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**WORKING PAPER**

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**NOTE**

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From:	European Commission
To:	Working Party on Structural Measures
N° Cion doc.:	COM(2018) 375 final
Subject:	Cohesion Policy legislative package 2021-2027: Fiche 4 "Mid-term review of programmes supported by the ERDF, the ESF+ and the Cohesion Fund (Article 14 CPR proposal)"

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In view of the Working Party on Structural Measures on 13 September 2018, delegations will find attached fiche number 4 "Mid-term review of programmes supported by the ERDF, the ESF+ and the Cohesion Fund (Article 14 CPR proposal)", as prepared by the Commission services.

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WK 10405/2018 INIT

**LIMITE**

**EN**



13 September 2018

**WORKING DOCUMENT OF THE COMMISSION SERVICES**

**Subject: Mid-term review of programmes supported by the ERDF, the ESF+ and the Cohesion Fund (Article 14 CPR proposal)**

**1. Introduction**

The purpose of this fiche is to provide further information on the policy considerations behind the provisions on the mid-term review of programmes supported by the ERDF, the ESF+ and the Cohesion Fund included in the Commission's proposal for a Common Provisions Regulation ('CPR proposal'). The fiche also clarifies the implications of these provisions for the preparation and implementation of programmes.

**2. Why is the Commission proposing a mid-term review?**

➤ **Stable but more flexible and resilient programmes**

The Commission's proposal for a mid-term review strikes a balance between two main principles in programming: the need for both stability and flexibility.

On the one hand, it is necessary to ensure predictability and security for ongoing investments over the medium and long term. The Commission considers that a 9-year cycle is still a reasonable duration for the implementation of programmes. It provides stability and security for investors and it is a reasonable period for Member States to plan and implement investments and reforms.

On the other hand, recent years have shown that it is increasingly difficult to pre-establish investment needs, objectives and targets for a period of almost a decade. Challenges may change considerably impacting significantly on the socio-economic context of Member States and may require a quick reaction - programmes need to be resilient and flexible to adapt. Experience from past and current programming periods shows that most programmes are amended at least once during the whole programming period.<sup>1</sup> Experience also shows that it is much easier to carry out necessary

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<sup>1</sup> In 2014-2020, since the beginning of this programming period the Commission has already received over 500 requests for amendment of programmes.

adjustments if resources are not pre-allocated/committed to certain purposes (sectors, priorities, actions etc.<sup>2</sup>

The Commission therefore proposes that the commitments for the last two years (2026 and 2027) are only allocated to priorities on the basis of a mid-term review. This means that the commitments for all 7 years are included in the programmes prepared pursuant to Article 17 of the CPR proposal, but that the break down by priority within a programme is done only for the first five years and the rest will be done based on a mid-term review in 2025.

### ➤ **Closer alignment with the European Semester process**

The mid-term review also aims at strengthening the alignment between the Funds and the European Semester. This entails changes both to the legislative requirements concerning the programmes as well as to the European Semester process itself.

As provided for in Article 8(a) and Article 17(3)(a)(iii) CPR proposal the Partnership Agreement and programmes would be prepared taking into account the relevant country-specific recommendations (as defined in Article 2(1) CPR proposal) adopted in 2019. Moreover, Article 7(2) of the proposal for the ESF+ Regulation provides that Member States are to allocate an appropriate amount of the ESF+ resources to challenges identified in relevant country-specific recommendations (CSRs) and the European Semester.

[In order to ensure that the CSRs can be relevant for steering the strategy and programming of the Funds, the 2019 country report will identify more clearly investment needs in each country. These will provide an analytical basis for the 2019 Country Specific Recommendation, including as regards investment priority areas. Subsequently in 2024 the Commission may propose new investment-related CSRs where necessary, which would take account of the progress made by Member States to address the relevant 2019 CSRs. These – along with the other elements in Article 14(1) CPR proposal – would be key for the mid-term review, to assess whether programmes are still relevant to adequately address the challenges faced by Member States and regions and steer the allocation of commitments to priorities for 2026 and 2027.]

New provisions and processes aiming to ensure closer ties with the European Semester process will be further explained in a separate fiche.

### ➤ **Progress and performance driving programming**

The mid-term review enables programmes to strongly take into account the progress and performance over the first five years of implementation. Performance and progress in implementation will be among the key elements when deciding about the allocation of almost 30%

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<sup>2</sup> A clear example of this was the OP amendments due to the increase of the resources for the specific allocation of the YEI. A key reason why this amendment process was more complex was because Member States had to reallocate resources from other measures (including in other programmes) to provide for the mandatory ESF contribution to the YEI, i.e. the matching ESF+ resources.

of the programmes' budget. Therefore the mid-term review would provide a very strong incentive for delivering results and channelling support to well-performing areas.

### **3. Implications of the mid-term review on the initial programming**

The mid-term review does not change the nature and approach to programming at the start of the period.

At the initial programme adoption the seven-year allocation is included in the programme and is broken down by year, thus ensuring the necessary stability. However, the resources of a programme are only allocated to priorities and specific objectives for the first five years (Articles 17(3)(f)(ii) and 17(6) CPR proposal). Programmes would have to set milestones and targets for each specific objective (Article 17(3)(d)(ii) CPR proposal). Milestones would relate to the achievement by the end of 2024 for output indicators whereas targets relate to achievement by the end of 2029 (the end of the eligibility period) for output and result indicators (Article 12(1)(b) and (c) CPR proposal) taking account the allocations of 2021-2025 and corresponding actions/measures. Thematic concentration requirements need to be respected, both at programming and at the mid-term review – as it is required throughout the programming period in accordance with Article 3(5) of the Commission's proposal for the ERDF/CF and Article 7 of the Commission's proposal for the ESF+. The respective percentages would apply to the allocations of the programme to the priorities for years 2021-2025 before the mid-term review and to the entire programme allocation after the mid-term review.

### **4. Implications of the mid-term review for the last two years**

The mid-term review is an opportunity to reassess the situation midway through the MFF period and decide – on the basis of progress made – whether an adjustment of the priorities (for the last two years) is necessary. The proposal to amend the programmes would be based on the review made by the Member State justified on the basis of the following elements (Article 14(1) CPR proposal):

- The challenges identified in relevant country-specific recommendations adopted in 2024 (i.e. whether these challenges require an adjustment of the programmes to be appropriately addressed);
- The socio-economic situation of the Member State or region concerned (at the time of the mid-term review, i.e. whether changes require an adjustment of initial strategies);
- The progress in achieving the milestones (i.e. the progress of the programmes in terms of performance and whether in light of this an adjustment is necessary);
- Where relevant, the result of the technical adjustment exercise for the budgetary year 2025 carried out in 2024 reviewing Member States' allocations for the Investment for jobs and growth goal for the years 2025-2027 (i.e. in case the allocations are adjusted upward or downward this would necessitate the adjustment of the programmes)<sup>3</sup>.

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<sup>3</sup> The technical adjustment would be carried out in time for the amendment of the Commission's implementing decision on the Member States allocations referred to in Article 103(2), to be adopted in 2024 (Article 104(2) CPR proposal).

The substantive part of the mid-term review process (i.e. the assessment along the above elements) would take place in the second half of 2024 and early 2025.

Following the above the Member States would need to submit to the Commission a request for the amendment of each programme supported by the ERDF, the Cohesion Fund and the ESF+ by 31 March 2025 in line with Article 19(1) CPR proposal along with the justification of the results of the assessment carried on the basis of the above-mentioned elements.

The Member State would need to justify in light of the above assessment how the allocations for 2026 and 2027 should be distributed among the priorities in the programme (or across the programmes, or – if need be – by setting up a new programme). This would necessitate the revision of existing targets or where relevant new target setting (e.g. when a new specific objective is chosen by the Member State). The outcome of the technical adjustment would need to be also factored in for the years 2025-2027 where relevant.

If the result of the assessment confirms that the programme still adequately addresses the challenges faced and needs present and thus there is no need for adjustments between priorities, the procedure would be short. It would simply result in an amendment of the financing table and the revision of the targets for 2029 (for example, the additional amounts could be allocated pro rata maintaining the relative financial share of the priorities in the programme allocation). If the result of the assessment is that more far-reaching adjustments are necessary the re-programming exercise would focus on the new elements. Therefore, the exercise would be significantly quicker than the initial programming.

In addition, experience shows that the last two years' commitments do not affect the continuous financing of ongoing project implementation given the gap between budgetary commitments made in respect of the programme (Article 80 CPR proposal) and the rate of submission of payment applications (Article 85 CPR proposal) especially in the fifth year of implementation<sup>4</sup>. Therefore the described mechanism would not trigger implementation delays as long as the required assessment is properly undertaken in a timely manner.

In any case Member States and the Commission would be in constant dialogue through monitoring committee meetings, annual performance meetings and reporting. This should allow for discussing all potential issues (including also progress based on project selection and contracting) before requests for programme amendments are submitted.

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This corresponds to Article 92(3) of Regulation No 1303/2013 (EU) (the result of which was set out in COM(2016) 311 of 30 June 2016. This process also showed that Member States whose allocation was reduced needed to readjust their programmes in light of these cuts, whereas Member States whose allocation was increased needed to programme how these additional amounts will be used.

<sup>4</sup> Although the Commission expects a much quicker start of implementation for the period 2021-2027 the situation of the 2014-2020 programmes gives an indication: by mid-2018 the first five years of commitments have already been made (2014-2018) amounting to cca. 70% of the total, project selection rate stands at 62% whereas interim payments have only reached 13% as of end August 2018. This means that a significant part of commitments is still open and available to be used for the financing of ongoing operations.