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Delegations will find attached an Issue paper on the state of play in the negotiations on the Cohesion Policy legislative package.

Issues paper on**State of play in the negotiations on the Cohesion Policy legislative package**

The negotiations on the Cohesion Policy legislative package for the period 2014–2020 have entered into their final phase. On three out of the five proposals tabled by the Commission (the Cohesion Fund Regulation, European Regional Fund Regulation, European territorial cooperation regulation) political agreement has been reached between the co-legislators. There is still a number of outstanding political issues on the remaining two regulations (Common provisions regulation and the ESF regulation) as set out below in this paper that need to be settled in order to avoid any further delays in implementation of so needed investment for growth and jobs.

1. The Common provisions regulation

It appears from the political trilogues that took place on 17 and 24 September that the Council's and the Parliament's positions differ substantially on 1) macro-economic conditionality 2) the performance reserve; 3) co-financing rates; 4) pre-financing levels.

1.1. Macro-economic conditionality. The Council's mandate attaches great importance to macro-economic conditionality, whereas the Parliament's mandate foresees the complete deletion of the respective article. Compared to the Commission initial proposal, the Council has already introduced a number of safeguards to avoid too frequent reprogramming and disruption of implementation, to avoid non-intended consequences of suspensions by taking into account social and economic circumstances of the Member States concerned as well as establishing capping on amounts which could be suspended. Nevertheless the EP considers that, if in the context of an overall compromise the article is maintained, these safeguards are not sufficient and therefore additional ones should be added. The EP expressed concern that there is no role foreseen for the European Parliament as regards the decision-making procedure concerning possible suspensions. The EP also expressed strong reservation regarding the corrective arm of the macro-economic conditionality, which it would like to see deleted.

- 1.2. Performance reserve.** According to the Council's position, the Performance reserve should account for 7 per cent of the Funds for the entire period. The EP's mandate states that the Performance reserve is not needed at all. However it was indicated that in the context of an overall compromise, the EP could accept a performance reserve reduced to 5%. It is also important to note, that the payment profile as agreed on a preliminary basis in the MFF regulation is based on the assumption of a 7 % performance reserve.
- 1.3. Co-financing rate.** Compared to the Council position, the Parliament is in favour of increasing the co-financing rates for different types of regions such as regions in the Member States eligible for transitional support from the Cohesion Fund, less developed regions in the more developed Member States, richer regions within the transitional regions category; it also wants to increase the co-financing rate for additional allocations for the outermost regions.
- 1.4. Pre-financing levels.** Compared to the Council's position, the EP mandate foresees higher initial pre-financing rates. The increase of the initial pre-financing levels has a direct impact on the payment profile as preliminary agreed within the MFF regulation. Furthermore, at the beginning of the period the need for higher level of advances is questionable as the implementation of the programmes is just getting momentum.

2. European Social Fund regulation

Progress in finalising the negotiations on this regulation is especially important in the context of launching the Youth Employment Initiative (YEI). However there are two areas of fundamental disagreement between the Presidency and the EP negotiating team:

- 2.1. Eligibility criteria for YEI.** The EP negotiating team is insisting on reducing the eligibility ceiling for regions to be eligible for support from the YEI from 25 % youth unemployment rate to the level, corresponding to the EU average youth unemployment rate, i.e. 22,8 %.

2.2. Minimal allocation of the ESF. The agreement on the minimal ESF share of 23,1% was reached between the EP and the Council in June of this year within negotiations on the Common provisions regulation. Despite the fact that this issue has been closed within the negotiations on the Common provisions regulation, the EP negotiating team responsible for the ESF regulation now makes the finalisation of negotiations on the ESF regulation conditional to an increase of the ESF minimal share to 25 %.

Questions to Ministers:

- 1) What is your view on the EP position in respect of the key issues enlisted above?**
 - 2) Against the background of the readiness expressed by both co-legislators to proceed in a constructive manner: on which issues the Presidency could explore possibilities for solutions, while respecting the overall mandate?**
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