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Earmarking

This note contains information concerning the practical implementation of the "earmarking" provisions set out in Article 9 of Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999¹ ("the General Regulation").

1. REGULATORY PROVISIONS CONCERNING "EARMARKING"

"Earmarking" is governed by the provisions of the General Regulation as well as by the Fund-specific regulations (Regulation (EC) No 1080/2006 and Regulation (EC) No 1081/2006, hereafter, respectively, the ERDF Regulation and the ESF Regulation)². In addition, the Community Strategic Guidelines (CSG)³ provide the underlying policy orientation for the implementation of the earmarking provisions; their 9th recital emphasises the need to concentrate efforts on areas contributing to "investment in innovation, the knowledge economy, the new information and communication technologies, employment, human capital, entrepreneurship, support for SMEs or access to risk capital financing".

General Regulation, Recital 26

It is appropriate to set measurable targets for Member States of the European Union as constituted before 1 May 2004 to aim to achieve through the expenditure under the Convergence and Regional competitiveness and employment objectives with a view to promoting competitiveness and creating jobs. It is necessary to identify appropriate ways to measure and report the attainment of those targets.

General Regulation, Article 9(3)

The assistance co-financed by the Funds shall target the European Union priorities of promoting competitiveness and creating jobs, including meeting the objectives of the Integrated Guidelines for Growth and Jobs (2005 to 2008) as set out by Council Decision 2005/600/EC of 12 July 2005. To this end, in accordance with their respective responsibilities, the Commission and the Member States shall ensure that 60% of expenditure for the Convergence objective and 75% of expenditure for the Regional competitiveness and employment objective for all the Member States of the European Union as constituted before 1 May 2004 is set for the abovementioned priorities. These

¹ OJ L 210, 31.7.2006, p.25

² Ibid, p.1 and p.12

³ OJ L 291, 21.10.2006, p.11

targets, based on the categories of expenditure in Annex IV shall apply as an average over the entire programming period.

With a view to ensuring that specific national circumstances, including the priorities identified in the national reform programme of each Member State concerned, are taken into account, the Commission and that Member State may decide to complement in an appropriate manner the list of categories of Annex IV.

Each Member State concerned shall contribute to these targets.

At their own initiative, Member States that acceded to the European Union on or after 1 May 2004 may decide to apply these provisions.

General Regulation, Article 27(4)(d)

The national strategic reference framework shall contain the following elements:

[...]

(d) a description of how the expenditure for Convergence and Regional competitiveness and employment objectives will contribute to the European Union priorities of promoting competitiveness and creating jobs, including meeting the objectives of the Integrated Guidelines for Growth and Jobs (2005 to 2008) as laid down in Article 9(3).

General Regulation, Article 29(1)

1. For the first time in 2007, each Member State shall include in the annual implementation report on its national reform programme a concise section on the contribution of the operational programmes co-financed by the Funds towards the implementation of the national reform programme.

General Regulation, Article 29(2)(d)

At the latest by the end of 2009 and 2012, the Member States shall provide a concise report containing information on the contribution of the programmes co-financed by the Funds:

[...]

d) towards achieving the objective of promoting competitiveness and job creation and working towards meeting the objectives of the Integrated Guidelines for Growth and Jobs (2005 to 2008) as laid down in Article 9(3).

General Regulation, Article 30(1)

For the first time in 2008, and annually thereafter, the Commission shall include in its Annual Progress Report to the Spring European Council a section summarising the reports of the Member States referred to in Article 29(1), in particular progress towards achieving the European Union priorities of promoting competitiveness and creating jobs, including meeting the objectives of the Integrated Guidelines for Growth and Jobs (2005 to 2008) as laid down in Article 9(3).

Annex IV of the General Regulation lists the earmarked categories by Objective.

ERDF Regulation, Article 2

[...]

[T]he ERDF shall give effect to the priorities of the Community, and in particular the need to strengthen competitiveness and innovation, create and safeguard sustainable jobs, and ensure sustainable development.

ESF Regulation, Article 2(1)

[...]

In particular, the ESF shall support actions in line with measures taken by Member States on the basis of the guidelines adopted under the European Employment Strategy, as incorporated into the Integrated Guidelines for Growth and Jobs, and the accompanying recommendations.

CSG, Recital 9

Member States have developed national reform programmes to improve the conditions for growth and employment taking account of the integrated guidelines. These strategic guidelines should give priority, for all Member States and regions, to those areas of investment that help to deliver the national reform programmes taking account of national and regional needs and situations: investment in innovation, the knowledge economy, the new information and communication technologies, employment, human capital, entrepreneurship, support for SMEs or access to risk capital financing.

2. THE OBJECTIVE OF THE "EARMARKING" MECHANISM

1. The new generation of operational programmes should give priority to the objectives set out in recital 9 of the CSG: "*investment in innovation, the knowledge economy, the new information and communication technologies, employment, human capital, entrepreneurship, support for SMEs or access to risk capital financing*". In effect, "earmarking" has been established as a mechanism for delivery of these objectives.
2. The European Union (the EUR 15) have an obligation to achieve the targets set for "earmarking" at the level of the Convergence and the Regional competitiveness and employment objectives of cohesion policy over the entire programming period. Targets for each Member State will take account of the starting point based on data for 2000.06. Member States that acceded to the European Union on or after 1 May 2004 are invited to apply these provisions.
3. While increased effort in the Lisbon-oriented areas remains an overriding goal, where a Member State considers that specific national circumstances (including the priorities identified in the national reform programme) should also be taken into account in the "earmarking" effort, it should provide an appropriate justification for additional categories in complement to those listed in Annex IV in its NSRF. Such additional categories would be subject to agreement by the Commission.

IMPLEMENTATION OF "EARMARKING"

4. The calculation of the "earmarking" effort of Member States over the period 2007-2013 will be done through the system of codification at the level of the operational programme provided for under Article 37(1)(d) of the General Regulation, to be made following the methodology given in Article 11 and Annex II of the Commission's implementing regulation. However, for practical purposes the Commission needs to be in a position to verify the overall effort in earmarked categories of expenditure at the level of the National strategic reference framework (NSRF). If the only information

made available on earmarking arises at the level of the operational programmes, in principle, the Commission would need to have in its possession all of a Member State's operational programmes to be able to verify the overall earmarking effort. In other words, the adoption of programmes for each Member State would have to proceed at the speed of the slowest. Clearly, this situation would be neither in the interest of Member States nor the Commission, and accordingly, it is recommended that in their NSRFs Member States include a table presenting the intended indicative effort towards achieving the global earmarking target. The table is available electronically in SFC 2007.

5. In practice, verification of the target required by the General Regulation concerning earmarking can only be done on the basis of the national reports on the allocation of the Funds by category. National contributions are by definition not part of this measurement. However, since the CSG which the Council adopted by unanimity cover the programmes, which are a combination of the Community and national contribution, it follows that the emphasis on earmarked categories of expenditure applies equally to national resources. Accordingly, it is to be expected that in accordance with the CSG, there should be no reduction of national resources in favour of earmarked categories in comparison to the 2000-2006 period even though this will not be measured at Community level under the categorisation exercise.
6. Regarding reporting arrangements, in line with Article 29(1) of the General Regulation, the Member States must include in their annual reports on implementation of the National Reform Programmes a section on the use of the Funds in support of the Lisbon objectives, this being required for the first time in 2007. On the basis of these reports, the Commission will then present a synthesis of these reports in its Annual Progress Report to the Spring European Council. The Commission will also pay attention to the trends regarding national expenditure in areas corresponding to earmarked categories in the annual reporting cycle associated with the National Reform Programmes.
7. In addition, twice during the programming period (in 2009 and in 2012), the Member States have to provide a concise strategic report which will include information on the contribution of the programmes co-financed by the Funds towards achieving the Lisbon earmarking targets (Article 29(2)(d) of the General Regulation). In 2010 and 2013, a synthetic report based on the strategic reports provided by the Member States will be prepared by the Commission for the Council. It will then be submitted to the European Parliament, the Economic and Social Committee and the Committee of the Regions.
8. Progress in an effort made by the Members States toward the fulfilment of the Lisbon earmarking targets will also be facilitated by the monitoring through the annual reports on implementation of operational programmes submitted in accordance with Article 67 of the General Regulation and in line with the model provided in Annex XVIII of the Commission Implementation Regulation.

The "table of correspondence" provided below serves as a tool to help comparison between and within Member States. It shows the correspondence between the integrated guidelines and the codes of the earmarked expenditures for the two programming periods (the 2000-2006 codification system and the 2007-2013 system).

Encl.: Correspondence table

Integrated Guidelines	Codification 2000-2006	Codification 2007-2013
7 Increase and improve investment in R&D, in particular in private business 8 Facilitate all forms of innovation 9 Facilitate the spread and effective use of ICT and build a fully inclusive information society	18, 181, 182, 183, 184, 322, 323, 324	01, 02, 03, 04, 07, 09, 11, 12, 13, 14, 15, 74
10 Strengthen the competitive advantages of the industrial base 15 Promote a more entrepreneurial culture and create a supportive environment for SMEs	15, 151, 153, 154, 155, 16, 161, 163, 164, 165, 166, 167, 174	05, 08
11 Encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth	152, 162, 332, 333	06, 39, 40, 41, 42, 43, 52
16 Expand, improve and link up European infrastructure and complete cross-border projects	311, 313, 314, 315, 316, 318, 319, 32, 321, 33,	10, 16, 17, 20, 21, 26, 27, 28, 29, 30, 32, 34, 36, 38
17 Implement employment policies 18 Promote a life-cycle approach to work 19 Inclusive labour market 20 Improve matching of labour market needs 21 Promote flexibility and employment security 22 Ensure employment-friendly labour cost development 23 Expand and improve human capital 24 Adapt education and training systems	20, 21, 22, 23, 24, 25	62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73