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WORKING PAPER

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MEETING DOCUMENT

From: General Secretariat of the Council
To: Ad hoc Working Party on the Multiannual Financial Framework (MFF) 2021-2027
Subject: Thematic concentration requirements (Fiche no. 58)

Delegations will find attached the above-mentioned document from the Commission.



27 March 2019

WORKING DOCUMENT OF THE COMMISSION SERVICES

Subject: Thematic concentration requirements

1. INTRODUCTION

This fiche explains the rationale for and implications of thematic concentration requirements.

2. RATIONALE FOR THEMATIC CONCENTRATION

Thematic concentration was introduced in the 2014-2020 period as a more flexible alternative to the “earmarking” provisions that existed in the 2007-2013 period.

The objective of thematic concentration is to ensure a critical mass of EU support from the funds is allocated to those policy objectives of the highest European importance, thus maximising the European added value and effectiveness of the interventions financed by the EU budget. Thematic concentration is a key tool to ensure the targeting of cohesion policy on Union priorities. For 2014-2020, Member States exceeded the legal requirements for thematic concentration.¹

The contribution of the European Regional Development Fund to ensure that 25% of expenditure from the EU budget is directed towards climate objectives is substantial – it accounts for 21% of the total expenditure at the level of the Multiannual Financial Framework. To ensure this is met, it is imperative that sufficient resources from the European Regional Development Fund are concentrated in particular on “green” objectives.

3. THE PROPOSED APPROACH TO THEMATIC CONCENTRATION FOR THE 2021-2027 PERIOD

3.1 The European Regional Development Fund

To ensure a critical mass of investment in priority areas, the European Regional Development Fund/Cohesion Fund Regulation maintains requirements for thematic concentration. The European Regional Development Fund should help to reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions, including those facing decarbonisation challenges.

Thus, the majority (65% to 85%) of European Regional Development Fund resources is proposed to be concentrated on contributing to two policy objectives which have, according to evaluation

¹ Commission Communication: Investing in jobs and growth - maximising the contribution of European Structural and Investment Funds, COM(2015) 639.

evidence and the impact assessment, considerable added value and contribute very significantly to EU priorities²:

- Policy objective 1: "a smarter Europe by promoting innovative and smart economic transformation";
- Policy objective 2: "a greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management".

To ensure maximum flexibility both at regional level and between categories of regions, the Commission has proposed that minimum thematic concentration levels apply at the level of the Member State. This allows for modulating the contribution of each region and programme within the Member State to the achievement of those minimum levels while taking account of the different needs of the regions.

Table 1: Change in ERDF thematic concentration requirements in comparison to 2014-2020

2014-2020	2021-2027
Concentration coverage (<i>concentration requirements set for the objectives marked with colour</i>)	
Thematic objective 1: strengthening research, technological development and innovations	Policy objective 1: a smarter Europe by promoting innovative and smart economic transformation
Thematic objective 2: enhancing access to, and use and quality of, ICT	Policy objective 2: a greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management
Thematic objective 3: enhancing the competitiveness of SMEs	Policy objective 3: a more connected Europe by enhancing mobility and regional ICT connectivity
Thematic objective 4: supporting shift towards a low-carbon economy in all sectors	Policy objective 4: a more social Europe implementing the European Pillar of Social Rights
Thematic objective 5: promoting climate change adaptation, risk prevention and management	Policy objective 5: a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives
Thematic objective 6: preserving and protecting the environment and promoting resource efficiency	
Thematic objective 7: promoting sustainable transport and removing bottlenecks in key network infrastructures	
Thematic objective 8: promoting sustainable and quality employment and supporting labour mobility	
Thematic objective 9: promoting social inclusion, combating poverty and any discrimination	
Thematic objective 10: investing in education, training and vocational training for skills and	

² It is worth highlighting that the proposed approach to thematic concentration takes account of the changed intervention logic and flexibility proposed for the 2021-2027 programmes, as the 11 thematic objectives of the 2014-2020 period are replaced by 5 policy objectives. This results in greater flexibility for Member States and regions to address investments contributing to those objectives below this level. This means that, despite higher concentration percentages, Member States and regions will have greater room for manoeuvre to tailor investments to their development needs and challenges, including those identified in relevant Country-specific Recommendations.

lifelong learning	
Thematic objective 11: enhancing institutional capacity of public authorities and stakeholders and efficient public administration	
Level of concentration requirement	
To the total allocation of ERDF per category of region within a Member State	To the total allocation of ERDF at Member State level
Concentration levels	
In more developed regions: at least 80% of the total ERDF resources at Member State level shall be allocated to two or more of thematic objectives 1-4, and at least 20 % of the total ERDF resources at national level shall be allocated to thematic objective 4	Member States with a GNI/capita equal to or above 100% of the EU average shall allocate at least 85% of their total ERDF resources [under priorities other than technical assistance] to policy objectives 1 and 2; and at least 60% to policy objective 1
In transition regions: at least 60% of the total ERDF resources at Member State level shall be allocated to two or more of thematic objectives 1-4, and at least 15% of the total ERDF resources at national level shall be allocated to thematic objective 4	Member States with a GNI/capita equal to or above 75% and below 100% of the EU average shall allocate at least 45% of their total ERDF resources [under priorities other than technical assistance] to policy objectives 1; and at least 30% to policy objective 2
In less developed regions: at least 50% of the total ERDF resources at Member State level shall be allocated to two or more of thematic objectives 1-4, and at least 12% of the total ERDF resources at national level shall be allocated to thematic objective 4	Member States with a GNI/capita below 75% of the EU average shall allocate at least 35% of their total ERDF resources [under priorities other than technical assistance] to policy objectives 1; and at least 30% to policy objective 2

The proposed approach for concentration for Member States with a gross national income/capita level above 100% of the EU average is more flexible and allows that these Member States concentrate 100% of their European Regional Development Fund allocation on policy objective 1. Given the relatively low allocation of these Member States (totalling less than 12% of all European Regional Development Fund resources), it was considered that a double threshold would require splitting relatively low allocations across two policy objectives, thus putting at risk the critical mass needed for addressing either of them in a meaningful way. A 30% concentration requirement on policy objective 2 for these Member States would only account for 3.5% of the total allocation of the European Regional Development Fund.

It should be noted that the position of the Council³ with regard to the content of policy objectives 1 and 2 would already loosen thematic concentration requirements by about 5 percentage points. This is due to the transfer of the specific objective of “promoting sustainable urban mobility” from policy objective 3 to policy objective 2, with the effect of making such investments count towards thematic concentration targets.

3.2 The European Social Fund plus

Compared to 2014-2020, the proposal for 2021-2027 introduces a higher degree of flexibility and simplicity, since the requirements are no longer to be applied at regional and programme level, but only at national level, leaving each Member State ample flexibility to organise these requirements according to their own policy choices.

³ ST 6147/19-ad02.

Thematic concentration under the European Social Fund plus ensures that the fund contributes to the maximum extent to the implementation of the European Pillar of Social Rights. As such, Member States are asked to concentrate their European Social Fund plus allocations on three dimensions of the Pillar of Social Rights with particular importance for upward social convergence:

- **Social inclusion:** at least 25% will be allocated to fostering social inclusion to ensure that the social dimension of Europe is appropriately addressed and that a minimum amount of resources is targeting those most in need. This will include promoting the social integration of people at risk of, or in, poverty and social exclusion and tackling material deprivation through food and/or basic material assistance for the most deprived. For the latter, Member States should allocate at least 2% of European Social Fund plus resources to this priority with the aim to reach the target of 4% at EU level;
- **Youth employment:** at least 10% is to be dedicated to targeted actions and structural reforms to support youth employment and school-to-work transition in Member States having a rate of people aged 15 to 29 not in education, employment or training above the EU average at the start of programming. This will ensure that sufficient efforts continue to be made in the post-2020 period giving priority to long-term unemployed and inactive young people;
- **Support to Country-specific Recommendations and European Semester challenges:** as the Pillar will be the main compass in formulating Country-specific Recommendations and key challenges identified within the European Semester, Member States are expected to concentrate a sufficient amount of European Social Fund plus resources for their implementation. Resources to be allocated under this requirement can count towards the above-mentioned requirements on social inclusion and youth employment, where relevant to address Country-specific Recommendations.

2014-2020	2021-2027
20% of the total allocation of ESF within a Member State to thematic objective 9: promoting social inclusion, combating poverty and any discrimination	25% of the ESF+ under shared management within a Member State to the specific objectives for the social inclusion policy area.
Fund for European Aid to the Most Deprived	2% of the ESF+ under shared management to the specific objective of addressing material deprivation. In duly justified cases, the resources allocated to the specific objective targeting the most deprived may be taken into account for verifying compliance with the minimum allocation of at least 2%.
Youth Employment Initiative	10% of the ESF+ under shared management within Member States having a NEET ⁴ aged 15 to 29 above the Union average.
General aim to ensure that ESF investments support the European Semester and National Reform Programme priorities, no specific thematic requirement.	Member States allocate an appropriate amount of ESF+ under shared management to address challenges identified in relevant Country-specific Recommendations.
Concentration on up to five investment priorities: - For more developed regions, at least 80 % of the ESF to each operational programme; - For transition regions, at least 70 % of the ESF to each operational programme; - For less developed regions, at least 60 % of the ESF to each operational programme.	N.A.

⁴ Young people not in employment, education or training.

4. IMPLICATIONS OF CHANGING THE LEVEL AT WHICH EUROPEAN REGIONAL DEVELOPMENT FUND THEMATIC CONCENTRATION APPLIES

As noted in section 3.1, the Commission has proposed that thematic concentration for the European Regional Development Fund should apply at national level. This provides Member States with flexibility in addressing the differing needs within each Member State.

The Commission's proposed approach to thematic concentration would result in a minimum of EUR 79 billion dedicated to policy objective 1 (smarter Europe) and EUR 56 billion dedicated to policy objective 2 (greener Europe). These numbers assume a 60:25 split of the 85% concentration for more developed Member States.

A number of Member States have enquired about the impact of applying the Commission's proposal for thematic concentration at regional level. The comparison is not straightforward, as a number of hypothetical assumptions have to be factored into such calculations. The Commission estimates that applying the percentages it has proposed for thematic concentration at the regional level, would lead to about EUR 4-5 billion less as a minimum allocation for policy objective 1. In order to reach the same amount of funding allotted to policy objectives 1 and 2 at European level, the thematic concentration percentages would, under such a scenario, need to be set at a higher level (2-3 percentage points for each region).

5. RECONCILING THEMATIC CONCENTRATION REQUIREMENTS AND ADDRESSING CHALLENGES IDENTIFIED IN RELEVANT COUNTRY-SPECIFIC RECOMMENDATIONS

In order to ensure high European added value from financing provided by the EU budget, it is proposed that links between the Multiannual Financial Framework as a whole and the European Semester are strengthened. Fiche No. 50 already explained the modalities of this link for different budgetary instruments.⁵ This does not mean that the EU budget exclusively finances challenges identified in Country-specific Recommendations, nor that addressing those challenges should only be carried out by Member States through EU funding.

As in the past, challenges identified in relevant Country-specific Recommendations⁶ will play an important role in targeting the support from the funds. The Commission will in particular have to take into account in its assessment of programmes submitted by Member States how relevant Country-specific Recommendations have been addressed by those programmes.

While it is encouraged that Member States make use of the European Regional Development Fund, the Cohesion Fund and the European Social Fund plus to address relevant investment-related Country-specific Recommendations, there is no obligation that all such recommendations should be implemented solely through resources from these funds. Other resources, from private and public investment, as well as from other relevant EU funds (e.g. from Horizon Europe, the Connecting Europe Facility, InvestEU, LIFE) or support from the European Investment Bank can also be used.

It is moreover reasonable to assume that the vast majority of Country-specific Recommendations relevant for investment under the European Regional Development Fund can be addressed within policy objectives 1 and 2 and would thus in any case fall under thematic concentration requirements.

⁵ Fiche No. 50 - Links between EU Funding and the European Semester.

⁶ Cf. Article 2(1) of the Common Provisions Regulation proposal.

Relevant Country-specific Recommendations falling under policy objective 3 (a more connected Europe) could be addressed with European Regional Development Fund support, but also through Cohesion Fund support, which is not subject to thematic concentration requirements.

Relevant Country-specific Recommendations falling under policy objective 4 (a more social Europe) could be addressed both with European Social Fund Plus and European Regional Development Fund support. Given the thematic concentration requirements for the two funds, it is clear that there will still be resources available – outside the thematic concentration requirements (e.g. between 15% and 35%, depending on the Member State as far as the European Regional Development Fund is concerned) – to address relevant Country-specific Recommendations.

Annex 1
Impact of thematic concentration proposals for the
European Regional Development Fund

(in EUR million, 2018 prices)

Member State	ERDF allocation	PO1 minimum	PO2 minimum	PO1+PO2 minimum
BG	4,998	1,749	1,499	
RO	15,317	5,361	4,595	
HR	5,122	1,793	1,537	
LV	2,279	798	684	
HU	10,296	3,603	3,089	
PL	40,113	14,039	12,034	
EL	10,222	3,578	3,067	
LT	2,774	971	832	
EE	1,465	513	440	
PT	10,273	4,526	3,082	
SK	7,388	3,325	2,216	
SI	1,484	668	445	
CY	385	173	116	
CZ	9,338	4,202	2,801	
MT	306	138	92	
ES	22,517	10,072	6,755	
IT	24,321	10,944	7,296	
FR*	8,566	4,577	2,254	6,831
FI*	838	503	209	712
BE*	1,027	616	257	873
SE*	995	597	249	845
DE*	9,180	5,508	2,295	7,803
NL*	597	358	149	508
AT*	617	370	154	524
DK*	189	113	47	160
IE*	399	239	100	339
LU*	19	11	5	16
TOTAL	191,024	79,346	56,298	
Average concentration levels		42%	29%	

* For Member States with a gross national income above 100%, the policy objective 1 and policy objective 2 minimum is the regulatory concentration. A 60:25 split has been assumed for the Member States in the other columns for indicative purposes.

The European Regional Development Fund allocations in the table above are based on those presented in Fiche 51.

Annex 2
Impact of thematic concentration proposals for the
European Social Fund Plus*

(in EUR million, 2018 prices)

Member State	ESF+	Social Inclusion at least 25%	Youth Unemployment at least 10% (2017 data) ⁷
BE	1,044	261	
BG	2,292	573	229
CZ	2,428	607	
DK	161	40	
DE	5,505	1,376	
EE	437	109	
IE	514	129	
EL	5,232	1,308	523
ES	10,722	2,680	1,072
FR	6,383	1,596	638
HR	1,902	475	190
IT	13,319	3,330	1,332
CY	184	46	18
LV	652	163	
LT	913	228	
LU	19	5	
HU	4,257	1,064	
MT	81	20	
NL	489	122	
AT	453	113	
PL	12,659	3,165	
PT**	6,725	1,681	
RO	7,414	1,854	741
SI	704	176	
SK	2,196	549	220
FI	643	161	
SE	839	210	
TOTAL (ESF+ Shared Management)	88,167	22,042	4,964

* The European Social Fund plus proposal also includes a thematic concentration requirement for adequate support to the Country-specific Recommendations and for at least 2% for material deprivation (the latter one to be counted against the social inclusion concentration criterion).

** PT only meets the NEET rate condition for the outermost regions, so it will have to allocate 15% of the European Social Fund plus resources for the programmes of these regions to youth employment (outside the additional allocation for these outermost regions).

⁷ This calculation is based on the latest available data. New data will be available from EUROSTAT in the coming months.