



**COUNCIL OF
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NOTE

From:	Presidency
to:	Council (EPSCO)
Subject:	European Social Fund
	- State of play

Delegations will find attached a note on the new proposal for the European Social Fund (ESF) prepared by the Presidency. The objective is to inform the EPSCO Council at its session on 4 October 2012 (Any Other Business) on the state of play in the ongoing negotiations in the context of the Multiannual Financial Framework (MFF).

The European Social Fund (ESF)

in the context of the new Multiannual Financial Framework (MFF)

1. INTRODUCTION

In the framework of the overall discussions on the next Multiannual Financial Framework (2014 - 2020), the Council (EPSCO) held an extensive policy debate on 3 October 2011 on the future of the ESF¹. At this session, Ministers highlighted the importance of keeping the EPSCO Council regularly informed on the progress made in the negotiations on the instruments covered by the Common Strategic Framework, including those on the common principles.

As we enter the final stage of the negotiations, it appears to be the appropriate moment to inform Ministers about the current proposal. The Presidency considers it important that contributions by the Council (EPSCO) on the political objectives of the ESF are brought to the attention of the negotiating parties. Therefore, the Presidency will work closely with the European Parliament and the Commission, as well as with the President of the European Council to facilitate a common understanding leading to a timely adoption of the relevant decisions.

2. CONTEXT

The Commission transmitted to the European Parliament and to the Council the proposal for a Regulation on the European Social Fund (*repealing Regulation (EC) No 1081/2006*) on 10 October 2011 as part of the Cohesion Policy legislative package 2014-2020, which also contains proposals for a Regulation on common provisions (CPR) and specific Regulations for the other four common strategic framework (CSF) funds: the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

¹ Document 18149/11

Besides the new structure of the funds and the horizontal principles of the regulations, as well as the role of EPSCO in the new economic governance, the ESF will contribute to important priorities of the EU 2020 Strategy that fall under the responsibility of EPSCO. Against the background of the current economic crisis and budgetary constraints, the rationale of the ESF is becoming even more essential for achieving employment and social inclusion in the Union.

The proposal defines the mission and scope of the ESF for 2014-2020, together with the associated investment priorities addressing the thematic objectives, and lays down specific provisions concerning operational programmes co-financed by the ESF and related to eligible expenditure. The Commission has proposed that the ESF should account for at least a quarter of Cohesion Policy funding, i.e. at least €84 billion in the period 2014-2020, as well as 20% of ESF resources to go towards social inclusion. The risks of poverty and exclusion have only grown during the crisis and the Commission highlights the need of "activating" social policies to counteract this.

3. STATE OF PLAY

The discussions on the ESF proposal take place in the Council in the Structural Actions Working Party (SAWP)². Further to the progress made under the Danish Presidency, negotiations are foreseen to reach its final stage in the coming months. The aim of the Presidency is to fulfil the mandate given by the June European Council 2012, of reaching an agreement on the issue by the end of 2012. The debate has been structured around thematic negotiation blocks covering the Common Provisions Regulation and the fund-specific regulations.

At the General Affairs Council meeting on 24 April 2012, a partial general approach was reached on the following six thematic blocks:

² *The Presidency will follow the organisational setup agreed in June 2011, with discussions on MFF taking place at COREPER II, the General Affairs Council, and also supported by the Friends of the Presidency Working Party.*

- programming;
- ex-ante conditionality;
- management and control;
- monitoring and evaluation;
- eligibility; and
- major projects.

The partial general approach was reached upon the understanding of the principle that *"nothing is agreed until everything is agreed"* and has to be seen in the overall context of the negotiations on the Cohesion Policy legislative package and the MFF framework for 2014-20.

On 26 June, an agreement was reached at the General Affairs Council on further four thematic blocks concerning:

- thematic concentration;
- financial instruments;
- net revenue generating operations and private public partnerships (PPPs), and;
- the performance framework.

The partial general approach includes now ten thematic blocks.

Notwithstanding the above, discussions will continue on the still pending issues concerning questions awaiting the conclusions of the negotiations on the Multiannual Financial Framework (MFF) and the Financial Regulation, including the issue of financial management and pending the vote of the European Parliament. Throughout this process, the Presidency will continue its cooperation with the European Parliament and will inform the GAC accordingly.

4. MAIN POINTS OF THE NEGOTIATIONS

The Council generally welcomed the Commission's approach to thematic concentration particularly at times of fiscal consolidation to maximise impact and concentrate in key drivers of growth. Two Articles covering the investment priorities of the ESF and thematic concentration (Articles 3 and 4) are included in the partial general approach.

Investment priorities

The funds are concentrated on a limited number of thematic objectives according to the Europe 2020 priorities and taking into account the level of development of the different regions. A range of minimum shares of cohesion policy expenditure are set for employment, social inclusion and education instead of an allocation of 25% of cohesion policy budget for the ESF, as originally requested by the Commission.

Thematic concentration: link to the Europe 2020 Strategy

The proposals are designed to reflect the priorities of the Europe 2020 Strategy, including a focus on growth, employment, education and social inclusion. One of the four strands is tackling poverty and social exclusion. Along these lines, the Commission originally proposed at least 20% of ESF resources to be allocated to measures promoting social inclusion and combating poverty in accordance to the poverty target. In the partial general approach a change has been introduced to allow the 20% to also include resources from the European Regional Development Fund (ERDF) which are used to achieve this thematic objective. The central idea behind is that expenditure under ERDF could also contribute to the goals of promoting social inclusion and combating poverty.

The ESF is also to be linked with the reporting mechanisms of the European Semester and the Europe 2020 strategy.