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Delegations will find attached document COM(2025) 164 final.

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2025/0085 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**amending Regulation (EU) 2021/1057 establishing the European Social Fund + (ESF+)
as regards specific measures to address strategic challenges**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The mid-term review of cohesion policy presents an opportunity for Member States to redirect 2021-2027 resources towards investment in defence capabilities, for the competitiveness, preparedness and strategic autonomy of the EU and in other emerging priorities, including clean industrial deal objectives by submitting corresponding programme amendments to the Commission. Strengthening these dimensions requires having people with the right skills. In the current demographic context, increasing skills and labour shortages are a main impediment for growth and economic adjustment. Investing in skills development and labour mobility is top priority.

The framework for cohesion policy investments in people set out in the European Social Fund Plus (ESF+) regulation is not sufficiently aligned with these new priorities. The exceptional challenges the Union is confronted with requires additional focus, flexibility and a reinforcement of incentives. The proposed adjustments will help steer reprogramming towards emerging priorities and will support speeding up implementation. This proposal sets out adjustments to the ESF+ regulation to achieve these objectives.

Aligning cohesion policy investments to new priorities

In recent years, geopolitical dynamics have been marked by profound uncertainty, necessitating a fundamental re-evaluation of the EU's strategic autonomy. These shifts are unfolding alongside the green, social, and technological transitions, which are rapidly reshaping the world around us. The challenges posed by these simultaneous transformations were comprehensively analysed in the report on the "Future of European Competitiveness", published in September 2024. The report underscores the urgent need to close the innovation gap, align decarbonisation efforts with economic competitiveness, and reduce external dependencies by diversifying supply chains and investing in critical sectors.

In response, several major initiatives have already been launched to enhance the EU's economic resilience and strategic autonomy. These include the "Strategic Technologies for Europe Platform" (STEP), which aims to strengthen Europe's technological leadership; "REPowerEU", designed to reduce reliance on external energy sources and accelerate the green transition; to complete interventions already underway via cohesion policy programmes and the "Recovery and Resilience Facility" (RRF), to support structural changes in Member States and regions as well as to enhance their resilience.

As the EU's main investment instrument within the Multiannual Financial Framework (MFF), cohesion policy plays a crucial role in supporting these priorities. It drives targeted investments that contribute to economic, social and territorial cohesion while at the same time addressing emerging challenges. It contributes to Europe's economic transformation, including through innovation, strengthening competitiveness. However, the regulatory framework governing the 2021-2027 cohesion policy funds was drafted, negotiated and adopted before the series of major geopolitical and economic events that have since reshaped some of the EU's strategic political priorities.

Similarly, the Partnership Agreements and the national and regional cohesion policy programmes were developed and approved within this same timeframe, hence reflecting the priorities set at the time. Given the evolving global and regional context, the 2025 mid-term review presents a critical opportunity to assess their implementation and the effectiveness of

their contribution to the evolving priorities. This review will help determine the extent to which cohesion policy programmes can directly and swiftly respond to rapidly changing political, economic and social realities.

At the same time, it has become evident that the early implementation of the 2021-2027 cohesion policy programmes has faced challenges which have not been conducive to a swift uptake and rapid disbursement of the funds, leading to delays in their implementation compared to previous programming periods. These delays come at a time when strong and accelerated investment is essential to support economic resilience and competitiveness.

Against this backdrop, the Commission is proposing targeted amendments to Regulation (EU) 2021/1057. These changes aim to adjust investment priorities with the evolving economic, societal, environmental and geopolitical context while at the same time introducing greater flexibility and incentives to facilitate and encourage the rapid deployment of much-needed resources. By refining the 2021-2027 cohesion policy framework, the EU can ensure that its investment mechanisms remain agile and responsive, enabling a more effective response to current and future challenges.

In order for Member States to make effectively use of the possibilities provided in this proposal, they are proposed to be allowed to re-submit their mid-term review proposal by 2 months after the entry into force of the present proposal for amendment to Regulation (EU) 2021/1057. Any programme amendment that would be carried out pursuant to the new priorities and flexibilities, shall be without prejudice to the application of any measures adopted under Regulation 2020/2092 and to the compliance by relevant programmes with the priorities under Article 15 of Regulation 2021/1060. In this context the Commission will closely monitor the conformity of the programmes with the requirements of relevant EU law.

Adaptation of workers, enterprises and entrepreneurs to change contributing to decarbonisation and resilience of production capacities

Faced with high energy costs, fierce global competition and significant threats to the rules-based international order governing international trade, European industries need to adjust. They need workers with the right skills set, the definition of which is rapidly evolving. Ensuring that workers have access to obtaining the right skills through re- and upskilling measures and supporting mobility of (high skilled) workers between industries, as structural change is taking place at an unprecedented pace, requires immediate action.

Europe's competitive strength lies in its people. Our human capital is key to the EU's prosperity, its economic resilience to increasing our productivity growth, and to fostering cohesion. The EU's workforce must have the necessary skills to support the growing defence industry, strengthening Europe's preparedness and security, as well as the transition to a low-carbon economy, including skills in clean technologies, digitalisation, and entrepreneurship. The Clean Industrial Deal¹ outlines concrete actions to turn decarbonisation into a driver of growth for European industries.

Defence and security

In the face of unprecedented geopolitical instability, the European Union must now make crucial decisions to ensure its security. To guarantee its own defence deterrence, and security, Europe must be prepared to enter a new era by significantly increasing its support for the

¹ COM(2025) 85 final

development of the defence capabilities and the competitiveness of the EU defence industry. This effort will enable the Union to address the short-term urgency of supporting Ukraine while ensuring the continent's long-term stability.

The Commission has proposed to the European Council an immediate response plan — REARM Europe — amounting to EUR 800 billion, by activating all available financial levers to swiftly and significantly support investment in European defence capacities. Among these levers, the Union budget can further contribute to this collective effort through a new dedicated defence instrument and the strengthening of the European Defence Industry Programme (EDIP).

To complement these tools and further incentivise Member States to directly support defence investments, it is essential that cohesion policy funding can be swiftly mobilised. These investments will reinforce the resilience and EU competitiveness while promoting regional development and growth. They will also tackle the dual challenge faced by the Union's regions bordering Russia, Belarus and Ukraine: strengthening security while revitalising their economies.

The right skills are crucial to an effective defence capacity. The capacity of the defence industry to recruit skilled workers, and re- and upskill workers, is a sine qua non for the ability to ramp up production in a very short timeframe. The Union of Skills sets out actions to address skills gaps and shortages in Europe. The Commission will also develop a Skills Guarantee pilot. This scheme will offer workers involved in restructuring processes, or at risk of unemployment, the opportunity to develop further their careers in another company or another sector. This is particularly important in the present circumstances. Furthermore, the Pact for Skills, has established a large-scale partnership on the defence ecosystem². Through skills forecasting, it supports collective anticipation of the skills gaps Europe will face, taking into account industry skills needs and demographic skills forecasts for the next five to ten years. It aims to upgrade upskilling and reskilling programmes to make them more attractive by better engaging and developing talent and improving its retention.

In this context, the ESF+ will actively facilitate the development of skills in the defence industry by providing additional flexibilities to implementation, including increased pre-financing, exemption from the calculation of thematic concentration as well as increased level of co-financing.

Eastern border regions

Given the challenges of the Eastern border regions since the Russian aggression against Ukraine, programmes under the Investment for jobs and growth goal with NUTS 2 regions that have borders with Russia, Belarus or Ukraine, should benefit from the possibility of a one-off 9.5% pre-financing of the programme allocation in 2026 and a 100% Union financing.

Greater flexibility and simplification for accelerating investments

Halfway in the 2021-2027 programming period, the level of payments claimed by the Member States to the Commission is low, owing to a combination of factors: the late adoption of the regulations governing the policy; the need to face successive crises from the COVID-19 pandemic to the war against Ukraine, and to the energy crisis; the pressure to close the previous programming period; and the priority given to implement the instruments of NGEU,

² https://pact-for-skills.ec.europa.eu/about/industrial-ecosystems-and-partnerships/aerospace-and-defence_en

given their shorter implementation timeframe. All this has in turn put a strain on the administrative capacities of Member States' authorities to design and quickly deliver investments. Notwithstanding a rapid acceleration experienced over last year with project selection just above 40% of the allocations, cohesion policy implementation should rapidly pick up pace in a context where the Union is facing a range of new challenges requiring rapid responses. The Commission therefore proposes a set of measures aiming at further enhancing the flexibility and simplification of the use of cohesion policy support for accelerating investments:

- To avoid that programme implementation is delayed because of national budgetary constraints, and to expand the financial capacity Member States to address the newly emerging challenges, the Commission proposes to provide a one-off 4.5% pre-financing provided from the ESF+ in 2026 to all programmes that reallocate at least 15% of their resources for the new priorities and STEP in the context of the mid-term review process.
- The pre-financing percentage is proposed to be increased to 9.5% in 2026 for programmes covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine acknowledging the specific challenges these regions have face since the Russian aggression in Ukraine.
- To avoid that the risk of delays and corresponding loss of funds reduces willingness to undertake programme amendments and to ensure the proper implementation of the operations concerned, the Commission proposes to extend the time limit for using the ESF+ resources and extend the end date for eligibility by an additional year. This flexibility is proposed to be made available only for programmes that proposed amendments resulting in reallocation of at least 15% of the resources for the new priorities and STEP in the context of the mid-term review exercise, once approved.
- **Consistency with existing policy provisions in the policy area**

The proposal is consistent with the objectives followed by the cohesion policy funds as well as with the latest Commission communication on a reform agenda for Cohesion policy and is limited to a targeted amendment of Regulation (EU) 2021/1057. Consistency with other Union policies

The proposal is limited to a targeted amendment of Regulation (EU) 2021/1057 and maintains consistency with other Union policies.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The proposal is based on Articles 164, 175, 177 and 322 of the Treaty on the Functioning of the European Union.

• Subsidiarity (for non-exclusive competence)

The proposal to encourage Member States to further align their cohesion policy programmes to addressing strategic challenges and to refocus resources to new priorities while ensuring greater flexibility to accelerate implementation, requires amendments to Regulation (EU) 2021/1057. The same result cannot be achieved through actions at national level.

- **Proportionality**

The proposal aims at incentivising Member States to further align their cohesion policy programmes to addressing strategic challenges and refocus resources to new priorities as well as providing greater flexibility for accelerating investments. The measures do not go beyond what is necessary to achieve these goals.

- **Choice of the instrument**

A Regulation is the appropriate instrument as it provides directly applicable rules for the support.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

N/A

- **Stakeholder consultations**

N/A

- **Collection and use of expertise**

N/A

- **Impact assessment**

An impact assessment has been carried out to prepare the proposal for Regulation (EU) 2021/1057. The limited and targeted changes do not require a separate impact assessment.

- **Regulatory fitness and simplification**

N/A

- **Fundamental rights**

N/A

4. BUDGETARY IMPLICATIONS

The proposal concerns cohesion policy programmes from the 2021-2027 period and will result in additional pre-financing to be paid under the ESF+ in 2026. This additional pre-financing will lead to frontloading of payment appropriations to 2026 compared to a no policy-change scenario and is budgetary neutral over the 2021-2027 period. Based on the estimated uptake of the proposal as well as taking into account payment forecasts and implementation shifts, the net budgetary impact is estimated to EUR 500 million that will be included in the draft budget 2026.

The possibility to apply for an increased Union financing rate for investments under the dedicated priorities and for programmes covering Eastern border regions will also lead to a partial front-loading of payments, followed by lower payments at a later stage as the overall envelope is unchanged. The actual impact will highly depend on the Member States' uptake.

The proposed modification does not require changes in the Multiannual Financial Framework annual ceilings for commitments and payments as per Annex I to Council Regulation (EU, Euratom) 2020/2093.

5. OTHER ELEMENTS

• **Implementation plans and monitoring, evaluation and reporting arrangements**

The implementation of the measure will be monitored and reported upon in the framework of the general reporting mechanisms established in Regulation (EU) 2021/1060.

• **Explanatory documents (for directives)**

N/A

• **Detailed explanation of the specific provisions of the proposal**

The proposal involves the amendment of Regulation (EU) 2021/1057 as regards the ESF+ in order to address strategic challenges and allow for Member States to refocus their resources to new priorities.

Defence

It allows for a focused support to development of skills in the defence industry under a dedicated priority that benefits from further flexibilities that include an increased pre-financing on the allocation of the priority, exemption from the calculation of amounts towards thematic concentration and an increased level of co-financing. Nevertheless, such flexibilities are conditioned to reallocating a minimum amount of the programme resources to new priorities.

Adaptation of workers, enterprises and entrepreneurs to change contributing to decarbonisation of production capacities

It allows for a focused support to skilling, up-skilling and re-skilling with a view to adaptation of workers, enterprises and entrepreneurs to change contributing to decarbonisation of production capacities under a dedicated priority that benefits from further flexibilities that include an increased pre-financing on the allocation of the priority and increased level of co-financing. Nevertheless, such flexibilities are conditioned to reallocating a minimum amount of the programme resources to new priorities.

Facilitating the refocusing of resources by Member States

In order that the Member State could effectively make use of the new priorities and flexibilities, Member States will be allowed to re-submit their assessment to the mid-term review accompanied by a request for programme amendment to establish any of the newly introduced dedicated priorities.

To help accelerate the implementation of the ESF+, all programmes that establish any of the newly introduced dedicated priorities and STEP and reallocate at least 15% of their resources, would receive an additional one-off pre-financing of 4.5% on the basis of their amended programme budget.

Given the challenges of the Eastern border regions since the Russian aggression against Ukraine, programmes financed by the ESF+ with NUTS 2 regions that have borders with Russia, Belarus or Ukraine, should benefit from the possibility of a one-off 9.5% pre-financing and a 100% Union financing. Where the corresponding programme covers the entire territory of the Member State, these financial flexibilities should only apply if the

programme covering the entire territory of the Member State is the only programme in the Member State that includes the concerned NUTS 2 regions.

In addition, the end-date for eligibility of expenditure is extended by one additional year for all cohesion policy programmes where programme amendments establishing any of the newly introduced dedicated priorities and reallocating at least 15% of the financial resources of the programme to those priorities have been approved.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) 2021/1057 establishing the European Social Fund + (ESF+) as regards specific measures to address strategic challenges

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
 Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 164, 175, 177 and Article 322 thereof,
 Having regard to the proposal from the European Commission,
 After transmission of the draft legislative act to the national parliaments,
 Having regard to the opinion of the European Economic and Social Committee³,
 Having regard to the opinion of the Committee of the Regions⁴,
 Acting in accordance with the ordinary legislative procedure,
 Whereas:

- (1) Given the major geopolitical and economic events that have reshaped some of the Union's strategic political priorities, it is necessary to provide for possibilities for Member States to address those strategic challenges and to refocus their resources to newly emerging priorities.
- (2) The White paper for European Defence – Readiness 2030⁵ paves the way for a true European defence union, including by suggesting to Member States to heavily invest into defence and the defence industry. In that regard, the Communication from the Commission - the Union of Skills of 5 March 2025⁶ ('the Union of Skills Communication') sets out actions to address skills gaps and shortages in the Union, also through the Pact for Skills Initiative referred to in that Communication, and its large-scale partnerships, including one on the defence ecosystem. Therefore, it is appropriate to include incentives for the ESF+ established by Regulation (EU) 2021/1057 of the European Parliament and of the Council⁷ to facilitate the development of skills in the defence industry.
- (3) It is already possible to support the adaptation of workers, entrepreneurs and enterprises to change under the ESF+. In line with the decarbonisation measures proposed by the Communication from the Commission – the Clean Industrial Deal: A

³ OJ C , , p. .

⁴ OJ C , , p. .

⁵ Joint White Paper for European Defence Readiness 2030, JOIN(2025) 120 final, 19.3.2025.

⁶ COM (2025) 90 final

⁷ Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013 (OJ L 231, 30.6.2021, p. 21, ELI: <http://data.europa.eu/eli/reg/2021/1057/oj>).

joint roadmap for competitiveness and decarbonisation of 26 February 2025⁸ and to further facilitate industrial adjustment linked to the decarbonisation of production processes and products, in the context of the objective of providing lifelong opportunities to regularly upskill and reskill people, as set out in the Union of Skills Communication, including through a newly proposed Skills Guarantee, the ESF+ should facilitate the skilling, job maintenance and job creation throughout the decarbonisation process by providing flexibilities to implementation.

- (4) It is already possible, under ESF+, to support investments contributing to the objectives of the ‘Strategic Technologies for Europe Platform’ (STEP) established by Regulation (EU) 2024/795 of the European Parliament and of the Council⁹ which aims to strengthen the Union’s technological leadership. In order to further incentivise investments from the ESF+ in those critical fields, the possibility for Member States to receive a higher pre-financing for related programme amendments should be extended.
- (5) In order to enable Member States to carry out a meaningful reprogramming and focus resources on strategic Union priorities set out in recitals 2, 3 and 4 without causing further delays in implementation, it is appropriate to provide for further flexibilities. The mid-term review should serve as an opportunity to address emerging strategic challenges and new priorities therefore, Member States should benefit from additional time to complete the assessment of the outcome of the mid-term review and the submission of related programme amendments
- (6) In order to accelerate the implementation of cohesion policy programmes and alleviate the pressure on national budgets and to inject the necessary liquidity for the implementation of key investments, an additional one-off pre-financing from the ESF+ should be paid for programmes. Because of the adverse impact of the Russian aggression in Ukraine, the pre-financing percentage should be further increased for certain programmes covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine. In order to incentivise the re-programming towards key priorities in the context of the mid-term review, the additional pre-financing should only be available where a certain threshold for the reallocation of financial resources to specific crucial priorities is reached.
- (7) Furthermore, to take account of the time needed to refocus investments and to allow best use of available resources, the deadlines for the eligibility of expenditure and the decommitment rules should be adjusted for programmes carrying out a reallocation of resources to strategic priorities.
- (8) It should also be possible to apply a maximum co-financing rate of up to 100% to priorities in programmes covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine, given the adverse impact of the Russian aggression on those regions.
- (9) Since the objectives of this Regulation, namely to address strategic challenges, refocus investments on critical new priorities and simplify and accelerate policy delivery, cannot be sufficiently achieved by the Member States but can rather be better achieved

⁸ COM (2025) 85 final

⁹ Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241 (OJ L, 2024/795, 29.2.2024, ELI: <http://data.europa.eu/eli/reg/2024/795/oj>)

at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

- (10) Regulation (EU) 2021/1057 should therefore be amended accordingly.
- (11) [Given the urgent need to enable crucial investments in skills in the defence industry as well as in adaptation to change linked to decarbonisation in the context of pressing strategic geopolitical challenges, this Regulation should enter into force on the day following that of its publication in the *Official Journal of the European Union*,]

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2021/1057 is amended as follows:

- (1) the following Article 5a is inserted:

‘Article 5a

Specific provisions linked to the implementation of ESF+ strand under shared management

- (1) In 2026, the Commission shall pay 4,5 % of the total support from the ESF+ as set out in the decision approving the programme amendment as additional one-off pre-financing. The one-off pre-financing percentage in 2026 shall be increased to 9,5% for programmes covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine, provided the programme does not cover the entire territory of the Member State. Where, in a Member State, NUTS 2 regions bordering Russia, Belarus or Ukraine are included exclusively in programmes covering the entire territory of that Member State, the increased pre-financing set out in this paragraph shall apply to those programmes.

The additional pre-financing referred to in the first subparagraph of this paragraph shall only apply where reallocations of at least 15% of the financial resources of the programme to one or more dedicated priorities established in accordance with Articles 12a, 12c and 12d have been approved; provided that the request for a programme amendment is submitted by 31 December 2025.

The pre-financing due to the Member State which results from programme amendments pursuant to reallocation to the priorities referred to in the second subparagraph of this paragraph shall be counted as payments made in 2025 for the purposes of calculating the amounts to be de-committed in accordance with Article 105 of Regulation (EU) 2021/1060, provided the request for programme amendment was submitted in 2025.

- (2) By way of derogation from Article 63(2) and Article 105(2) of Regulation (EU) 2021/1060, the deadline for the eligibility of expenditure, the reimbursement of costs as well as for decommitment shall be 31 December 2030. That derogation shall only apply where programme amendments reallocating at least 15% of the financial resources of the programme to one or more dedicated priorities established in accordance with Articles 12a, 12c and 12d of this Regulation in the context of the mid-term review have been approved.

- (3) By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rate for priorities in programmes covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine shall be 100 %. The higher co-financing rate shall not apply to programmes covering the entire territory of the Member State concerned, unless those regions are included only in programmes covering the entire territory of that Member State. The derogation shall only apply where reallocations of at least 15% of the financial resources of the programme to one or more dedicated priorities established in accordance with Articles 12a, 12c and 12d of this Regulation in the context of the mid-term review have been approved, provided that the programme amendment is submitted by 31 December 2025.
- (4) In addition to the assessment for each programme on the outcome of the mid-term review to be submitted in accordance with Article 18(2) of Regulation (EU) 2021/1060, Member States may resubmit a complementary assessment as well as related requests for programme amendments, taking into account the possibility for dedicated priorities in accordance with Articles 12a, 12c and 12d within 2 months of the entry into force of Regulation (EU) XXXX/XXXX [this Regulation]. The deadlines set out in Article 18 (3) of Regulation (EU) 2021/1060 shall apply.
- (2) in Article 12a(2), the first subparagraph is replaced by the following:
- ‘ In addition to the pre-financing for the programme provided for in Article 90(1) and (2) of Regulation (EU) 2021/1060, where the Commission approves an amendment of a programme including one or more priorities dedicated to operations supported by the ESF+ contributing to the STEP objectives referred to in Article 2 of Regulation (EU) 2024/795, it shall make an exceptional pre-financing of 30 % on the basis of the allocation to those priorities, provided that the programme amendment is submitted to the Commission by 31 December 2025. That exceptional pre-financing shall be paid within 60 days of the adoption of the Commission decision approving the programme amendment.’;
- (3) the following Articles 12c and 12d are inserted:

‘Article 12c

Support to the defence industry

- (1) Member States may decide to programme support to development of skills in the defence industry under dedicated priorities. Such dedicated priorities may support any of the specific objectives set out in Article 4(1), points (a) to (l).
- (2) Resources allocated to the dedicated priority as referred to in paragraph 1 shall not be taken into account when ensuring compliance with the thematic concentration requirements as set out in Article 7 of this Regulation.
- (3) In addition to the yearly pre-financing for the programme provided for in Article 90(1) and (2) of Regulation (EU) 2021/1060, the Commission shall pay 30% of the allocation to the dedicated priorities referred to in paragraph 1 of this Article as set out in the decision approving the programme amendment as exceptional one-off pre-financing.

That exceptional pre-financing shall be paid within 60 days of the adoption of the Commission decision approving the programme amendment in accordance with Article 24 of Regulation (EU) 2021/1060.

- (4) In accordance with Article 90(5) of Regulation (EU) 2021/1060, the amount paid as exceptional pre-financing shall be cleared from the Commission accounts no later than with the final accounting year.

In accordance with Article 90(6) of Regulation (EU) 2021/1060, any interest generated by the exceptional pre-financing shall be used for the programme concerned in the same way as the ESF+ and shall be included in the accounts for the final accounting year.

In accordance with Article 97(1) of Regulation (EU) 2021/1060, the exceptional pre-financing shall not be suspended.

In accordance with Article 105(1) of Regulation (EU) 2021/1060, the pre-financing to be taken into account for the purposes of calculating amounts to be decommitted shall include the exceptional pre-financing paid.

- (5) By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rate for dedicated priorities referred to in paragraph 1 of this Article shall be 100%.

Article 12d

Support to adaptation linked to decarbonisation

- (1) Member States may decide to programme support aiming at skilling, upskilling and re-skilling with a view to adaptation of workers, enterprises and entrepreneurs to change contributing to decarbonisation of production capacities under dedicated priorities. Such dedicated priorities may support any of the specific objectives set out in Article 4(1), points (a) to (l).
- (2) For the purposes of paragraph 1 of this Article, the Member State shall submit a request for an amendment in accordance with Article 24 of Regulation (EU) 2021/1060. Where a Member State already has programmes which include one or more priorities fulfilling the conditions set out in paragraph 1 of this Article, the Member State shall submit a request to the Commission to consider the concerned priorities as dedicated priorities for the purposes of paragraph 1 of this Article.
- (3) In addition to the yearly pre-financing for the programme provided for in Article 90(1) and (2) of Regulation (EU) 2021/1060, the Commission shall pay 30% of the allocation to the dedicated priorities referred to in paragraph 1 of this Article as set out in the decision approving the programme amendment as exceptional one-off pre-financing.

That exceptional pre-financing shall be paid within 60 days of the adoption of the Commission decision approving the programme amendment in accordance with paragraph 2 of this Article.

- (4) In accordance with Article 90(5) of Regulation (EU) 2021/1060, the amount paid as exceptional pre-financing shall be cleared from the Commission accounts no later than with the final accounting year.

In accordance with Article 90(6) of Regulation (EU) 2021/1060, any interest generated by the exceptional pre-financing shall be used for the programme concerned in the same way as the ESF+ and shall be included in the accounts for the final accounting year.

In accordance with Article 97(1) of Regulation (EU) 2021/1060, the exceptional pre-financing shall not be suspended.

In accordance with Article 105(1) of Regulation (EU) 2021/1060, the pre-financing to be taken into account for the purposes of calculating amounts to be decommitted shall include the exceptional pre-financing paid.

- (5) By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rate for dedicated priorities referred to in paragraph 1 of this Article shall be 100%.’.

Article 2

This Regulation shall enter into force on the [day] following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg,

For the European Parliament
The President

For the Council
The President

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1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2021/1057 as regards specific measures to address strategic challenges

1.2. Policy area(s) concerned

Cohesion policy: European Social Fund Plus (ESF+)

1.3. Objective(s)

1.3.1. General objective(s)

The cohesion policy funds, including the ESF+, provide financing in support of the harmonious development of the EU, through actions that lead to the strengthening of its economic, social and territorial cohesion. In support of this overarching objective, the Funds also contribute to advancing key policy objectives, including strengthening the overall competitiveness and the strategic autonomy of the EU, and addressing challenges and opportunities that are associated with the green, digital and social transitions.

1.3.2. Specific objective(s)

Specific objective No 1

Accelerate the implementation of 2021-2027 cohesion policy programmes financed by the ESF+ by enhancing the flexibility and provide areas of simplification for the use of cohesion policy funds.

Specific objective No 2

Provide support from the ESF+ under the 2021-2027 programmes to development of skills in the defence industry as a short-term reaction to recent geopolitical events by providing additional possibilities for Member States to refocus resources to the defence sector.

Further facilitate industrial adjustment linked to the decarbonisation of production processes and products by providing additional possibilities for Member States to refocus resources to skilling, up-skilling and re-skilling with a view to adaptation of workers, enterprises and entrepreneurs to change throughout the decarbonisation process.

Address specific territorial challenges of the Regions bordering Ukraine, Russia and Belarus.

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Specific objective No 1

Maximising the use of the resources allocated to the ESF+ under the 2021-2027 MFF.

Specific objective No 2

Increased level of skills matching the demand of the defence industry as well as in sectors affected by the decarbonisation process.

Increased support to address the specific challenges of regions bordering Russia, Belarus and Ukraine.

1.3.4. *Indicators of performance*

Specify the indicators for monitoring progress and achievements.

Specific objective No 1

Financial data on the amounts related to operations selected and implemented by Member States and on disbursements made from the EU budget to Member States.

Specific objective No 2

Common Output Indicator – Total number of participants

1.4. The proposal/initiative relates to:

a new action

a new action following a pilot project / preparatory action¹⁰

the extension of an existing action

a merger or redirection of one or more actions towards another/a new action

1.5. Grounds for the proposal/initiative

1.5.1. *Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

Recent economic and geopolitical events have brought to the front important priorities that require refocusing of resources within cohesion policy, notably in the ESF+. The specific actions within the scope of this amendment are already possible to be financed under the current legal framework governing the ESF+. Therefore, they are already in line with the overall objective of strengthening economic, social and territorial cohesion. However, the pace and volume of investments need to be increased. The ongoing mid-term review of the 2021-2027 cohesion policy programmes provides a crucial opportunity to assess how these programmes can help deliver on the newly emerging priorities. Therefore, the current amendment creates incentives and flexibilities to allow Member States to put a greater focus with resources from the MFF on these priorities within a relatively short time frame.

¹⁰ As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

- 1.5.2. *Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.*

The amendment is designed to allow Member States to direct necessary cohesion policy funding to investments in policy areas that have been identified as priorities, and to maintain and strengthen the economic, social and territorial cohesion of the EU.

Specific objective 1:

Cohesion policy funding is vital for economic stability, fairness, and integration in the EU. It plays a primary role in reducing regional disparities and ensuring balanced development across all Member States. It ensures that all regions have the resources to grow, innovate, and adapt to future challenges while promoting EU-wide solidarity. Maintaining and accelerating the flow of funds to the Member States from the EU budget is essential for ensuring the necessary level of public funding in Member States and to achieve the cohesion objectives enshrined in the Treaty.

Specific objective 2:

Development of skills in the defence industry: The Versailles Declaration of March 2022, as well as communications JOIN(2022) 24 and COM(2022) 60 already outlined the need for the EU to step up its own preparedness, capability and resilience to better protect its citizens. The rapidly evolving geopolitical context of the past months has emphasised the need to step up the efforts. The European Council conclusions of 6 March 2025 stress “that Europe must become more sovereign, more responsible for its own defence and better equipped to act and deal autonomously with immediate and future challenges and threats with a 360° approach”. To that end, the EU will accelerate the mobilisation of the necessary instruments and financing. The European Council “calls on the Commission to propose additional funding sources for defence at EU level, including by means of additional possibilities and incentives offered to all Member States, on the basis of the principles of objectivity, non-discrimination and equal treatment of Member States, in the use of their current allocations under the relevant EU funding programmes, and to swiftly present relevant proposals”.

Adaptation of workers, entrepreneurs and enterprises to change throughout the decarbonisation process: Strengthening the competitiveness and resilience in strategic sectors and reducing the dependencies of the European economy through the green and digital transformations has been the EU compass over the last years. The proposal gives further impetus to use the scale of the EU to invest in areas important for the EU’s future competitiveness.

- 1.5.3. *Lessons learned from similar experiences in the past*

Recent amendments to the 2014-2020 and 2021-2027 Regulations in the context of the COVID-19 crisis, the military aggression of Russia in Ukraine, the energy crisis, and competitiveness (STEP) have resulted in an important uptake of funds to support relevant investments.

1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments

The amendment does not alter the existing cohesion policy allocations and is intended to help accelerate investments of the Funds in an efficient and effective manner.

1.5.5. Assessment of the different available financing options, including scope for redeployment

The amendment does not alter the core structure of the existing cohesion policy regulatory framework, including for the ESF+, nor does it alter the fixed Member State allocations. It is intended to emphasise and incentivise support to measures that are already possible within the scope of the ESF+ and that are complementary to investments through other financing options either at EU level or at Member State level.

1.6. Duration of the proposal/initiative and of its financial impact

X limited duration

- financial impact from 2026 to 2029 for payment appropriations. No impact on commitment appropriations.

1.7. Method(s) of budget implementation planned¹¹

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Shared management with the Member States

Comments

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¹¹ Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: <https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx>.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

The monitoring and reporting rules laid down in Regulation (EU) 2021/1060 remain fully applicable:

Programme monitoring committee: minimum once a year

Annual performance review between the Member State and the Commission

Data transmission per programme: five times per year

Annual control (audit) report.

A final performance report for each programme needs to be submitted by 15 February 2031

2.2. Management and control system(s)

2.2.1. Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The proposal for amendment does not alter the existing shared management budget implementation method, nor does it change the implementation mechanisms, the payment modalities or the control strategies defined in Regulation (EU) 2021/1060.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

No specific risks have been identified. The proposal for amendment does not structurally alter the risk-management and control setup of the cohesion policy programmes, which is considered appropriate for the envisaged investments.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)

The control framework of cohesion policy remains unchanged and fully applicable. This has been designed to protect the financial interests of the EU and adjusted over multiple programming periods to take into account the recommendations of ECA and OLAF.

2.3. Measures to prevent fraud and irregularities

Member States need to comply with the existing cohesion policy control framework, and need to have in place a management and control system that allows for the prevention, detection and correction and reporting on irregularities, including fraud.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. ¹²	from EFTA countries ¹³	from candidate countries and potential candidates ¹⁴	From other third countries	other assigned revenue
2a	07.02.01 European Social Fund Plus (ESF+) Operational Expenditure	Diff.	NO	NO	NO	NO

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

¹² Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

¹³ EFTA: European Free Trade Association.

¹⁴ Candidate countries and, where applicable, potential candidates from the Western Balkans.

Heading of multiannual financial framework		Number	2a				
DG: EMPL			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
Operational appropriations							
Budget line 07 02 01	Commitments	(1a)					0.000
	Payments	(2a)			500,000	-500,000	0.000
Appropriations of an administrative nature financed from the envelope of specific programmes ¹⁵							
Budget line		(3)					0.000
TOTAL appropriations for DG EMPL	Commitments	=1a+1b+3	0.000	0.000	0.000	0.000	0.000
	Payments	=2a+2b+3	0.000	0.000	500.000	-500.000	0.000
			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING 2a of the multiannual financial framework	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	500.000	-500.000	0.000
			Year	Year	Year	Year	TOTAL MFF 2021-2027

¹⁵ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

			2024	2025	2026	2027	
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	500.000	-500.000	0.000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations Under Heading 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	500.000	-500.000	0.000

Heading of multiannual financial framework	7	'Administrative expenditure' ¹⁶					
DG: EMPL			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources			0.000	0.376	0.376	0.376	1.128
• Other administrative expenditure			0.000	0.000	0.000	0.000	0.000
TOTAL DG EMPL			0.000	0.376	0.376	0.376	1.128

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.000	0.376	0.376	0.376	1.128
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EUR million (to three decimal places)

	Year	Year	Year	Year	TOTAL MFF
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¹⁶ The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

		2024	2025	2026	2027	2021-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	0.000	0.376	0.376	0.376	1.128
of the multiannual financial framework	Payments	0.000	0.376	500.376	-499.624	0.000

3.2.2. *Estimated output funded from operational appropriations (not to be completed for decentralised agencies)*

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓			Year 2024		Year 2025		Year 2026		Year 2027		Enter as many years as necessary to show the duration of the impact (see Section 1.6)						TOTAL			
	OUTPUTS																			
	Type ¹⁷	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1 ¹⁸ ...																				
- Output																				
- Output																				
- Output																				
Subtotal for specific objective No 1																				
SPECIFIC OBJECTIVE No 2 ...																				
- Output																				
Subtotal for specific objective No 2																				

¹⁷ Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

¹⁸ As described in Section 1.3.2. 'Specific objective(s)'

TOTALS																
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3.2.3. Summary of estimated impact on administrative appropriations

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year	Year	Year	Year	TOTAL 2021 - 2027
	2024	2025	2026	2027	
HEADING 7					
Human resources	0.000	0.376	0.376	0.376	1.128
Other administrative expenditure	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.376	0.376	0.376	1.128
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.376	0.376	0.376	1.128

Considering the overall strained situation in Heading 7, in terms of both staffing and the level of appropriations, the human resources required will be met by staff from the DG who are already assigned to the management of the action and/or have been redeployed within the DG or other Commission services.

3.2.4. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. Financed from voted budget

Estimate to be expressed in full-time equivalent units (FTEs)¹⁹

VOTED APPROPRIATIONS	Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission's Representation Offices)	0	2	2	2
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0
Other budget lines (specify)	0	0	0	0
• External staff (inFTEs)				

¹⁹ Please specify below the table how many FTEs within the number indicated are already assigned to the management of the action and/or can be redeployed within your DG and what are your net needs.

20 02 01 (AC, END from the ‘global envelope’)	0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)	0	0	0	0
Admin. Support line [XX.01.YY.YY] - at Headquarters	0	0	0	0
- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)	0	0	0	0
01 01 01 12 (AC, END - Direct research)	0	0	0	0
Other budget lines (specify) - Heading 7	0	0	0	0
Other budget lines (specify) - Outside Heading 7	0	0	0	0
TOTAL	0	2	2	2

3.2.4.3. Total requirements of human resources

TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES	Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission’s Representation Offices)	0	2	2	2
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0
Other budget lines (specify)	0	0	0	0
• External staff (in full time equivalent units)				
20 02 01 (AC, END from the ‘global envelope’)	0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)	0	0	0	0
Admin. Support line [XX.01.YY.YY] - at Headquarters	0	0	0	0
- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)	0	0	0	0
01 01 01 12 (AC, END - Direct research)	0	0	0	0
Other budget lines (specify) - Heading 7	0	0	0	0
Other budget lines (specify) - Outside Heading 7	0	0	0	0
TOTAL	0	2	2	2

The staff required to implement the proposal (in FTEs):

	To be covered by current staff available in the Commission services	Exceptional additional staff*		
		To be financed under Heading 7 or Research	To be financed from BA line	To be financed from fees
Establishment plan posts	2	N/A	N/A	N/A
External staff				

(CA, SNEs, INT)				
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Description of tasks to be carried out by:

Officials and temporary staff	Contacts with the Member States, guidance to submit their potential amendments, follow-up of the amendments and of the related decisional procedure, monitoring of the implementation of these amendments.
External staff	

3.2.5. Overview of estimated impact on digital technology-related investments

Adaptation of SFC2021 Front-office could be required in order to handle the addition of the sectoral field information. The effort estimates to adapt the digital solution is in the range of 20m.d. to 40m.d. However, no budget is requested to implement the change: it will be covered under the SFC2021 Front-Office budget 2025 that covers the evolutive maintenance costs.

TOTAL Digital and IT appropriations	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021 - 2027
HEADING 7					
IT expenditure (corporate)	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Policy IT expenditure on operational programmes	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

3.2.6. Compatibility with the current multiannual financial framework

The proposal/initiative:

- can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)
- requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation
- requires a revision of the MFF

3.2.7. Third-party contributions

The proposal/initiative:

- does not provide for co-financing by third parties
- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year 2024	Year 2025	Year 2026	Year 2027	Total
Specify the co-financing body	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL appropriations co-financed	n.a.	n.a.	n.a.	n.a.	n.a.

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on other revenue
 - please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ²⁰			
		Year 2024	Year 2025	Year 2026	Year 2027
Article		n.a.	n.a.	n.a.	n.a.

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

4. DIGITAL DIMENSIONS

4.1. Requirements of digital relevance

The digital requirements are limited to adaptation and extension of already implemented solutions or shared management programmes, namely SFC2021. The adaptations will correspond to the definition and inclusion of specific priorities in amended programmes.

4.2. Data

The data required is an extension and adaptation of the data model already implemented for the shared management programmes. The once-only principle is followed and this being an extension of an existing solution ensures full reuse of existing data.

²⁰ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.

4.3. Digital solutions

The digital solution is a minor adaptation of the SFC2021 platform, which is the tool used for all shared management programmes.

4.4. *Interoperability assessment*

SFC2021 is already in place and is used by all parties. The tool is interoperable with other systems and uses standard techniques for information exchange.

4.5. Measures to support digital implementation

The changes required in SFC2021 will be planned and implemented in such a way that the new requirements are ready at the time of the adoption and entry into force of the final regulation.