COUNCIL OF
THE EUROPEAN UNION

EN

Brussels, 16 December 2013
17826/13
(OR. en)
PRESSE 579

Council adopts cohesion policy package for 2014-2020

The Council today adopted[1] the cohesion policy package for 2014-2020, marking the end of two and a half years of negotiations.

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 EU's multiannual financial framework (MFF) for 2014-2020 adopted by the Council on 2 December. This is around one third of the expenditure ceiling of the next MFF.

The six regulations adopted today define the conditions of eligibility and the criteria for the allocation of the EU cohesion policy support.

[1] This decision was taken by the Agriculture and Fisheries Council.

The package contains the following key elements:

– A comprehensive investment strategy, the **common strategic framework** is set up in order to ensure that the five European structural and investment funds[1] contribute to reach the Europe 2020 strategy objectives. Under the current programming period 2007-2013 separate sets of strategic guidelines co-existed for cohesion policy, rural development and fisheries and maritime policy. The common strategic framework also represents the single European reference frame for better coordination between the European structural and investment funds and other EU instruments.

– **Partnership agreements** are being concluded between the Commission and each member state to set out the commitments for the use of funds at national and regional level towards the achievement of the Europe 2020 objectives. On the basis of the partnership agreements programmes are established through which the cohesion policy is translated into concrete priorities and actions.

– A **new category of transition regions** is created in between the less developed regions (with a gross domestic product (GDP) per capita of less than 75% of the EU average) and the more developed regions (with a GDP per capita above 90% of the EU average). This is to ensure that regions with a similar level of economic development are treated in a similar way and to soften the transition between less and more developed regions.

– Within the so-called **thematic concentration** minimum allocation shares are fixed for a number of priority thematic objectives for the three types of regions. For example, in developed and transition regions at least 80% of the ERDF resources have to be allocated to the shift towards a low-carbon economy (energy efficiency and renewables), research and innovation, the improvement of competitiveness of small and medium-sized enterprises or access to information and communication technologies. This amount will be 60% in transition regions and 50% in less developed regions, reflecting their broader development needs.

– At least 23.1% of the total resources from the ERDF, the ESF and the CF has to be dedicated to the **European social fund.**

[1] 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).

- As under the current cohesion policy rules member states have to complement the EU support with national payments (co-financing) in order to guarantee an ownership of the different programmes on the ground. The EU **co-financing** rates range from 50% to 85% of the overall support, depending notably of the level of development of the region concerned. The highest co-financing rates will also be applied to the outermost regions and (until 2017, subject of a review clause in 2016) to Cyprus recognising herewith its difficult economic situation.
- The compromise also includes **pre-financing** which consists of advance payments allowing the management authorities to start programmes. As a general rule, the initial pre-financing amounts to 1% of the five European structural and investment funds in 2014 and in 2015. In addition, from 2016 onwards an annual pre-financing is paid before 1 July which is gradually increased to 3% in 2020.
- A **performance reserve** amounting to 6% of the national allocation under the five European structural and investment funds is set aside and released to the best-performing programmes that have met pre-defined targets. This is to improve the efficiency of spending and to ensure that the measures financed under the cohesion policy are result orientated.
- A so-called **ex-ante conditionality** is set up, introducing a number of framework conditions which must be in place "ex-ante", before the funds are disbursed to ensure that investments can be made in the most effective manner and that the selected thematic objectives and investment priorities are properly implemented. Also, progress towards the achievement of these objectives will be closely monitored and measured against a set of milestones agreed as part of a performance framework.
- **Macro-economic conditionality** ensures that the effectiveness of the five European structural and investment funds is not undermined by unsound macro-economic policies, in line with the European Council conclusions of 8 February 2013.

Under the <u>preventive arm</u> of the macro-economic conditionality the Commission may request amendments to a member state's partnership agreement in order to address for instance macroeconomic imbalances. Where a member state fails to respond satisfactorily to such a request, the Commission may propose to the Council to suspend a part or all of the payments for the programmes concerned. The proposed suggestion requires the support of a qualified majority of the Council to take effect. Under the <u>corrective arm</u>, the Commission must propose to suspend part or all commitments or payments when a member state fails to take corrective action within the economic governance procedures (e.g. the excessive deficit procedure and the macroeconomic imbalances procedure). A proposal to suspend commitments is deemed adopted unless it is rejected by the Council with qualified majority. A proposal to suspend payments requires the support of a qualified majority of the Council.

The lifting of suspended commitments is decided by the Commission, and the lifting of suspended payments by the Council.

The European Parliament is involved in the application of the macro-economic conditionality through a structured dialogue. In making a proposal for a suspension of commitments or payments, the Commission has to give due consideration to any opinion expressed within this dialogue.

In addition, several safeguards have been introduced in order to mitigate any unintended effects. This means for instance the exclusion of too frequent reprogramming in order to avoid a disruption of programmes and the reduction of suspended amount of commitments depending of unemployment rate, poverty rate and contraction of GDP.

– The cohesion policy contributes with EUR 3.0 billion from the ESF to the EUR 6.0 billion of the **youth employment initiative** (YEI) which will benefit to young unemployed persons aged 15-24 years living in regions with levels of youth unemployment above 25%. Member states with eligible regions may decide to extend the target group to unemployed persons aged 15-30 years.

– **Reinforcing territorial cohesion** is also one important component of the reform. New tools such as the community-led local development and the integrated territorial investments have been introduced to implement territorial strategies and to ensure the link between the territorial dimension and the thematic objectives selected in the partnership agreements and programmes.

– The strong focus on results has been accompanied by further **simplification** of the policy such as the harmonisation of eligibility rules and management and control systems between different EU funds, the introduction of simplified reimbursement rules and the possibility to implement funds on the basis of joint action plans.

Breakdown of the EU cohesion policy support of EUR 325.15:

less developed regions	EUR 164.28 billion
transition regions	EUR 31.68 billion
more developed regions	EUR 49.49 billion
cohesion fund	EUR 66.36 billion
outermost regions + northern sparsely populated regions	EUR 1.39 billion
European territorial cooperation	EUR 8.95 billion
Top-up for youth employment initiative	EUR 3.00 billion

The cohesion policy package consists of the following regulations:

– the common provisions regulation setting out common rules governing the five European structural and investment funds, i.e. the European regional development fund, the European social fund, the cohesion fund, the European agricultural fund for rural development and the European maritime and fisheries fund (*85/13* + *17294/13 ADD 1* + *COR 1* + *ADD 2* + *ADD 3*);

– five fund-specific regulations for the European regional development fund (*83/13* + *17291/13 ADD 1* + *ADD 2*), the European social fund (*87/13*), the cohesion fund (*82/13* + *17290/13 ADD 1*), the European territorial cooperation (*81/13* + *17289/13 ADD 1*) and the European grouping for territorial cooperation (*84/13* + *17293/13 ADD 1*).

Indicative distribution of the cohesion policy 2014-2020 allocations by member state as calculated by the Commission:

http://ec.europa.eu/regional_policy/what/future/eligibility/index_en.cfm

Indicative distribution of the cohesion policy 2014-2020 allocations by member state and regions as calculated by the Commission:

http://ec.europa.eu/regional_policy/what/future/xls/overall_table.xls