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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. prev. doc.:	7690/25
Subject:	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 - Mandate for negotiations with the European Parliament

I. INTRODUCTION

1. On 2 April 2025, the Commission submitted to the Council and the European Parliament a 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 challenges¹, which aims to align cohesion policy investments to new priorities, notably adaptation of workers, enterprises and entrepreneurs to change contributing to decarbonisation and resilience of production capacities, defence and security and challenges facing Eastern border regions.
2. The draft Regulation is based on Articles 164, 175, 177 and 322 of the Treaty on the Functioning of the European Union.

¹ 7690/25.

3. The European Economic and Social Committee delivered its opinion on the proposal on 29 April 2025².
4. The Committee of the Regions delivered its resolution on the proposal on 15 May 2025³.
5. The European Court of Auditors delivered its opinion on the proposal on 23 May 2025⁴.
6. In the European Parliament, the Committee on Employment and Social Affairs (EMPL) has the lead responsibility. MEP Marit MAIJ (S&D, NL, EMPL) was appointed rapporteur.

II. STATE OF PLAY

7. The Working Party on Structural Measures and Outermost Regions discussed the proposal at its meetings on 3 and 9 April, 5 and 23 May 2025.
8. The compromise text reflects the efforts of the Presidency to balance concerns related to the budgetary impact of the proposal, particularly on the annual budget 2026, and the capacity of Member States to make use of the incentives provided
9. The compromise text is based on the following main elements:
 - a) lowering of pre-financing and co-financing rates at the level of priority for all new Specific Objectives, while also lowering the threshold for additional financial incentives;
 - b) introducing additional derogations from CPR on publicity by beneficiaries;
 - c) introducing a new article to confirm that commitments suspended by measures adopted in the context of the Conditionality Regulation and amounts corresponding to the specific objectives negatively assessed by the Commission based on the application of horizontal enabling conditions in CPR cannot be subject to programme amendments or transfers.

² 8788/25.

³ 9775/25.

⁴ 9404/25.

III. CONCLUSIONS

10. The Permanent Representatives Committee is therefore invited to agree on a mandate with regard to the proposed Regulation, as set out in Annex to this note, and to invite the Presidency to conduct negotiations with the European Parliament on the basis of this mandate.
 11. In accordance with the approach to legislative transparency endorsed by Coreper on 14 July 2023, and in full consistency with Regulation (EC) 1049/2001 and the Council's Rules of Procedure, the text of the mandate thus agreed will be made public unless the Permanent Representatives Committee objects.
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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 Committee¹,

Having regard to the opinion of the Committee of the Regions²,

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.

¹ OJ C , , p. .

² OJ C , , p. .

- (2) The White paper for European Defence – Readiness 2030³ 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 2025⁴ ('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 Council⁵ to facilitate the development of skills in the defence industry. **In this context, in order to provide more flexibility for Member States to reallocate resources to this area, the amounts allocated to this new priority should not be subject to thematic concentration requirements, however, these amounts should still be taken into account for meeting such requirements when contributing to them.**
- (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 joint roadmap for competitiveness and decarbonisation of 26 February 2025⁶ 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.

³ Joint White Paper for European Defence Readiness 2030, JOIN(2025) 120 final, 19.3.2025.

⁴ COM (2025) 90 final

⁵ 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>).

⁶ COM (2025) 85 final

(3a) Considering the importance of horizontal enabling conditions within the meaning of Regulation (EU) 2021/1060 for the effective and efficient use of the overall Union support granted by different Funds, and the need to ensure their practical effect, it is appropriate to provide that amounts corresponding to the specific objectives subject to a negative assessment by the Commission based on the application of those horizontal enabling conditions should not be subject to a programme amendment or transfer on the basis of new priorities and flexibilities provided for in this Regulation. Moreover, considering that Regulation (EU) 2020/2092 is of horizontal application, it is appropriate to clarify that the same should apply to the amounts corresponding to commitments suspended by measures adopted on the basis of Regulation (EU) 2020/2092.

(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 Council⁷ 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. It should be noted that the priorities supporting investments contributing to the objectives of the STEP under a programme amendment that was submitted to the Commission by 31 March 2025 would receive the exceptional one-off pre-financing applicable at the time of submission of the programme amendment.

⁷ 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>)

- (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 **without prejudice to future regulations or the next Multiannual Financial Framework**. 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 **as well as other deadlines related to the performance framework, financial management, reporting and evaluation requirements** should be adjusted for programmes carrying out a reallocation of resources to strategic priorities.
- (8) It should also be possible to apply a ~~maximum~~ **higher** 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 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~~ **mid-term review and related flexibilities of the** ESF+ strand under shared management

- (1) In 2026, the Commission shall pay ~~4,5%~~ **1,5%** 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 ~~45%~~**10%** of the financial resources of the programme to one or more dedicated priorities established in accordance with Articles 12a, 12c and 12d **in the context of the mid-term review** have been approved; provided that the request for a programme amendment is submitted by 31 December 2025.

In addition, the following reallocations within the same programme shall also count towards the 10% threshold:

- (a) Reallocations from the ERDF or the Cohesion Fund to one or more dedicated priorities established for the specific objectives referred to in Article 3(1), points (a)(vi), (a)(vii), (b)(v), (b)(ix), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii) of Regulation 2021/1058 in the context of the mid-term review;**
- (b) Reallocations from the JTF to dedicated priorities established to support investments contributing to the objectives of the Strategic Technologies for Europe Platform or to the promotion of access to affordable housing under Regulation (EU) 2021/1056 in the context of the mid-term review;**
- (c) Reallocations from the ERDF or the Cohesion Fund to dedicated priorities for the specific objectives referred to in points (a)(vi) and (b)(ix) of the first sub-paragraph of Article 3(1) of Regulation 2021/1058 or from the ESF+ to dedicated priorities referred to in Article 12a or from the JTF to dedicated priorities established to support investments contributing to the objectives of the Strategic Technologies for Europe Platform approved in programme amendments prior to the mid term review;**
- (d) Reallocations from the ERDF or the Cohesion Fund to priorities established for the specific objective referred to in point (b)(v) of the first sub-paragraph of Article 3(1) of Regulation 2021/1058 approved in programme amendments since 1 January 2025.**

The following resources shall not be taken into account for the calculation of the amount equivalent to the 10% of the financial resources of the programme referred to in the second subparagraph of this paragraph:

- (a) resources from the European Union Recovery Instrument referred to in Article 4 of Regulation (EU) 2021/1056;**
- (b) the additional funding for the outermost regions referred to point (e) of Article 110(1) of Regulation (EU) 2021/1060;**
- (c) the resources reallocated to one or more dedicated priorities established to support the response to natural disasters in accordance with Article 12b of Regulation (EU) 2021/1057, or under the specific objective referred to in Article 3(1), point (b)(x).**

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%~~**10%** 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~~ **as set out in paragraph 1** have been approved.

For such programmes, where Regulation (EU) 2021/1060 establishes the final date for the purposes of the application of the performance framework, financial management, reporting and evaluation requirements, this shall be read as referring to the same date of the following year. In addition, by way of derogation from Article 2 point (29) of Regulation (EU) 2021/1060, for such programmes the final accounting year shall mean the period from 1 July 2030 to 30 June 2031.

- (3) By way of derogation from Article ~~112~~**112(3)** 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 **increased by 10 percentage points above the co-financing rate applicable, not exceeding** 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%~~**10%** 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 as set out in paragraph 1~~ 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 **to the Commission** 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]~~**by 31 December 2025 at the latest**. 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~~**25%** on the basis of the allocation to those priorities, provided that the programme amendment is submitted to the Commission by 31 December 2025. **Where such dedicated priorities have been included in a programme amendment submitted to the Commission by 31 March 2025, the Commission shall pay an exceptional one-off prefinancing of 30% of the allocation to those priorities as set out in the decision approving the programme amendment.** 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~~ **as a basis for calculating** 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%~~**25%** 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 provided that the programme amendment is submitted to the Commission by 31 December 2025. It** 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 ~~44~~**112(3)** of Regulation (EU) 2021/1060, the maximum co-financing rate for dedicated priorities referred to in paragraph 1 of this Article shall be **increased by 10 percentage points above the co-financing rate applicable, not exceeding** 100%.

- (6) By way of derogation from Article 49 (3) of Regulation (EU) 2021/1060, for operations supported under the dedicated priority referred to in paragraph 1, the Member State shall not be required to make the data publicly available where the disclosure is not permitted for reasons of security and public order in accordance with Article 69(5) of Regulation (EU) 2021/1060. For this purpose, Member States shall inform the Commission before selecting the operation concerned for support. This paragraph is without prejudice to the rights of the Commission and of the Court of Auditors to access the information necessary to perform its functions in relation to verifications and audits.**

Beneficiaries shall not be subject to the requirements set out in Article 50(1), points (c), (d) and (e) of Regulation (EU) 2021/1060, for operations supported under the dedicated priority referred in paragraph 1, where the public display of information on the support or organising a communication event or activity is excluded for reasons of security and public order in accordance with Article 69(5) of Regulation (EU) 2021/1060.

Article 12d

Support to adaptation linked to decarbonisation

- (1) Member States may decide to programme support aiming at 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 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%~~**25%** 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 provided that the programme amendment is submitted to the Commission by 31 December 2025.** It 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 **increased by 10 percentage points above the co-financing rate applicable, not exceeding** 100%.²

Article 1a

Amounts corresponding to commitments suspended by measures adopted in the context of Regulation (EU) 2020/2092 and amounts corresponding to the specific objectives subject to a negative assessment by the Commission based on the application of horizontal enabling conditions pursuant to Article 15 of Regulation (EU) 2021/1060 shall not be subject to a programme amendment or transfer pursuant to the provisions of this Regulation.

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
