeted amendments to Regulations (EU) 2021/1056 and (EU) 2021/1058. These changes aim to adjust investment priorities with the evolving economic, societal, and geopolitical context, as well as with our climate and environment objectives, while at the same time introducing greater flexibility and incentives to facilitate and encourage the rapid deployment of much-needed resources. By refining the 2021-2027 cohesion policy framework, the EU can ensure that its investment mechanisms remain agile and responsive, enabling a more effective response to current and future challenges.
- In order for Member States to make effectively use of the possibilities provided in this proposal, the Commission proposes that they be allowed to re-submit their mid-term review proposal by 2 months after the entry into force of the present proposal for amendment to Regulation (EU) 2021/1058. Any programme amendment that would be carried out pursuant to the new priorities and flexibilities, shall be without prejudice to the application of any measures adopted under Regulation (EU) 2020/2092 and to the compliance by relevant programmes with the priorities under Article 15 of Regulation (EU) 2021/1060. In this context the Commission will closely monitor the conformity of the programmes with the requirements of relevant EU law.

Competitiveness and decarbonisation

The Commission presented in the Competitiveness Compass, the Clean Industrial Deal and the Affordable Energy Action Plan a concrete path for Europe to regain its competitiveness and secure sustainable prosperity, with decarbonisation and circularity as drivers of growth.

In particular, energy intensive industries play a critical role in our regions and require special attention as part of the reprogramming of EU funds. These industries face significant challenges, including higher energy costs compared to their global competitors, the continued lack of competitiveness of certain clean technologies, a slow-down in demand in some of the main downstream sectors, increased international competition driven by overcapacities and subsidised production in non-EU countries. As a result, these factors undermine the competitiveness of energy intensive industries and weaken Europe's decarbonisation and resilience objectives.

The cohesion funds can already support investments to climate objectives as laid down in Regulation (EU) 2021/1060 but efforts should be further accelerated in order to ensure that decarbonisation is a driver for growth for European industries and the prosperity of Europeans. In light of the significant investment needs to achieve our decarbonisation and competitiveness objectives, Member States need to continue investing in projects directly contributing to the climate and energy transition in line with the requirements set out in Article 6 of Regulation (EU) 2021/1060 which will continue to apply to maintain the level of climate related investments.

Support for projects within the scope of STEP should be made possible in all regions, including in the more developed regions in Member States of the Union with GDP per head above the EU average to the extent it is allowed by State aid rules as set out in Articles 107 and 108 of the Treaty, in particular to the extent such investments contribute to the Union's

strategic objectives as set out in the applicable guidelines such as the future Clean Industrial State aid Framework (currently in public consultation) and in the IPCEI Communication¹.

Furthermore, other restrictions linked to STEP as regards the ceiling set at 20% of the ERDF allocation for reprogramming should be removed and the deadline for submitting STEP amendments and benefit from the additional one-off prefinancing deleted. This should also help in promoting investments in innovative clean technologies (manufacturing capacities and deployment) that are essential to deliver on the objectives of the Clean Industrial Deal and also in other important support areas for which STEP provides important incentives.

It is important to recognise and strengthen the role also of large enterprises in regional development, as they steer research, innovation, knowledge, and technology transfer towards other companies and create demand and employment throughout the supply chain. With the objective to maximise the impact of EU support to boost growth and competitiveness, the Commission also proposes to expand the possibilities to provide support for productive investments in enterprises other than SMEs under the ERDF in cases where the financial resources are used for (1) supporting investments contributing to the STEP objectives, (2) enhancing the industrial capacities to foster defence capabilities, (3) contributing to a defence projects and (4) facilitating industrial adjustment linked to the decarbonisation and support to circular processes of production processes and products, such as in the automotive and energy intensive industries, to the extent allowed by State aid rules. Investments in projects directly participating in an IPCEI as approved by the Commission pursuant to Article 107(3), point (b) TFEU, and to Communication C(2021) 8481, in enterprises other than SMEs may also be supported. Support for such enterprises needs to be further facilitated under the Just Transition Fund as well by not requiring a gap analysis. Therefore, it is proposed that Member States are allowed, in line with State aid rules, to directly grant support from ERDF to projects directly participating in an Important Project of Common European Interest approved by the Commission pursuant to Article 107(3), point (b), of the Treaty of the Functioning of the European Union (TFEU) and to Communication C(2021) 8481.

To further enhance the leverage of InvestEU, the EU flagship programme to boost investments in strategic and critical industries, and further the transfer possibilities already provided by the legislation, the Commission proposes to make possible the transfer of resources from the ERDF and the Cohesion Fund to InvestEU Member State compartments for implementing a new InvestEU financial instrument for the achievement of cohesion policy objectives.

Defence and security

In the face of unprecedented geopolitical instability in decades, the European Union must now make crucial decisions to ensure its readiness and security. To guarantee its own defence deterrence, Europe must be prepared to enter a new era by significantly increasing its support for the development of the defence capabilities, reduced dependencies, infrastructure resilience and the competitiveness of the EU defence industry. This effort will enable the Union to address the short-term urgency of supporting Ukraine while ensuring the continent's long-term stability.

The Commission has proposed to the European Council an immediate response plan — REARM Europe — amounting to EUR 800 billion, by activating all available financial levers to swiftly and significantly support investment in European defence capacities. Among these

¹ Communication on the criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of IPCEIs (OJ C 528, 30.12.2021, p. 10).

levers, the Union budget can further contribute to this collective effort through a new dedicated defence instrument and the strengthening of the European Defence Industry Programme (EDIP).

To complement these tools and further incentivise Member States to directly support defence investments, it is essential that cohesion policy funding can be swiftly mobilised. These investments will reinforce the resilience and EU competitiveness while promoting regional development and growth. They will also tackle the dual challenge faced by the Union's regions bordering Russia, Belarus and Ukraine: strengthening security while revitalising their economies.

In order to provide for a framework that allows for flexibility and financial support, the Commission proposes to create two new specific objectives within the existing scope of the ERDF support. The first new specific objective allows Member States to reprogramme under their 2021-2027 programmes under the Investments for jobs and growth goal amounts for enhancing productive capacities in enterprises in the defence sector without restriction in terms of geography or size of the enterprise. Productive investments in enterprises other than SMEs and made in all EU regions should also be able to access financial support for defence industry projects of common interest under EDIP and reinforce Europe's overall defence and preparedness capacities. The second new specific objective related to defence contributes to building resilient defence or dual use infrastructure to foster military mobility in the EU. These specific objectives also help eastern border regions.

It is proposed that Member States, when using the proposed framework, benefit from an additional one-off pre-financing of 30% of the amounts programmed under the dedicated priority and the possibility to apply a Union financing of up to 100% regarding both specific objectives – provided that the programme amendment is submitted in 2025.

Affordable housing (including social housing)

Housing prices and rents have increased significantly over the past years. At the same time, wages have not increased at a similar pace. This uneven evolution has created a widening gap between the availability of affordable housing and the needs of the population.

The average house prices declined after 2008 following the economic recession but have consistently risen throughout the EU since 2013. In total, there was an increase of 59% in the EU between 2013 and the third quarter of 2024, which is about twice the increase in the overall price level (HICP) in the same period.

The escalation of house price growth has not been matched by a corresponding rise in wages, leading to considerable pressure on housing affordability. The price-to-income ratio increased by more than 15pp between 2013 and 2022, and despite some respite in 2023 it is still above its long-term average.

While the issue varies in severity from country to country and region to region, its impact is widespread. High housing costs force many households to allocate a disproportionate share of their income to rent or mortgages, leaving less for other necessities like food, healthcare and education – with a risk of falling into poverty. In 2023, one out of three households that are at risk of poverty spend 40% or more of the household disposable income on housing. House prices differ also between urban and non-urban areas. Housing prices as a proportion of income are higher and have been steadily increasing since 2015 in metropolitan and other urban areas, while they remained stable in other areas. The social impact of these figures is wider if we consider that they include the lack of students housing and of adequate lodgements for prospective new families.

The lack of sufficient affordable housing puts an increasing number of households under severe difficulties, but it also has a competitiveness angle. Indeed, European companies in some areas start to have problems to attract workers because the costs of housing and living in those areas are disproportionately high as compared to income. High prices are also putting public services in certain cities under pressure due to difficulties in attracting essential public workers (teachers, nurses, police, etc.).

Against this background, the political guidelines of the Commission give housing policy strong emphasis by proposing a coordinated approach under the upcoming European 'Affordable Housing Plan'. As part of this overarching ambition, the Commission now proposes to address the growing investment gap in affordable housing by allowing Member States to reprogramme under their 2021-2027 programmes amounts for supporting investments that promote access to affordable housing. Investments under the New European Bauhaus should make full use of these new possibilities provided.

At the same time, it must be ensured that housing is climate resilient.

The Commission proposes to include corresponding additional specific objectives under three policy objectives thus allowing flexibility for Member States and regions depending on their programming structures and the focus of the housing interventions.

In order to incentivise reprioritising their programmes and uptake, and without prejudice to compliance with State aid rules, it is proposed that Member States, when using the proposed framework, benefit from a 100% Union financing and a pre-financing of 30% of the amounts programmed under the dedicated priority. With a view to enhancing the impact of investments, the scope of interventions now allows to include actions linked to implementing reforms under cohesion policy, provided that the programme amendment is submitted in 2025.

Access to water, sustainable water management and water resilience

Water is a vital resource for the security of our food, energy and economic systems, yet both at EU and global level water resources are facing mounting pressures. Effective water management is essential for safeguarding public health, protecting the environment, and maintaining the EU's economic competitiveness. Mismanagement, including over-abstraction and pollution, is increasingly constraining critical sectors such as agriculture, energy, manufacturing, and transport. The EU is faced with increasing impacts from climate change which exacerbate the existing pressures on water quality, water quantity and marine ecosystems. In this context, it is urgent to enhance implementation of the water and marine protection legislation and improve water efficiency, address water scarcity, and progress towards a water resilient Europe, requiring significant efforts and investments. The EU water sector and blue economy sector are significant economic sectors in many regions, driving innovation, and safeguarding public health, and sustainability, e.g. by offering advanced solutions such as desalination, water treatment, water reuse, blue biotechnology etc. The global leadership in water technologies enhances the EU's export potential and creates jobs in all regions across Europe.

The EU therefore must protect these water ecosystems and infrastructures by scaling up investments and consider water supply and infrastructure through the lens of ensuring access to and supply of water to our citizens and societies in all circumstances.

The EU has established a strong legal framework for the sustainable and secure management of water, but further progress in implementation is essential and more decisive action is urgently needed. For that reason, the EU will come forward with an EU Water Resilience Strategy in the first half of 2025. In line with the Preparedness Union Strategy, water

resilience requires a shift from reactive crisis management to proactive, risk-based management and increased preparedness.

In the 2021-2027 period, almost EUR 13 billion are being invested in water services and improved wastewater collection and treatment in cohesion policy programmes. But additional efforts from the public and private sectors are needed to ensure sufficient progress. Therefore, to properly emphasise the importance and focus of investments in water resilience, the Commission proposes to modify the wording of the specific objective related to water management under policy objective 2 “A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility”.

Cohesion policy investments in sustainable and secure investments should be incentivised, notably to contribute to build a water resilient society, through increased restoration of water bodies, deployment of nature-based solutions to reduce floods risk and increase the capacity of ecosystems to store water, improved control of water abstractions and increased water efficiency and reuse increased digitisation of water infrastructure, mitigation of drought and desertification impacts, flooding and extreme weather events, and compliance with the Water Framework, the Groundwater, the Urban Wastewater Treatment, and the Environmental Quality Standards Directives. It is proposed that Member States, when using the proposed framework, benefit from the possibility of a Union financing up to 100% and a pre-financing of 30% of the amounts programmed under the dedicated priority for this new specific objective.

Energy transition

Another area where cohesion policy investments contribute to EU priorities is climate action and climate transition, where the policy invests more than EUR 110 billion. In light of the significant investment needs of the climate transition, Member States need to maintain their efforts to respect the funds’ climate ambition.

In order to enhance energy security and accelerate the transition across the Union and also to promote clean mobility, a new specific objective should be created to promote energy interconnectors and related transmission infrastructure, and the deployment of recharging infrastructure from ERDF and Cohesion Fund resources.

In order to accelerate the energy transition of industry, notably in energy-intensive sectors, that is necessary for reaching the EU climate objectives and for the EU’s competitiveness and resilience, the Commission proposes to enlarge the scope of support from the ERDF to decarbonisation of projects selected in the context of Union instruments in particular projects in installations that have been awarded a ‘Sovereignty Seal’ under the Innovation Fund established by the EU Emissions Trading System (ETS), and to reduce administrative checks for similar support under the JTF.

To increase climate resilience is essential to ensure competitiveness. In line with the Preparedness Union Strategy and the concept of preparedness and security by design, it is vital to ensure sustainable and informed investments, based on proper climate modelling data, so as to protect both vulnerable populations and the EU economy and competitiveness.

Eastern border regions

Given the challenges of the eastern border regions since the Russian aggression against Ukraine, programmes under the Investment for jobs and growth goal with NUTS 2 regions that have borders with Russia, Belarus or Ukraine, should benefit from the possibility of a one-off 9.5% pre-financing of the programme allocation and a 100% Union financing.

Greater flexibility and simplification for accelerating investments

Halfway through the 2021-2027 programming period, the level of payments claimed by the Member States to the Commission is low, owing to a combination of factors: the late adoption of the regulations governing the policy; the need to face successive crises from the COVID-19 pandemic to the war against Ukraine, and to the energy crisis; the pressure to close the previous programming period; and the priority given to implement the instruments of NGEU, given their shorter implementation timeframe. All this has in turn put a strain on the administrative capacities of Member States' authorities to design and quickly deliver investments. Notwithstanding a rapid acceleration experienced over last year with project selection close to 40% of the allocations, cohesion policy implementation should rapidly pick up pace in a context where the Union is facing a range of new challenges requiring rapid responses. The Commission therefore proposes a set of measures aiming at further enhancing the flexibility and simplification of the use of cohesion policy support for accelerating investments:

- To avoid that programme implementation is delayed because of national budgetary constraints, and to expand the financial capacity of Member States to address the newly emerging challenges, the Commission proposes to provide a one-off 4.5% pre-financing provided from the ERDF and the Cohesion Fund in 2026 to all programmes that reallocate at least 15% of their resources for the new priorities in the context of the mid-term review process. The pre-financing percentage is proposed to be increased to 9.5% in 2026 for programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine. To avoid that the risk of delays and corresponding loss of funds reduces willingness to undertake programme amendments and to ensure the proper implementation of the operations concerned, the Commission proposes to extend the time limit for using the ERDF and the Cohesion Fund resources and extend the end date for eligibility by an additional year. This flexibility is proposed to be made available only for programmes that proposed amendments resulting in reallocation of at least 15% of the resources for the new priorities set out in the present proposal and in the context of the mid-term review exercise, once approved.
- Costs related to preparatory actions for reforms will be eligible including for self-standing reforms (i.e. not accompanied by investments).
- To further enhance synergies among EU policies and instruments, it is proposed that the JTF is also covered by the Seal of Excellence (including the Sovereignty Seal) mechanism and the possibility for a simplified selection procedure under Regulation (EU) 2021/1060 thus providing support to projects selected under other EU instruments, which do not have sufficient funding. In light of the high demand for the Innovation Fund and its track record in supporting projects that are sufficiently mature and have a significant potential to reduce greenhouse gas emissions, and that either demonstrate highly innovative technologies, processes or products, or are aimed at scaling up innovative technologies, processes or products to achieve their broad commercial roll-out across the EU, the Commission also proposes to align with the possibilities for projects supported under the Innovation Fund and include a corresponding targeted provision allowing for the production, processing, transport, distribution, storage or combustion of fossil fuels provided these projects were attributed a Sovereignty Seal under the Innovation Fund.
- Recognising the important role of cities in delivering EU objectives, in addressing local challenges and in strengthening the urban-rural links to drive a balanced

regional development, the Commission proposes to reinforce the European Urban Initiative (EUI) by introducing the possibility of reallocating resources from the ERDF to the EUI. Such amounts would support actions for the benefit of Member States initiating the reallocation. The Commission also proposes to establish a Seal of Excellence for the EUI, thus enabling support under cohesion policy programmes for EUI projects that have been selected but could not receive funding due to insufficient resources. Member States would also have the possibility to reallocate ERDF resources from their programmes under the Investment for jobs and growth goal to the Interregional Innovation Investment Instrument thus having more flexibility in the use of resources. These reallocations are taking place within the same fund, the ERDF, and therefore it is proposed not to count them towards the ceilings set out in Article 26 of Regulation (EU) 2021/1060.

With the objective of easing the successful and effective implementation of the JTF, the Commission proposes to remove the current restrictions applicable to the modification of indicator targets in the Just Transition Plans after their amendment following the mid-term review. These restrictions can be removed only if they do not affect the transition to climate neutrality and fossil fuel phase out commitments.

- **Consistency with existing policy provisions in the policy area**

The proposal is consistent with the objectives followed by the cohesion policy funds and is limited to a targeted amendment of Regulation (EU) 2021/1058 and Regulation (EU) 2021/1056.

- **Consistency with other Union policies**

The proposal is limited to a targeted amendment of Regulation (EU) 2021/1058 and Regulation (EU) 2021/1056 and maintains consistency with other Union policies.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The proposal is based on Articles, 175, 177,178 and 322 of the Treaty on the Functioning of the European Union.

- **Subsidiarity (for non-exclusive competence)**

To encourage Member States to better align their cohesion policy programmes with emerging EU priorities while ensuring greater flexibility and simplification to accelerate investments, amendments to Regulation (EU) 2021/1058 and Regulation (EU) 2021/1056 are proposed. The same result cannot be achieved through actions at national level.

- **Proportionality**

The proposal aims at incentivising Member States to further align their cohesion policy programmes towards the emerging EU priorities and providing greater flexibility and simplification for accelerating investments. The measures do not go beyond what is necessary to achieve these goals.

- **Choice of the instrument**

A Regulation is the appropriate instrument as it provides directly applicable rules for the support.

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

- **Ex-post evaluations/fitness checks of existing legislation**

N/A

- **Stakeholder consultations**

N/A

- **Collection and use of expertise**

N/A

- **Impact assessment**

An impact assessment has been carried out to prepare the proposal for Regulation (EU) 2021/1058 and Regulation (EU) 2021/1056. The limited and targeted changes do not require a separate impact assessment.

- **Regulatory fitness and simplification**

N/A

- **Fundamental rights**

N/A

4. BUDGETARY IMPLICATIONS

The proposal concerns cohesion policy programmes under the 2021-2027 period and will result in additional pre-financing to be paid under the ERDF in 2026. This additional pre-financing will lead to frontloading of payment appropriations to 2026 compared to a no policy-change scenario and is budgetary neutral over the 2021-2027 period. Based on the estimated uptake of the proposal, the total additional pre-financing to be paid in 2026 amounts to EUR 16.1 billion. At the same time, taking into account payment forecasts and implementation shifts, the net budgetary impact is estimated at EUR 3.6 billion, which will be included in the draft budget 2026. The possibility to apply for an increased Union financing rate for investments in defence, housing, water resilience, certain energy infrastructure and for programmes covering eastern border regions will also lead to a partial front-loading of payments, followed by lower payments at a later stage as the overall envelope is unchanged. The actual budgetary impact of the increased co-financing rate on an annual basis will depend on the Member States' uptake and the pace of submission of payment applications.

The proposed modification does not require changes in the Multiannual Financial Framework annual ceilings for commitments and payments as per Annex I to Council Regulation (EU, Euratom) 2020/2093.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The implementation of the measure will be monitored and reported upon in the framework of the general reporting mechanisms established in Regulation (EU) 2021/1060.

- **Explanatory documents (for directives)**

N/A

- **Detailed explanation of the specific provisions of the proposal**

The proposal involves the amendment of Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards the ERDF, the Cohesion Fund and the JTF:

Specific objectives

Competitiveness and decarbonisation

- The 20% limitation set on reprogramming resources to the STEP specific objectives is removed.
- Support from the ERDF and the Cohesion Fund to enterprises other than SMEs is made possible, to the extent they comply with State aid rules as set out in Articles 107 and 108 of the Treaty, for investments that participate in an Important Project of Common European Interest approved by the Commission pursuant to Article 107(3), point (b), of the Treaty on the Functioning of the European Union (TFEU), and to Communication C(2021) 8481, or where the enterprises facilitate industrial adjustment linked to the decarbonisation of production processes and products. In addition, the possibility to support large enterprises is extended to all regions in the context of the STEP specific objectives under policy objectives 1 and 2, to the extent this is allowed under State aid rules;
- The possibility for Member States to transfer resources from the ERDF or the Cohesion Fund to the Member State compartment of the InvestEU Fund for the deployment in the new InvestEU financial instrument, as included in the proposal for amendment of the InvestEU Regulation (COM(2025) 84);
- For Important Projects of Common European Interest that have been approved by the Commission pursuant to Article 107(3), point (b), of the Treaty of the Functioning of the European Union (TFEU) and to Communication C(2021) 8481, the selection process is simplified as the managing authorities are able, in line with State aid rules, to directly grant support from the ERDF for projects directly participating in such an approved Important Project of Common European Interest.
- Ensuring that investments with cohesion funding increase climate resilience, as it is also an essential part of ensuring competitiveness.

Defence and security

- A new specific objective is introduced under policy objective 1 for the ERDF and under policy objective 3 for the ERDF and the Cohesion Fund in support of investments in the EU's defence capability and the scope of support is amended to allow for support to enterprises other than SMEs for these specific objectives, to the extent allowed under State aid rules. The specific objective under policy objective 3 will promote resilient defence or dual use infrastructure to foster military mobility in the Union. Furthermore, the Commission will pay, in addition to the yearly pre-financing for the programmes, 30% exceptional one-off pre-financing based on the resources allocated to these specific objectives in dedicated priorities and the maximum co-financing rate for these priorities is set at 100%.

Affordable housing (including social housing)

- To promote investments in affordable housing, including social housing and support to related reforms, three new specific objectives are introduced for the ERDF and one for the Cohesion Fund. For these specific objectives, the Commission will pay, in addition to the yearly pre-financing for the programmes, 30% exceptional one-off pre-financing based on the resources allocated to dedicated priorities and the maximum co-financing rate for dedicated priorities supporting these objectives is 100%. At the same time, it must be ensured that housing is climate resilient.
- Furthermore, the scope of the Just Transition Fund is amended to allow for investments in affordable housing and support for relevant reforms also to take place in support of the implementation of the territorial just transition plans.

Secure access to water, sustainable water management and water resilience

- The amendment of the specific objective into ‘promoting secure access to water, sustainable water management and water resilience’ reflects the strategic importance for the EU of resilient water management. To help accelerate investments in this area, the Commission will pay, in addition to the yearly pre-financing for the programmes, 30% exceptional one-off pre-financing based on the resources allocated to dedicated priorities supporting the specific objective and the maximum co-financing rate for dedicated priorities supporting these objectives is 100%.

Energy transition

- In order to enhance energy security and accelerate the transition across the Union and also to promote clean mobility, a new specific objective should be created to promote energy interconnectors and related transmission infrastructure, and the deployment of recharging infrastructure from ERDF and Cohesion Fund resources.

Eastern border regions

- Given the challenges of the eastern border regions since Russia’s war of aggression against Ukraine, programmes under the Investment for jobs and growth goal - financed by the ERDF or the Cohesion Fund with NUTS 2 regions that have borders with Russia, Belarus or Ukraine - should benefit from the possibility of a one-off 9.5% pre-financing and a 100% Union financing, if programmes reallocate at least 15% of their resources for the newly introduced specific objectives and STEP. Where the corresponding programme covers the entire territory of the Member State, these financial flexibilities should only apply if the programme covering the entire territory of the Member State is the only programme in the Member State that includes the concerned NUTS 2 regions.

Cities

- The European Urban Initiative is strengthened by allowing the attribution of a Seal of Excellence for innovative actions that were assessed and comply with the minimum quality requirements but could not be financed due to budgetary constraints and by allowing Member States to allocate part of their initial national allocation of the ERDF to the European Urban Initiative. This reallocation would not count towards the ceilings set out in Article 26 of Regulation (EU) 2021/1060.

Further flexibilities on implementation

Thematic concentration

- The ERDF thematic concentration requirements are revised to accommodate the introduction of the new and amended specific objectives and the specific objectives that were introduced as part of the STEP Regulation. However, the requirements set out in Article 6 of Regulation (EU) 2021/1060 in relation to climate-related investments will continue to apply.

Mid-term review

- In order that Member States could effectively make use of the new priorities and flexibilities, it is proposed they be allowed to re-submit their mid-term review proposal by 2 months after the entry into force of these regulatory amendments.
- To help accelerate the implementation of the ERDF and the Cohesion Fund, all programmes that reallocate at least 15% of their resources for the newly introduced specific objectives and STEP would receive a one-off pre-financing of 4.5% on the basis of their amended programme budget (with the exception of NUTS 2 regions that have borders with Russia, Belarus or Ukraine, that benefit of the higher one-off pre-financing of 9.5%). The additional pre-financing related to the above set new priority areas would come in addition.
- In addition, the end-date for eligibility of expenditure is extended by one additional year for ERDF and Cohesion Fund programmes for which at least 15% of the envelope is refocused towards the new priority areas.
- In order to provide flexibility regarding the calculation of climate contribution, where the climate contribution as referred to in Article 6(1) of Regulation (EU) 2021/1060 is exceeded for either the Cohesion Fund or the ERDF, the amount exceeding the target could be taken into account when calculating the climate contribution for the other fund.

Further amendments aimed at streamlining the implementation include:

- The possibility for Member States to reallocate resources from the ERDF to the Interregional Innovation Investments Instrument;
- The possibility to support activities that contribute to the implementation of reforms;
- The duly justified revision of output indicator targets as part of a JTF programme amendment while ensuring that such revisions do not affect the transition to climate neutrality and fossil fuel phase out commitments.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review

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 175, 177, 178 and 322 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 Committee²,
Having regard to the opinion of the Committee of the Regions³,
Acting in accordance with the ordinary legislative procedure,
Whereas:

- (1) In recent years, geopolitical dynamics have been marked by profound uncertainty, necessitating a fundamental re-evaluation of the Union's strategic autonomy, resilience and security alongside the challenges stemming from the green, social and technological transitions. Those simultaneous transformations demonstrate the urgent need to close the innovation gap, accelerate decarbonisation efforts to reinforce economic competitiveness and reduce external dependencies by diversifying supply chains, scaling-up domestically produced green energy, and investing in critical sectors.
- (2) As the Union's main investment instrument within the Multiannual Financial Framework, cohesion policy plays a crucial role in supporting those priorities. It drives targeted investments that contribute to economic, social and territorial cohesion while at the same time addressing emerging challenges.
- (3) The legal framework for cohesion policy programmes provides for a mid-term review in 2025, which offers a timely and unique opportunity to refocus programmes on addressing new challenges and opportunities, to accelerate implementation and to increase their effectiveness to respond to both old and new Union priorities.
- (4) The Commission presented in the Competitiveness Compass, the Clean Industrial Deal and the Affordable Energy Action Plan a concrete path for Europe to regain its competitiveness and secure sustainable prosperity. The ERDF and the Cohesion Fund already support investments to climate objectives as stipulated in Regulation (EU) 2021/1060. However, Member States should step up their efforts in order to ensure that decarbonisation is a driver for growth for European industries and the prosperity

² OJ C , , p. .

³ OJ C , , p. .

of Europeans by, amongst others, scaling up support to clean-tech and the transition to clean energy, investing in energy infrastructure projects that can ensure a true Energy Union as well as supporting decarbonisation of production processes and products.

- (5) In light of the unprecedented geopolitical instability and the need for the Union to guarantee its own defence, cohesion policy funding should be swiftly mobilised to directly support investments in defence capabilities. It is therefore necessary to create new specific objectives for support from the European Regional Development Fund (ERDF) and the Cohesion Fund established by Regulation (EU) 2021/1058 of the European Parliament and of the Council⁴ to finance industrial capacities in the defence sector and to allow for investments in resilient defence or dual-use infrastructure with a view to fostering military mobility, in line with the scope of those funds. Industrial capacities to foster defence capabilities should relate to the technological development and production of defence products and other products for defence purposes, as defined in Article 2 of [draft] Council Regulation [xxxx] establishing the Security Action for Europe (SAFE) through the reinforcement of European defence industry Instrument, in particular those referred to in Article 1 of that Regulation. Member States are encouraged to use the possibility foreseen in the current legal framework of voluntarily transferring resources allocated to them in shared management to directly managed programmes with defence and security objectives. In this context, transfers to the Connecting Europe Facility (CEF) military mobility envelope would ensure coordinated interventions along the military mobility corridors highlighted in the White Paper on Defence.
- (6) Furthermore, in order to quickly inject liquidity to cover the most pressing needs notably for investments in enhanced defence capabilities, additional financing possibilities should be offered. In particular, it is necessary to provide for an additional one-off pre-financing of 30% of the amounts programmed under dedicated priorities for defence under the respective policy objectives of the ERDF and the Cohesion Fund and the possibility to apply a Union co-financing rate of up to 100%.
- (7) The ERDF and the Cohesion Fund may, within their respective scopes, already support investments contributing to the objectives of the ‘Strategic Technologies for Europe Platform’ (STEP), which aims to strengthen Europe’s technological leadership. In order to further incentivise investments from the ERDF and the Cohesion Fund in those critical fields, the limitation for the overall contribution of the ERDF and the Cohesion Fund to those priorities should be removed and the possibility for Member States to receive a higher pre-financing for related programme amendments should be extended. Furthermore, the possibilities for the financing of productive investments contributing to STEP objectives in enterprises other than SMEs should be extended to all regions. Similarly, such investments should also be possible in regions where they facilitate industrial adjustment linked to digital transformation, including digital capacities in cloud, AI and supercomputing, or the decarbonisation and circularity of production processes and products, such as in the automotive industry or the energy intensive industries. In addition, the possibility provided for investments contributing to STEP objectives to finance productive investments in enterprises other than SMEs from the Just Transition Fund (JTF) established by Regulation (EU) 2021/1056 of the European Parliament and of the

⁴ OJ L 231, 30.6.2021, p. 60.

Council⁵ without the need and irrespective of the outcome of a gap analysis should be extended to all investments.

- (8) In order to enhance energy security, accelerate the energy transition and clean mobility, the investments under STEP and the Alternative Fuels Infrastructure Facility should be complemented by creating a new specific objective for the ERDF and the Cohesion Fund under policy objective 2 to promote energy interconnectors and related transmission infrastructure, and the deployment of charging infrastructure. In order to accelerate investments in these fields, priorities dedicated to this specific objective should benefit from an additional one-off pre-financing of 30% of the amounts programmed under those priorities and from the possibility to apply a Union co-financing rate of up to 100%. Managing authorities should aim to leverage a maximum amount of private finance, where relevant. This enhanced investment effort will enable energy-intensive sectors to access more stable and diverse energy sources in a less fragmented internal energy market, buttressing their sustainability and competitiveness. Moreover, expanding the ERDF's support for decarbonisation projects allows energy-intensive industries to prioritise high-impact innovations aligned with EU climate objectives.
- (9) Important Projects of Common European Interest (IPCEI) result from a State aid instrument requiring cross-European cooperation for innovative technologies or pan-European infrastructures. IPCEI are projects that support and promote large-scale, cross-border projects that are considered essential for the economic growth, innovation, and competitiveness of the Union. To help accelerate the design of new IPCEI and the implementation of the existing ones, support from the ERDF for investments in projects participating in an IPCEI as approved by the Commission pursuant to Article 107(3), point (b), of the Treaty on the Functioning of the European Union (TFEU) and to Communication C(2021) 8481 should be allowed in all categories of regions. Furthermore, operations contributing to an IPCEI approved by the Commission should benefit from simplified selection procedures.
- (10) Affordable housing is another challenge that has come to the forefront due to the significant increase in prices and rents in recent years. With a view to incentivising Member States and regions to double investments from the ERDF and the Cohesion Fund, within their respective scopes, in the construction and renovation of the affordable housing stock, including social housing, new specific objectives should be created under different policy objectives to provide flexibility for the programming of housing interventions under dedicated priorities. Such priorities should entail the possibility to apply a Union co-financing rate of up to 100% and benefit from an additional one-off pre-financing of 30% of the amounts programmed in order to alleviate the burden on public budgets. For example, investments under the 'New European Bauhaus' initiative should make full use of those new possibilities. Costs resulting from the temporary renting of alternative accommodation for the occupants during the time of the renovation may also be entitled to support under such priorities, as well as costs of reforms related to housing, such as preparatory work for improvements in housing market regulation and permitting at local and city level. It is also appropriate to clarify the support of the JTF in that context.
- (11) Water has a vital role as a resource for the security of food, energy and economic systems. This is also a key aspect of ensuring climate resilience. Given the challenges

⁵ OJ L 231, 30.6.2021, p. 1.

posed by the impact of climate change on water resources, further investments in water resilience should be encouraged. It is urgent to enhance the implementation of the water and marine protection legislation and improve water efficiency, address water scarcity, and progress towards a water resilient Europe. This requires important investments. It is therefore appropriate to include a reference to secure access to water, sustainable water management and water resilience in the new specific objective under policy objective 2 to allow for proactive, risk-based management and increased preparedness. Dedicated priorities established for that specific objective should also benefit from an additional one-off pre-financing of 30% of the amounts programmed and the possibility of a co-financing rate of up to 100% in order to incentivise crucial investments in that field.

- (12) Finally, in order to enhance the effectiveness of investments, it is important to allow for the payment of costs related to the implementation of reforms, also where such costs are not directly linked to the implementation of investments.
- (13) In order to enable Member States to carry out a meaningful reprogramming in the context of the mid-term review and focus resources on those new strategic Union priorities, additional restrictions should be lifted. As regards thematic concentration requirements, it is appropriate to allow Member States to count amounts programmed for new strategic priorities, including those contributing to STEP objectives, towards the amounts required to ensure compliance with thematic concentration requirements. This should be accompanied with some flexibility regarding the calculation of the respective climate contribution for the ERDF and the Cohesion Fund as set out in Article 6 of Regulation (EU) 2021/1060, while respecting the overall requirements of that Article. In addition, to accelerate the decarbonisation of industry that is necessary for reaching the Union's climate objectives, it is necessary to provide for the possibility to finance, through the ERDF, investments aimed at achieving the reduction of greenhouse gas emissions also from activities listed in Annex I to Directive 2003/87/EC of the European Parliament and of the Council⁶ provided that they have been awarded a Seal Excellence. Similarly, as regards the JTF, the conditions for financing such investments should be simplified. Furthermore, in order to ensure consistency of support between financing granted under direct and shared management, operations that have already been assessed in the context of directly managed programmes and been attributed a 'Sovereignty Seal' as defined in Article 4(1) of Regulation (EU) 2024/795 in a call for proposals under Commission Delegated Regulation (EU) 2019/856 by the Commission should not be subject to the fossil fuel exclusion. Member States should also be given the possibility to contribute resources from the ERDF and the Cohesion Fund to the Member State compartment of the InvestEU Fund⁷ to deploy them through the InvestEU financial instrument set out in [Article 10a of Regulation (EU) 2021/523]. Finally, in order to allow for a comprehensive reprogramming towards the new strategic priorities in the context of the mid-term review, Member States should benefit from additional time to complement the assessment of the outcome of the mid-term review and the submission

⁶ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32, ELI: <http://data.europa.eu/eli/dir/2003/87/oj>).

⁷ Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30, ELI: <http://data.europa.eu/eli/reg/2021/523/oj>).

of related programme amendments. This should also apply to JTF resources where they are included in a programme together with ERDF or Cohesion Fund resources.

- (14) In order to accelerate the implementation of cohesion policy programmes more generally and inject the necessary liquidity for key investments to be implemented, an additional one-off pre-financing for the ERDF and the Cohesion Fund should be paid for programmes under both the Investment for jobs and growth goal and under European territorial cooperation goal (Interreg), when the reprogramming concerns a substantial share of the overall programme. The pre-financing percentage should be further increased for certain programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine, given the adverse impact on those regions of the Russian war of aggression against Ukraine. In order to incentivise the re-programming towards key priorities in the context of the mid-term review, the additional pre-financing should only be available where a certain threshold for the reallocation of financial resources to specific crucial priorities is reached in that context.
- (15) Furthermore, to take account of the time needed to refocus investments in the context of the mid-term review and allow best use of available resources, the deadlines for the eligibility of expenditure as well as decommitment rules should be adjusted for programmes carrying out a reallocation of resources to strategic priorities in the context of the mid-term review exercise. It should also be possible to apply a maximum co-financing rate of up to 100% to priorities in programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine, given the adverse impact on those regions of the Russian war of aggression against Ukraine.
- (16) The mid-term review should also be used to reinforce the crucial role of cities in delivering many Union objectives by giving Member States the possibility to reallocate financial resources from the ERDF to reinforce the European Urban Initiative referred to in Article 12 of Regulation (EU) 2021/1058. In addition, in order to facilitate the uptake of key innovative actions identified under the European Urban Initiative, such actions should benefit from a simplified selection procedure for support under cohesion policy programmes. Member States should also be provided with the possibility to reallocate ERDF resources from their programmes under the Investment for jobs and growth goal to the Interregional Innovation Investment Instrument referred to in Article 13 of Regulation (EU) 2021/1058 to enhance flexibility in the use of resources.
- (17) In order to simplify delivery and accelerate investments, it is appropriate to make additional targeted changes to the regulatory framework governing the use of the JTF. In particular, the possibility for a simplified selection procedure for operations that have been attributed a Seal of Excellence should be extended to the JTF. Furthermore, the limitations for the revision of targets should be removed in order to provide for the necessary flexibility in the context of changing implementation circumstances.
- (18) Since the objective of this Regulation, namely to refocus investments on critical priorities in the context of the mid-term review and to simplify and accelerate policy delivery by amending Regulations (EU) 2021/1058 and (EU) 2021/1056 cannot be sufficiently achieved by the Member States but can 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 Treaty on European Union. 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 that objective.

- (19) Regulations (EU) 2021/1058 and (EU) 2021/1056 should therefore be amended accordingly.
- (20) Given the urgent need to enable crucial investments notably in defence capabilities in the context of pressing geopolitical challenges, this Regulation should enter into force on the day following that of its publication in the *Official Journal of the European Union*,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2021/1058 is amended as follows:

- (1) Article 3 is amended as follows:
 - (a) paragraph 1 is amended as follows:
 - (i) in point (a), the following point (vii) is added:

‘(vii) enhancing industrial capacities to foster dual use as well as defence capabilities.’;
 - (ii) in point (b), point (v) is replaced by the following:

‘(v) promoting secure access to water, sustainable water management and water resilience.’;
 - (iii) the following points (xi) and (xii) are added:

‘(xi) promoting access to affordable housing, and related reforms;
(xii) promoting energy interconnectors and related transmission infrastructure, and the deployment of recharging infrastructure.’;
 - (iv) in point (c), the following point (iii) is added:

‘(iii) developing resilient defence or dual use infrastructure to foster military mobility in the Union.’;
 - (v) in point (d), the following point (vii) is added:

‘(vii) promoting access to affordable housing, and related reforms.’;
 - (vi) in point (e), first subparagraph, the following point (iii) is added:

‘(iii) fostering integrated territorial development, through access to affordable housing, and the development of related reforms in all types of territories.’;
 - (vii) The following subparagraph is added in paragraph 1:

‘Operations supported under the specific objective set out in point (c)(iii) shall primarily focus, where relevant, on one or more of the four EU Priority Military Mobility Corridors identified by Member States in Annex II to the Military Requirements for Military Mobility within and beyond the EU as adopted by the Council on [18 March 2025 and with reference ST 6728/25 ADD1]. Operations supported which are part of those Corridors shall comply with the infrastructure requirements laid down in implementing acts based on Article 12(2) of Regulation (EU) 2021/1153.’;

- (b) in paragraph 1a, the first and second subparagraphs are replaced by the following:

‘The resources under the specific objective referred to in paragraph 1, points (a)(vi) and (b)(ix), shall be programmed under dedicated priorities corresponding to the respective policy objective.

The Commission shall pay 30% of the allocation to those priorities as set out in the decision approving the programme amendment as exceptional one-off pre-financing in addition to the yearly pre-financing for the programme provided for in Article 90(1) and (2) of Regulation (EU) 2021/1060 or in Article 51(2), (3) and (4) of Regulation (EU) 2021/1059 of the European Parliament and of the Council*. That exceptional pre-financing shall be paid provided that the programme amendment is submitted to the Commission by 31 December 2025. It shall be paid within 60 days of the adoption of the Commission decision approving the programme amendment.

* Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (OJ L 231, 30.6.2021, p. 94, ELI: <http://data.europa.eu/eli/reg/2021/1059/oj>).’;

- (c) the following paragraph 1c is inserted:

‘1c. The resources under the specific objectives referred to in paragraph 1, points (a)(vii), (b)(v), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), shall be programmed under dedicated priorities corresponding to the respective policy objective.

The Commission shall pay 30% of the allocation to those priorities as set out in the decision approving the programme amendment as exceptional one-off pre-financing in addition to the yearly pre-financing for the programme provided for in Article 90(1) and (2) of Regulation (EU) 2021/1060. That exceptional pre-financing shall be paid provided that the programme amendment is submitted to the Commission by 31 December 2025. It shall be paid within 60 days of the adoption of the Commission decision approving the programme amendment.

In accordance with Article 90(5) of Regulation (EU) 2021/1060, the amount paid as exceptional pre-financing shall be cleared from the Commission accounts no later than with the final accounting year.

In accordance with Article 90(6) of Regulation (EU) 2021/1060, any interest generated by the exceptional pre-financing shall be used for the programme concerned in the same way as the ERDF and shall be included in the accounts for the final accounting year.

In accordance with Article 97(1) of Regulation (EU) 2021/1060, the exceptional pre-financing shall not be suspended.

In accordance with Article 105(1) of Regulation (EU) 2021/1060, the pre-financing to be taken into account for the purposes of calculating amounts to be de-committed shall include the exceptional pre-financing paid.

By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rate for dedicated priorities established to support the specific objectives referred to in paragraph 1, points (a)(vii), (b)(v), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of this Article shall be 100%.’;

(d) paragraph 3 is replaced by the following:

‘(3) The Cohesion Fund shall support PO 2 and 3, including the specific objectives set out in paragraph 1, points (b)(x), (b)(xi), (b)(xii) and (c)(iii), of this Article, insofar as such support is in line with the scope of support as set out in Articles 6 and 7.’;

(e) in paragraph 4, first subparagraph, the following point (d) is added:

‘(d) contribute to the implementation of reforms.’.

(2) In Article 4, paragraph 10 is replaced by the following:

‘10. The thematic concentration requirements set out in paragraph 6 of this Article shall be complied with throughout the entire programming period, including when ERDF allocations are transferred between priorities of a programme or between programmes and at the mid-term review in accordance with Article 18 of Regulation (EU) 2021/1060. Where a Member State submits a request for an amendment of a programme in accordance with Article 24 of Regulation (EU) 2021/1060, amounts programmed for the specific objectives referred to in paragraph 1, points (a)(vi) and (b)(ix), of this Article, as well as for the specific objectives referred to in paragraph 1, points (a)(vii), (b)(v), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of this Article, may be counted towards either the amounts required for PO 1 or PO 2 or divided between the two.’.

(3) Article 5 is amended as follows:

(a) paragraph 2 is amended as follows:

(i) the first subparagraph is amended as follows:

(1) point (e) is replaced by the following:

‘(e) when they contribute to the specific objectives under PO 1 set out in Article 3(1), points (a)(vi) and (a)(vii), of this Regulation, or to the specific objective under PO 2 set out in Article 3(1), point (b)(ix), of this Regulation;’;

(2) the following point (f) is added:

‘(f) when they contribute to an Important Project of Common European Interest as approved by the Commission pursuant to Article 107(3), point (b), of the Treaty on the Functioning of the European Union (TFEU) and to Communication C(2021) 8481, while preserving a focus on SMEs;’;

(3) the following point (g) is added:

‘(g) where they facilitate industrial adjustment linked to the decarbonisation of production processes and products.’;

(ii) the second subparagraph is deleted;

(b) the following paragraphs 10 and 11 are added:

‘10. In addition to the possibilities set out in Article 14 of Regulation (EU) 2021/1060, Member States may, with the agreement of the managing authorities concerned, allocate resources from the ERDF and the Cohesion Fund to the Member

State compartment of the InvestEU Fund to deploy them through the InvestEU financial instrument to be set out in [Article 10a of Regulation (EU) 2021/523 of the European Parliament and of the Council]*. Such contributions shall be subject to the procedures set out in Article 14 of Regulation (EU) 2021/1060 and count towards the ceilings set out in that Article. Resources generated by or attributable to the amounts contributed to the InvestEU financial instrument in accordance with Article 14 of Regulation (EU) 2021/1060 shall be made available to the Member State in accordance with the contribution agreement and shall be used for support under the same objective or objectives in the form of financial instruments or budgetary guarantees.

11. In addition to the possibilities set out in Article 73(4) of Regulation (EU) 2021/1060, for projects directly participating in an Important Project of Common European Interest approved by the Commission pursuant to Article 107(3), point (b) TFEU and to Communication C(2021) 8481, the managing authority may decide to grant support from the ERDF directly, provided that such operations meet the requirements set out in Article 73, paragraph 2, points (a), (b) and (g), of Regulation (EU) 2021/1060.

* Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30, ELI: <http://data.europa.eu/eli/reg/2021/523/oj>).’

(4) In Article 7, paragraph 1 is amended as follows:

(a) point (b) is amended as follows:

‘(b) investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC, except those which have been awarded a Seal of Excellence as defined in Article 2, point (45), of Regulation (EU) 2021/1060;’;

(b) in point (h), the following point (iv) is added:

‘(iv) investment in operations attributed a Sovereignty Seal under Article 4(1) of Regulation (EU) 2024/795 in a call for proposals under Commission Delegated Regulation (EU) 2019/856.’

(5) The following Article 7a is inserted:

Article 7a

Specific provisions linked to the mid-term review and related flexibilities

1. The Commission shall pay in 2026 4.5% of the total support from the ERDF and the Cohesion Fund as set out in the decision approving the programme amendment as additional one-off pre-financing. This one-off pre-financing percentage shall be increased to 9.5% for programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine, provided the programme does not cover the entire territory of the Member State. Where in a Member State NUTS 2 regions bordering Russia, Belarus or Ukraine are included exclusively in programmes covering the entire territory of that Member State, the increased pre-financing set out in this paragraph shall apply to those programmes.

The additional pre-financing referred to in the first subparagraph of this paragraph shall only apply where reallocations of at least 15% of the financial resources of the programme to one or more dedicated priorities established for the specific objectives referred to in Article 3(1), points (a)(vi), (a)(vii), (b)(v), (b)(ix), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of this Regulation in the context of the mid-term review have been approved, provided that the programme amendment is submitted by 31 December 2025.

The pre-financing due to the Member State which results from programme amendments pursuant to reallocation to the priorities referred to in the second subparagraph shall be counted as payments made in 2025 for the purposes of calculating the amounts to be decommitted in accordance with Article 105 of Regulation (EU) 2021/1060, provided the request for programme amendment was submitted in 2025.

2. By way of derogation from Article 63(2) and Article 105(2) of Regulation (EU) 2021/1060, the deadline for the eligibility of expenditure, the reimbursement of costs as well as for decommitment shall be 31 December 2030. That derogation shall only apply where programme amendments reallocating at least 15% of the financial resources of the programme to one or more dedicated priorities established for the specific objectives referred to in Article 3(1), points (a)(vi), (a)(vii), (b)(v), (b)(ix), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of this Regulation in the context of the mid-term review have been approved.

3. Member States may in requests for programme amendments in accordance with Article 24 of Regulation (EU) 2021/1060 request the reallocation of ERDF resources programmed under the Investment for jobs and growth goal to the European Urban Initiative and to the Interregional Innovation Investments Instruments referred to in Article 12 and Article 13 of this Regulation respectively. Reallocated resources shall be implemented for the benefit of the Member State concerned. Such reallocations shall not constitute transfers within the meaning of Article 26 of Regulation (EU) 2021/1060.

4. By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rate for priorities in programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine shall be 100%. The higher co-financing rate shall not apply to programmes covering the entire territory of the Member State concerned, unless those regions are included only in programmes covering the entire territory of that Member State. The derogation shall only apply where reallocations of at least 15% of the financial resources of the programme to one or more dedicated priorities established for the specific objectives referred to in Article 3(1), points (a)(vi), (a)(vii), (b)(v), (b)(ix), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of this Regulation in the context of the mid-term review have been approved, provided that the programme amendment is submitted by 31 December 2025.

5. In addition to the assessment for each programme on the outcome of the mid-term review to be submitted in accordance with Article 18(2) of Regulation (EU) 2021/1060, Member States may resubmit a complementary assessment as well as related requests for programme amendments, taking into account the specific objectives introduced by Regulation (EU) XXXX/XXXX [this Regulation], within 2 months of the entry into force of Regulation (EU) XXXX/XXXX [this Regulation]. The deadlines set out in Article 18(3) of Regulation (EU) 2021/1060 shall apply.

6. Where the climate contribution as referred to in Article 6(1) of Regulation (EU) 2021/1060 of the Cohesion Fund would exceed the target of 37% of its total allocation, the amount exceeding that target may be taken into account when calculating the climate contribution of the ERDF for the purpose of reaching the target of 30% of its total allocation. The amounts exceeding the ERDF climate contribution target of 30% of its total allocation may be taken into account when calculating the climate contribution of the Cohesion Fund.’

(6) In Article 12, the following paragraph 4 is added:

‘4. Innovative actions which have been assessed in a call for proposals under the European Urban Initiative and comply with the minimum quality requirements of that call and cannot be financed under that call for proposals due to budgetary constraints may be attributed a Seal of Excellence by the Commission.

For the purpose of the Seal of Excellence, the European Urban Initiative is considered another Union source distinct from the programmes implemented and prepared in accordance with Article 7 of Regulation (EU) 2021/1060.’

(7) In Annex I, Table 1 is amended as follows:

(a) in policy objective 1, the following row is added:

	‘(vii) enhancing industrial capacities to foster dual use as well as defence capabilities	Any RCO listed for specific objectives (i), (iii) RCO128 Enterprises supported primarily to foster dual use and defence capabilities (RearmEU) - enterprises	Any RCR listed for specific objectives (i), (iii)’
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(b) in policy objective 2, the row for specific objective (v) is replaced by the following:

	‘(v) Promoting secure access to water, sustainable water management and water resilience	RCO30 Length of new or upgraded pipes for the distribution systems of public water supply - km RCO31 Length of new or upgraded pipes for the public network for collection of	RCR41 Population connected to improved public water supply - persons RCR42 Population connected to at least secondary public waste water treatment - persons RCR43 Water
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		waste water - km RCO32 New or upgraded capacity for waste water treatment - population equivalent	losses in distribution systems for public water supply - cubic metres per year'
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(c) in policy objective 2, the following rows are added:

	'(xi) promoting access to affordable housing, and related reforms	RCO18 Affordable dwellings with improved energy performance – dwellings RCO65 Capacity of new or modernised affordable and social housing - persons RCO130 Affordable and social housing related reforms - number	RCR26 Annual primary energy consumption (of which: affordable dwellings, public buildings, enterprises, other) - MWh/year RCR29 Estimated greenhouse emissions - tonnes CO ₂ eq./year RCR67 Annual users of new or modernised affordable and social housing - users/year
	(xii) promoting energy interconnectors and related transmission infrastructure, and the deployment of recharging infrastructure	RCO 59 - Alternative fuels infrastructure (refuelling/ recharging points) RCO 131 Energy transmission network lines and interconnectors - newly constructed or improved'	

(d) in policy objective 3, the following row is added:

	'(iii) developing resilient defence or dual use infrastructure to foster military	Any RCO listed for specific objectives (i), (ii) RCO129	Any RCR listed for specific objectives (i), (ii)'
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	mobility for the Union	Infrastructure adapted to military mobility requirements,	
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(e) in policy objective 4, the following row is added:

	‘(vii) promoting access to affordable housing, and related reforms	RCO18 Dwellings with improved energy performance – dwellings RCO65 Capacity of new or modernised social, affordable housing - persons RCO130 Affordable and social housing related reforms - number	RCR26 Annual primary energy consumption (of which: dwellings, public buildings, enterprises, other) - MWh/year RCR29 Estimated greenhouse emissions - tonnes CO ₂ eq./year RCR67 Annual users of new or modernised affordable and social housing - users/year’
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(f) in policy objective 5, the following row is added:

	(iii) fostering integrated territorial development, through access to affordable housing, and the development of related reforms in all types of territories	RCO18 Dwellings with improved energy performance – dwellings RCO65 Capacity of new or modernised affordable, and social housing - persons RCO130 Affordable and social housing related reforms - number	RCR26 Annual primary energy consumption (of which: dwellings, public buildings, enterprises, other) - MWh/year RCR29 Estimated greenhouse emissions - tonnes CO ₂ eq./year RCR67 Annual users of new or modernised affordable and social housing - users/year’
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Article 2

Regulation (EU) 2021/1056 is amended as follows:

- (1) Article 8(2) is amended as follows:
 - (a) in the first subparagraph, the following point (p) is added:

‘(p) promoting access to affordable housing, and related reforms.’;
 - (b) the fourth subparagraph is replaced by the following:

‘The JTF may also support productive investments in enterprises other than SMEs, while preserving a focus on SMEs, irrespective of whether the gap analysis was carried out in accordance with Article 11(2), point (h), of this Regulation and irrespective of its outcome. Such investments shall only be eligible where they do not lead to relocation as defined in Article 2, point (27), of Regulation (EU) 2021/1060. The provision of such support shall not require a revision of the territorial just transition plan where that revision would be exclusively linked to the gap analysis. Apprenticeships and jobs, education or training for new skills shall be considered in the selection process.’;
 - (c) the following subparagraph is added:

‘For operations attributed a Seal of Excellence as defined in Article 2, point (45), of Regulation (EU) 2021/1060 and for projects directly participating in an Important Project of Common European Interest approved by the Commission pursuant to Article 107(3), point (b) TFEU and to Communication C(2021) 848, the managing authority may decide to grant support from the JTF directly, provided that such operations contribute to the specific objective as set out in Article 2 of this Regulation and contribute to the implementation of the territorial just transition plans.’.
- (2) In Article 9, point (d) is replaced by the following:

‘(d) investment related to the production, processing, transport, distribution, storage or combustion of fossil fuels, with the exception of investment in operations attributed a Sovereignty Seal under Article 4(1) of Regulation (EU) 2024/795 in a call for proposals under Commission Delegated Regulation (EU) 2019/856.’.
- (3) In Article 10, the following paragraph is added:

‘4. Where JTF resources are programmed as priorities within a programme also containing ERDF or Cohesion Fund resources, in addition to the assessment for each programme on the outcome of the mid-term review to be submitted in accordance with Article 18(2) of Regulation (EU) 2021/1060, Member States may resubmit a complementary assessment as well as related requests for programme amendments, taking into account the specific objectives introduced by Regulation (EU) XXXX/XXXX [this Regulation], within 2 months of the entry into force of Regulation (EU) XXXX/XXXX [this Regulation]. The deadlines set out in Article 18 (3) of Regulation (EU) 2021/1060 shall apply.

Where such programme benefits from an extended deadline for the eligibility of expenditure, the reimbursement of costs as well as for decommitment in accordance

with Article 7a of Regulation (EU) 2021/1058, such extension shall also apply to the JTF resources.’.

(4) In Article 11(2), point (i) is replaced by the following:

‘(i) where support is to be provided to investments to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC, a list of operations to be supported and a justification that they contribute to a transition to a climate-neutral economy and lead to a reduction in greenhouse gas emissions going below the relevant benchmarks established for free allocation under Directive 2003/87/EC and provided that those operations are necessary for the protection of a significant number of jobs;’.

(5) In Article 12(2), the third sentence is deleted.

Article 3

This Regulation shall enter into force on the [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 all Member States.

Done at Strasbourg,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT

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1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation 2021/1056 and Regulation 2021/1058 [...]

1.2. Policy area(s) concerned

Cohesion policy: European Regional Development Fund (ERDF), Cohesion Fund and Just Transition Fund (JTF)

1.3. Objective(s)

1.3.1. General objective(s)

The cohesion policy funds and the JTF provide financing in support of the harmonious development of the EU, through actions that lead to the strengthening of its economic, social and territorial cohesion.

In support of this overarching objective, the Funds also contribute to advancing key policy objectives, including strengthening the overall competitiveness and the strategic autonomy of the EU, and addressing challenges and opportunities that are associated with the green, digital and social transitions.

1.3.2. Specific objective(s)

Specific objective No 1

Accelerate the implementation of 2021-2027 cohesion policy programmes by enhancing the flexibility and provide areas of simplification for the use of cohesion policy funds.

Specific objective No 2

Provide support from cohesion policy funds under the 2021-2027 programmes to defence related investments as a short-term reaction to recent geopolitical events by providing additional possibilities for Member States to increase investment in the defence sector and for enhancing production capacities and resilient dual-use infrastructure.

Emphasise the importance of addressing the housing crisis by creating incentives in the 2021-2027 regulatory framework for the investment in affordable housing.

Emphasise the strategic importance of secure access to water and sustainable and resilient water management by creating incentives in the 2021-2027 regulatory framework for investment in relevant projects.

Address specific territorial challenges of the Regions bordering Ukraine, Russia and Belarus.

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Specific objective No 1

Maximising the use of the resources allocated to the ERDF and Cohesion Fund under the 2021-2027 MFF, and the resources allocated to the Just Transition Fund under the 2021-2027 MFF and NGEU for the policy objectives set out in the regulations.

Specific objective No 2

Increased production capacity of enterprises in the defence sector and the adaptation of critical mobility infrastructure to emerging defence challenges of critical mobility infrastructure.

Increased support to address the specific challenges of regions bordering Russia, Belarus and Ukraine.

An uptake in investments supporting the EU's competitiveness.

An uptake in investments in building and renovation projects in affordable housing.

An uptake in investments in projects that increase the EU's water resilience and improve the sustainable water management.

1.3.4. *Indicators of performance*

Specify the indicators for monitoring progress and achievements.

Specific objective No 1

Financial data on the amounts related to operations selected and implemented by Member States and on disbursements made from the EU budget to Member States.

Specific objective No 2

Common Output Indicator 128 – Number of enterprises supported linked primarily to foster defence capabilities (RearmEU) - number of enterprises

Common Output Indicator 129 - Road and rail bridges built or upgraded for dual use number

Common Output Indicator 65 - Capacity of new or modernised social housing – number of persons

Common Result Indicator 43 - Water losses in distribution systems for public water supply - cubic metres per year

1.4. **The proposal/initiative relates to:**

a new action

a new action following a pilot project / preparatory action⁸

the extension of an existing action

a merger or redirection of one or more actions towards another/a new action

⁸ As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

Recent economic and geopolitical events have brought to the front important priorities that require substantial investments. Cohesion policy provides a strong framework for such investments, and the specific investments within the scope of this amendment are already possible to a large extent under the current legal framework governing the Funds. Therefore, they are already in line with the overall objective of strengthening economic, social and territorial cohesion. However, the pace and volume of investments need to be increase. The ongoing mid-term review of the 2021-2027 cohesion policy programmes provides a crucial opportunity to assess how these programmes can help deliver on the policy objectives. Therefore, the current amendment creates incentives and flexibilities to allow Member States to put a greater focus with resources from the MFF on these priorities within a relatively short time frame.

1.5.2. Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.

Overall:

The amendment is designed to allow Member States to direct necessary cohesion policy funding to investments in policy areas that have been identified as priorities, and to maintain and strenghten the economic, social and territorial cohesion of the EU.

Specific objective 1:

Cohesion policy funding is vital for economic stability, fairness, and integration in the EU. It plays a primary role in reducing regional disparities and ensuring balanced development across all Member States. It ensures that all regions have the resources to grow, innovate, and adapt to future challenges while promoting EU-wide solidarity. Maintaining and accelerateng the flow of funds to the Member States from the EU budget is essential for ensuring the necessary level of public funding in Member States and to achieve the cohesion objectives enshrined in the Treaty.

Specific objective 2

Defence: The Versailles Declaration of March 2022, as well as communications JOIN(2022) 24 and COM(2022) 60 already outlined the need for the EU to step up its own preparedness, capability and resilience to better protect its citizens. The rapidly evolving geopolitical context of the past months has emphasised the need to step up the efforts. The European Council conclusions of 6 March 2025 stress “that Europe must become more sovereign, more responsible for its own defence and better equipped to act and deal autonomously with immediate and future challenges and threats with a 360° approach”. To that end, the EU will accelerate the mobilisation of the necessary instruments and financing. The European Council “calls on the Commission to propose additional funding sources for defence at EU level, including by means of additional possibilities and incentives offered to all Member States, on the basis of the principles of objectivity, non-discrimination and

equal treatment of Member States, in the use of their current allocations under the relevant EU funding programmes, and to swiftly present relevant proposals”.

Competitiveness: Strengthening the competitiveness and resilience in strategic sectors and reducing the dependencies of the European economy through the green and digital transformations has been the EU compass over the last years. The STEP Regulation has already introduced increased possibilities for supporting strategic technologies and critical sectors, through the use of the cohesion policy funds. The proposal gives further impetus to use the scale of the EU to invest in areas important for the EU’s future competitiveness.

Affordable housing: The recent cost-of-living crisis has exacerbated a longstanding problem with housing affordability in the EU. The general trend can be observed in all Member States and the political guidelines acknowledge that this is putting a strain on cohesion. To that end, a taskforce has been set up within the Commission and the European Parliament has set up a special Committee on Housing. In anticipation of, and in line with the general objective of the European Affordable Housing Plan, the mid-term review of the cohesion policy programmes provides an opportunity to emphasise the importance of water resilience and to create incentives that would allow Member States to direct parts of their cohesion policy allocations to measures that support affordable housing.

Energy interconnectors and related transmission infrastructure, and recharging infrastructure: Enhancing energy security and integration, reducing reliance on fossil fuels and bolstering energy independence is crucial for the EU to support a sustainable and resilient energy system. Cohesion policy already invests in the development of smart energy systems and in the deployment of charging infrastructure supporting electric mobility.

To accelerate investment efforts in this area and achieve greater cross-border energy integration, it is however important to provide specific incentives for the promotion of energy interconnectors and related transmission infrastructure, and the deployment of charging infrastructure supporting electric mobility.

Access to water and water management: Despite the EU’s comprehensive legal framework to protect and sustainably manage water resources, structural mismanagement of water has resulted in the continued degradation and pollution of this resource and water-related ecosystems, including coastal and marine ones. Over the last 5 years, floods, prolonged droughts and water scarcity have affected more and more areas of the EU and this is exacerbated by climate change, pollution and biodiversity loss. The transboundary nature of water challenges, their cross-cutting nature and their relevance to delivering EU policies and legislation in various domains provide a clear basis for a European strategy on water resilience. In anticipation of the strategy, the mid-term review of the cohesion policy programmes provides an opportunity to direct the necessary financing to projects that tackle security of access, sustainable water management and water resilience.

1.5.3. *Lessons learned from similar experiences in the past*

Recent amendments to the 2014-2020 and 2021-2027 Regulations in the context of the COVID-19 crisis, the military aggression of Russia in Ukraine, the energy crisis, and competitiveness (STEP) have resulted in an important uptake of funds to support relevant investments.

1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments

The amendment does not alter the existing cohesion policy allocations and is intended to help accelerate investments of the Funds in an efficient and effective manner.

1.5.5. Assessment of the different available financing options, including scope for redeployment

The amendment does not alter the core structure of the existing cohesion policy regulatory framework, nor does it alter the fixed Member State allocations. It is intended to emphasise and incentivise support measures that are already possible within the scope of the funds and that are complementary to investments through other financing options either at EU level or at Member State level.

1.6. Duration of the proposal/initiative and of its financial impact

limited duration

- financial impact from 2026 to 2029 for payment appropriations. No impact on commitments appropriations.

1.7. Method(s) of budget implementation planned⁹

Shared management with the Member States

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

The monitoring and reporting rules laid down in Regulation (EU) 2021/1060 remain fully applicable:

Programme monitoring committee: minimum once a year

Annual performance review between the Member State and the Commission

Data transmission per programme: five times per year

Annual control (audit) report.

A final performance report for each programme needs to be submitted by 15 February 2031.

2.2. Management and control system(s)

2.2.1. *Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The proposal for amendment does not alter the existing shared management budget implementation method, nor does it change the implementation mechanisms, the payment modalities or the control strategies defined in Regulation (EU) 2021/1060.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

No specific risks have been identified. The proposal for amendment does not structurally alter the risk-management and control setup of the cohesion policy programmes, which is considered appropriate for the envisaged investments.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)*

The control framework of cohesion policy remains unchanged and fully applicable. This has been designed to protect the financial interests of the EU and adjusted over multiple programming periods to take into account the recommendations of ECA and OLAF.

⁹ Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: <https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx>.

2.3. Measures to prevent fraud and irregularities

Member States need to comply with the existing cohesion policy control framework, and need to have in place a management and control system that allows for the prevention, detection and correction and reporting on irregularities, including fraud.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. ¹⁰	from EFTA countries ¹¹	from candidate countries and potential candidates ¹²	From other third countries	other assigned revenue
H2a	05 02 01 ERDF – Operational expenditure	Diff.	NO	NO	NO	NO
H2a	05 03 01 CF – Operational expenditure	Diff.	NO	NO	NO	NO

¹⁰ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

¹¹ EFTA: European Free Trade Association.

¹² Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

Heading of multiannual financial framework		Number	H2a				
DG: REGIO.			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2024	2025	2026	2027	
Operational appropriations							
05.0201 ERDF Operational expenditure	Commitments	(1a)			0.000	0.000	0.000
	Payments	(2a)			[3 060.000]	[-3 060.000]	0.000
05.0301 CF Operational expenditure	Commitments	(1b)			0.000	0.000	0.000
	Payments	(2b)			[540.000]	[-540.000]	0.000
Appropriations of an administrative nature financed from the envelope of specific programmes ¹³							
Budget line		(3)					0.000
TOTAL appropriations for DG REGIO	Commitments	=1a+1b+3	0.000	0.000	0.000	0.000	0.000
	Payments	=2a+2b+3	0.000	0.000	[3 600.000]	[-3 600.000]	0.000
			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2024	2025	2026	2027	
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	[3 600.000]	[-3 600.000]	0.000

¹³ 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.

TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING 2a of the multiannual financial framework	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	[3 600.000]	[-3 600.000]	0.000
			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	[3 600.000]	[-3 600.000]	0.000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations Under Heading 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	[3 600.000]	[-3 600.000]	0.000

Based on the estimated uptake of the proposal, the total additional pre-financing to be paid in 2026 amounts to **EUR [16.1 billion]**. At the same time, taking into account payment forecasts and implementation shifts, the net budgetary impact is estimated at EUR [3.6] billion, which will be included in the draft budget 2026. The budgetary impact is budgetary neutral over the MFF duration.

Heading of multiannual financial framework	7	'Administrative expenditure' ¹⁴				
DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027

¹⁴ The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000

DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.000	0.000	0.000	0.000	0.000
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EUR million (to three decimal places)

		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	0.000	0.000	0.000	0.000	0.000
of the multiannual financial framework	Payments	0.000	0.000	[3 600.000]	[-3 600.000]	0.000

3.2.2. *Estimated output funded from operational appropriations (not to be completed for decentralised agencies)*

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs		Year 2024	Year 2025	Year 2026	Year 2027	Enter as many years as necessary to show the duration of the impact (see Section 1.6)	TOTAL
	OUTPUTS						

↓	Type ¹⁵	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1 ¹⁶ ...																		
- Output																		
- Output																		
- Output																		
Subtotal for specific objective No 1																		
SPECIFIC OBJECTIVE No 2 ...																		
- Output																		
Subtotal for specific objective No 2																		
TOTALS																		

¹⁵ Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

¹⁶ As described in Section 1.3.2. 'Specific objective(s)'

3.2.3. Summary of estimated impact on administrative appropriations

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year	Year	Year	Year	TOTAL 2021 - 2027
	2024	2025	2026	2027	
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other administrative expenditure	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

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.

3.2.4. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. Financed from voted budget

Estimate to be expressed in full-time equivalent units (FTEs)¹⁷

VOTED APPROPRIATIONS	Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission's Representation Offices)	0	0	0	0
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0

¹⁷ Please specify below the table how many FTEs within the number indicated are already assigned to the management of the action and/or can be redeployed within your DG and what are your net needs.

Other budget lines (specify)		0	0	0	0
• External staff (inFTEs)					
20 02 01 (AC, END from the ‘global envelope’)		0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
TOTAL		0	0	0	0

3.2.4.2. Financed from external assigned revenues

EXTERNAL ASSIGNED REVENUES	Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission’s Representation Offices)	0	0	0	0
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0
Other budget lines (specify)	0	0	0	0
• External staff (in full time equivalent units)				
20 02 01 (AC, END from the ‘global envelope’)	0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)	0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0
	- in EU Delegations	0	0	0
01 01 01 02 (AC, END - Indirect research)	0	0	0	0
01 01 01 12 (AC, END - Direct research)	0	0	0	0
Other budget lines (specify) - Heading 7	0	0	0	0
Other budget lines (specify) - Outside Heading 7	0	0	0	0
TOTAL	0	0	0	0

3.2.4.3. Total requirements of human resources

TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES	Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission’s Representation Offices)	0	0	0	0
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0
Other budget lines (specify)	0	0	0	0
• External staff (in full time equivalent units)				
20 02 01 (AC, END from the ‘global envelope’)	0	0	0	0

20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
TOTAL		0	0	0	0

The staff required to implement the proposal (in FTEs):

	To be covered by current staff available in the Commission services	Exceptional additional staff*		
		To be financed under Heading 7 or Research	To be financed from BA line	To be financed from fees
Establishment plan posts			N/A	
External staff (CA, SNEs, INT)				

Description of tasks to be carried out by:

Officials and temporary staff	
External staff	

3.2.5. Overview of estimated impact on digital technology-related investments

Compulsory: the best estimate of the digital technology-related investments entailed by the proposal/initiative should be included in the table below.

Exceptionally, when required for the implementation of the proposal/initiative, the appropriations under Heading 7 should be presented in the designated line.

The appropriations under Headings 1-6 should be reflected as “Policy IT expenditure on operational programmes”. This expenditure refers to the operational budget to be used to re-use/ buy/ develop IT platforms/ tools directly linked to the implementation of the initiative and their associated investments (e.g. licences, studies, data storage etc). The information provided in this table should be consistent with details presented under Section 4 “Digital dimensions”.

TOTAL Digital and IT appropriations	Year	Year	Year	Year	TOTAL MFF 2021 - 2027
	2024	2025	2026	2027	

HEADING 7					
IT expenditure (corporate)	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Policy IT expenditure on operational programmes	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

3.2.6. Compatibility with the current multiannual financial framework

The proposal/initiative:

- can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)

3.2.7. Third-party contributions

The proposal/initiative:

- 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)

	Year 2024	Year 2025	Year 2026	Year 2027	Total
Specify the co-financing body					
TOTAL appropriations co-financed					

3.3. Estimated impact on revenue

- 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:	Appropriations available for the current financial year	Impact of the proposal/initiative ¹⁸			
		Year 2024	Year 2025	Year 2026	Year 2027
Article					

¹⁸ 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.

For assigned revenue, specify the budget expenditure line(s) affected.

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Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

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4. DIGITAL DIMENSIONS

4.1. Requirements of digital relevance

The digital requirements are limited to adaptation and extension of already implemented solutions for shared management programmes, namely SFC2021. The adaptations will correspond to the definition and inclusion of specific priorities in amended programmes.

4.2. Data

The data required is an extension and adaptation of the data model already implemented for the shared management programmes. The once-only principle is followed and this being an extension of an existing solution ensures full reuse of existing data.

4.3. Digital solutions

The digital solution is a minor adaptation of the SFC2021 platform, which is the tool used for all shared management programmes.

4.4. Interoperability assessment

SFC2021 is already in place and is used by all parties. The tool is interoperable with other systems and uses standard techniques for information exchange

4.5. Measures to support digital implementation

The changes required in SFC2021 will be planned and implemented in such a way that the new requirements are ready at the time of the adoption and entry into force of the final regulation