



COUNCIL OF
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Council agrees final position on cohesion policy for 2014-2020

The Permanent Representatives Committee¹ today endorsed the final compromise text based on the results of the negotiations with the European Parliament on the outstanding political issues of the EU cohesion policy package for 2014-2020.

The final compromise on the four last outstanding political issues may be summarized as follows:

- **Macro-economic conditionality:** This is about ensuring that the effectiveness of the five European structural and investment funds² is not undermined by unsound macro-economic policies. The effectiveness of this instrument is maintained by keeping the principle of potential suspension of payments and commitments. On the same time, the Council is ready to accept the involvement of the European Parliament and to mitigate the suspension of payments.

¹ The Permanent Representatives Committee is composed of the ambassadors of the 28 EU member states. Its role is to prepare decisions of the Council.

² These are:

- the European regional development fund (ERDF)
- the European social fund (ESF)
- the cohesion fund (CF), dedicated to projects in the field of environment and transport in member states whose gross national income per capita is less than 90% of the EU average
- the European agricultural fund for rural development (EAFRD) and
- the European maritime and fisheries fund (EMFF).

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- **Performance reserve:** Its aim is to improve the efficiency of spending by allocating the reserve to the best-performing programmes that have met pre-defined targets. The Council is ready to accept limiting the performance reserve to 6% (rather than 7%).
- **Pre-financing:** This are advance payments allowing the management authorities to start programmes. The annual pre-financing is gradually increased from 2.5% in 2014-2016 to 3% in 2020-2023. The Council's position on the performance reserve and pre-financing is based on the understanding that the payment ceiling agreed for the multiannual financial framework for 2014-2020 will be respected.
- **Co-financing:** This is the portion of the total financing for a programme provided by the EU budget. The Council agrees to increase the co-financing rates from 50% to 85% for the outermost regions and Cyprus (limited until 2017, with a review clause in 2016).

The Lithuanian Presidency will inform the European Parliament that this compromise text constitutes a part of an overall agreement between the two institutions. A timely agreement is needed in order to allow the Council and the European Parliament to formally adopt the legislative package before the end of the year and the new programmes to be implemented as from January 2014.

The purpose of cohesion policy is to reduce disparities between the levels of development of the EU's various regions by promoting economic growth, job creation and competitiveness. Cohesion policy herewith contributes to the achievement of the Europe 2020 strategy objectives of smart, sustainable and inclusive growth.

The EU support for cohesion policy amounts to EUR 325.15 billion (in 2011 prices) for the next seven years, in line with the political agreement on the EU's multiannual financial framework (MFF) for 2014-2020 reached between the Council and the European Parliament at the end of June. This is around one third of the expenditure ceiling of the next MFF which is expected to be formally adopted before the end of the year.
