ANNEX II

Financial framework

Criteria and methodology referred to in Article 18

Allocation method for the regions eligible under the Convergence objective referred to in Article 5(1)

1. Each Member State's allocation is the sum of the allocations for its individual eligible regions, which are calculated on the basis of relative regional and national prosperity and the unemployment rate according to the following steps:

(a) determination of an absolute amount (in euro) obtained by multiplying the population of the region concerned by the difference between that region's GDP per capita, measured in purchasing power parities, and the EU-25 average GDP per capita;

(b) application of a percentage to the above absolute amount in order to determine that region's financial envelope; this percentage is graduated to reflect the relative prosperity, as compared to the EU-25 average, of the Member State in which the eligible region is situated, i.e.:
- for regions in Member States whose level of GNI per capita is below 82 % of the Community average: 4,25 %
- for regions in Member States whose level of GNI per capita is between 82 % and 99 % of the Community average: 3,36 %
- for regions in Member States whose level of GNI per capita is over 99 % of the Community average: 2,67 %;

(c) to the amount obtained under step (b) is added, if applicable, an amount resulting from the allocation of a premium of EUR 700 per unemployed person, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU convergence regions applied.

Allocation method for the Member States eligible for the Cohesion Fund under Article 5(2)

2. The total theoretical financial envelope for the Cohesion Fund is obtained by multiplying an average per capita aid intensity of EUR 44,7 by the eligible population. Each eligible Member State's *a priori* allocation of the theoretical financial envelope corresponds to a percentage based on its population, surface area and national prosperity and obtained by applying the following steps:

(a) calculation of the arithmetical average of that Member State's population and surface area shares of the total population and surface area of all the eligible Member States; if, however, a Member State's share of total population exceeds its share of total surface area by a factor of five or more, reflecting an extremely high population density, only the share of total population will be used for this step;

(b) adjustment of the percentage figures so obtained by a coefficient representing one third of the percentage by which that Member State's GNI per capita, measured in purchasing power parities, exceeds or falls below the average GNI per capita of all the eligible Member States (average expressed as 100 %).

3. In order to reflect the significant needs in terms of transport and environment infrastructure of the Member States that acceded to the Union on or after 1 May 2004, the share of the Cohesion Fund will be set at one third of their total financial allocation (Structural Funds plus Cohesion Fund) on average over the period. For the other Member States, their financial envelope will result directly from the allocation method described in paragraph 2.

Allocation method for the Member States and regions eligible under the Regional competitiveness and employment objective referred to in Article 6

4. The share of each Member State concerned is the sum of the shares of its eligible regions, which are determined on the basis of the following criteria, weighted as indicated: total population (weighting 0,5), number of unemployed people in NUTS level 3 regions with an unemployment rate above the group average (weighting 0,2), number of jobs needed to reach an employment rate of 70 % (weighting 0,15), number of employed people with a low educational level (weighting 0,1), and low population density (weighting 0,05). The shares are then adjusted according to relative regional prosperity (for each region, increase or decrease of its total share by + 5 %/-5 % according to whether its GDP per capita is below or above the average GDP per capita for the group). The share of each Member State will not however be less than three-quarters of its share in 2006 of combined funding under Objectives 2 and 3.

Allocation method for the European territorial cooperation objective referred to in Article 7

5. The allocation of resources among the beneficiary Member States (including the contribution from the ERDF to the European Neighbourhood and Partnership Instrument and the Instrument for Pre-Accession Assistance referred to in Article 21(2)) is determined as follows:

(a) for the cross-border component as referred to in Article 7(1), on the basis of the population of the NUTS level 3 regions in terrestrial and maritime border areas, as a share of the total population of all the eligible regions;

(b) for the transnational component as referred to in Article 7(2), on the basis of the total population of the Member State, as a share of the total population of all the Member States concerned.

Allocation method for the Member States and regions eligible for the transitional support referred to in Article 8

6. The allocations under the transitional support referred to in Article 8 will result from the application of the following parameters:

(a) for the regions defined in Article 8(1), 80 % of their individual 2006 per capita aid intensity level in 2007 and a linear reduction thereafter to reach the national average per capita aid intensity level for the Regional competitiveness and employment objective in 2013. To the allocation thus obtained is added, if applicable, an amount resulting from the allocation of a premium of EUR 600 per unemployed person, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU convergence regions applied.

(b) for the regions defined in Article 8(2), 75 % of their individual 2006 per capita aid intensity level in 2007 and a linear reduction thereafter to reach the national average per capita aid intensity level for the Regional competitiveness and employment objective by 2011. To the allocation thus obtained is added, if applicable, an amount resulting from the allocation of a premium of EUR 600 per unemployed person, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU convergence regions applied;

(c) for the Member States defined in Article 8(3), the allocation will be degressive over seven years, with the amount in 2007 being EUR 1,2 billion, in 2008 EUR 850 million, in 2009 EUR 500 million, in 2010 EUR 250 million, in 2011 EUR 200 million, in 2012 EUR 150 million and in 2013 EUR 100 million.

Maximum level of transfers from funds supporting cohesion

7. In order to contribute to the objectives of adequately concentrating cohesion funding on the least developed regions and Member States and reducing disparities in average per capita aid intensities resulting from capping, the maximum level of transfer from the Funds to each individual Member State pursuant to this Regulation will be as follows:

— for Member States whose average 2001 to 2003 GNI per capita (PPS) is under 40 % of the EU-25 average: 3,7893 % of their GDP
— for Member States whose average 2001 to 2003 GNI per capita (PPS) is equal to or above 40 % and below 50 % of the EU-25 average: 3,7135 % of their GDP
— for Member States whose average 2001 to 2003 GNI per capita (PPS) is equal to or above 50 % and below 55 % of the EU-25 average: 3,6188 % of their GDP
— for Member States whose average 2001 to 2003 GNI per capita (PPS) is equal to or above 55 % and below 60 % of the EU-25 average: 3,524 % of their GDP
— for Member States whose average 2001 to 2003 GNI per capita (PPS) is equal to or above 60 % and below 65 % of the EU-25 average: 3,4293 % of their GDP
— for Member States whose average 2001 to 2003 GNI per capita (PPS) is equal to or above 65 % and below 70 % of the EU-25 average: 3,3346 % of their GDP
— for Member States whose average 2001 to 2003 GNI per capita (PPS) is equal to or above 70 % and below 75 % of the EU-25 average: 3,2398 % of their GDP
— thereafter, the maximum level of transfer is reduced by 0,09 percentage points of GDP for each increment of 5 percentage points of average 2001 to 2003 per capita GNI (PPS) as compared to the EU-25 average.

8. The ceilings referred to in paragraph 7 above include the contributions from the ERDF to the financing of the cross-border strand of the European Neighbourhood and Partnership Instrument and of the Instrument for Pre-Accession Assistance, and from the part of the EAFRD originating from the Guidance Section of the European Agricultural Guidance and Guarantee Fund, and from the EFF.

9. Calculations of GDP by the Commission will be based on the statistics published in April 2005. Individual national growth rates of GDP for 2007 to 2013, as projected by the Commission in April 2005, will be applied for each Member State separately.

10. If it is established in 2010 that any Member State's cumulated GDP for the years 2007 to 2009 has diverged by more than ±5 % from the cumulated GDP estimated in according with paragraph 9 above, including as a consequence of exchange rate changes, the amounts allocated for that period to that Member State pursuant to paragraph 7 will be adjusted accordingly. The total net effect, whether positive or negative, of these adjustments may not exceed EUR 3 billion. In any event, if the net effect is positive, total additional resources will be limited to the level of under-spending against the ceilings for category 1B set out for the years 2007 to 2010 in the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management. Final adjustments will be spread in equal proportions over the years 2011 to 2013.

11. In order to reflect the value of the Polish zloty in the reference period, the result of the application of the maximum level of transfer as defined in paragraph 7 for Poland will be multiplied by a coefficient 1,04 for the period up to the review referred to in paragraph 10 (2007 to 2009).

Additional provisions

12. When in a given Member State the phasing-out regions defined in Article 8(1)) represent at least one third of the total population of the regions fully eligible for Objective 1 assistance in 2006, the rates of assistance will be 80 % of their individual 2006 per capita aid intensity level in 2007, 75 % in 2008, 70 % in 2009, 65 % in 2010, 60 % in 2011, 55 % in 2012 and 50 % in 2013.

13. As far as the transitional arrangements under paragraphs 6(a) and (b) are concerned, the starting point in 2007 for those regions which were not eligible for Objective 1 status in the 2000 to 2006 period, or whose eligibility started in 2004, will be 90 % of their theoretical 2006 per capita aid intensity level calculated on the basis of the 1999 Berlin allocation method with their regional GDP per capita level being assimilated to 75 % of the EU 15 average.

14. Notwithstanding paragraph 7, the Polish NUTS level 2 regions of Lubelskie, Podkarpackie, Warmińsko-Mazurskie, Podlaskie and Świętokrzyskie, whose GDP per capita levels (PPS) are the five lowest in the EU-25, will benefit from funding from the ERDF over and above the funding to which they are otherwise eligible. This additional funding will amount to EUR 107 per inhabitant over the period 2007 to 2013 under the Convergence objective. Any upward adjustment of the amounts allocated to Poland pursuant to paragraph 10 will be net of this additional funding.

15. Notwithstanding paragraph 7, the NUTS level 2 region of Közép-Magyarország will be allocated an additional envelope of EUR 140 million over the period 2007 to 2013. For this region the same regulatory provisions would apply as for the regions referred to in Article 8(1)

16. Notwithstanding paragraph 7, the NUTS level 2 region of Prague will be allocated an additional envelope of EUR 200 million over the period 2007 to 2013 under the Regional competitiveness and employment objective.

17. Cyprus will benefit in 2007 to 2013 from the transitional arrangements applicable to the regions defined in paragraph 6(b), its starting point in 2007 being established in accordance with paragraph 13.

18. The NUTS level 2 regions of Itä-Suomi and Madeira, while keeping the status of phasing-in regions, will benefit from the transitional financial arrangements laid down in paragraph 6(a).

19. The NUTS level 2 region of the Canaries will benefit from an additional envelope of EUR 100 million over the period 2007 to 2013 under the transitional support referred to in Article 8(2).

20. The outermost regions identified in Article 299 of the Treaty and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the Treaty of Accession of Austria, Finland and Sweden will, in view of their specific constraints, benefit from additional funding from the ERDF. This funding will amount to EUR 35 per inhabitant per year and will be in addition to any funding for which these regions are otherwise eligible.

21. As far as allocations under the cross-border strand of the European territorial cooperation objective referred to in Article 7(1) are concerned, aid intensity for regions along the former external terrestrial borders between the EU-15 and the EU-12 and between the EU-25 and the EU '+2' will be 50 % higher than for the other regions concerned.

22. In recognition of the special effort for the peace process in Northern Ireland, a total of EUR 200 million will be allocated for the PEACE Programme for the period 2007 to 2013. The PEACE programme will be implemented as a cross-border programme within the meaning of Article 3(2)(c) and, in order to promote social and economic stability in the regions concerned, will include, notably, actions to promote cohesion between communities. The eligible area will be the whole of Northern Ireland and the border counties of Ireland. This programme will be implemented under the European territorial cooperation objective in full compliance with additionality of structural fund interventions.

23. The Swedish regions falling under the Regional competitiveness and employment objective will be allocated an additional ERDF envelope of EUR 150 million.

24. Notwithstanding paragraph 7, Estonia, Latvia and Lithuania, which represent single NUTS II regions, will each be allocated additional funding of EUR 35 per inhabitant over the period 2007 to 2013.

25. The Austrian regions falling under the Regional competitiveness and employment objective and situated on the former external borders of the European Union will be allocated an additional ERDF envelope of EUR 150 million. Bavaria will similarly be allocated an additional envelope of EUR 75 million under the Regional competitiveness and employment objective.

26. Spain will benefit from an additional allocation of EUR 2,0 billion under the ERDF to enhance research, development and innovation by and for the benefit of enterprises as set out in Articles 4(1) and 5(1) of Regulation (EC) No 1080/2006. The indicative split will be 70 % for the regions eligible under the Convergence objective referred to in Article 5,5 % for the regions eligible for the transitional support referred to in Article 8(1), 10 % for the regions eligible under the Regional competitiveness and employment objective referred to in Article 6 and 15 % for the regions eligible for the transitional support referred to in Article 8(2).

27. Ceuta and Melilla will be allocated an additional ERDF envelope of EUR 50 million over the period 2007 to 2013 under the transitional support referred to in Article 8(1).

28. Italy will be allocated an additional envelope of EUR 1,4 billion under the Structural Funds as follows: EUR 828 million for the regions eligible under the Convergence objective referred to in Article 5(1), EUR 111 million for the region eligible for the transitional support referred to in Article 8(1), EUR 251 million for the region eligible for the transitional support referred to in Article 8(2) and EUR 210 million for the regions eligible under the Regional competitiveness and employment objective referred to in Article 6.

29. France will receive an additional allocation of EUR 100 million over the period 2007 to 13 under the Regional competitiveness and employment objective in recognition of the particular circumstances of Corsica (EUR 30 million) and French Hainaut (EUR 70 million).

30. An additional allocation of EUR 167 million will be allocated to the eastern Länder of Germany which are eligible for support under the Convergence objective referred to in Article 5(1). An additional allocation of EUR 58 million will be allocated to the eastern Länder of Germany eligible for the transitional support referred to in Article 8(1).

31. Notwithstanding paragraph 7, an additional ERDF envelope of EUR 300 million is allocated to the European territorial cooperation objective as follows: EUR 200 million to transnational cooperation within the meaning of Article 7(2) and EUR 100 million to interregional cooperation within the meaning of Article 7(3).