

# **European Regional Development Fund, European Social Fund and Cohesion Fund: revenue-generating projects**

2008/0186(AVC) - 15/09/2008 - Initial legislative proposal

**PURPOSE:** to amend Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, in respect of certain revenue-generating projects.

**PROPOSED ACT:** Council Regulation.

**CONTENT:** the new financial management rules introduced by Regulation No 1083/2006 include provisions on the financial contribution from the Funds (Title V) and in particular on revenue-generating projects (Article 55).

According to Article 55(1) of the Regulation, ‘revenue-generating project’ means any operation involving an investment in infrastructure the use of which is subject to charges borne directly by users or any operation involving the sale or rent of land or buildings or any other provision of services against payment.

The provisions of Article 55 of Regulation No 1083/2006 do not seem appropriate to projects co-financed by the European Social Fund (ESF), which essentially finances non-physical operations rather than infrastructure (which is ineligible). Few projects generate revenue, and, if they do, it is usually during the operation implementation phase only.

Furthermore, in the case of small operations co-financed by the ERDF/Cohesion Fund or operations co-financed by the ESF, the follow-up procedures to be complied with - revenue may be taken into account for up to three years after winding-up of the operational programme - would seem to be a disproportionate administrative burden compared with the amounts concerned, and an important risk factor in programme implementation.

The Commission is therefore proposing an amendment to Article 55(5) only, with the other provisions of Regulation No 1083/2006 remaining unchanged. The amendment consists in replacing the provision on proportionality in monitoring small operations (total cost below €200 000) by the non-application of the provisions of Article 55 to operations co-financed by the ESF and to operations co-financed by the ERDF or Cohesion Fund where the total cost is less than €1 000 000. It is also proposed that this should apply retroactively from 1 August 2006.