The EU Recovery Plan: “Next Generation EU” Recovery Instrument in a revamped MFF 2021-2027

The COVID 19 outbreak has been a game changer for the MFF negotiations post 2020 that have been going on for two years now. The economic downturn and the need to face unprecedented challenges caused by the global health crisis has led the European Commission to present a strong and ambitious plan to kick start the recovery of the European economy by addressing the most impacted territories and sectors.

The European Commission presented on 27th May the EU Recovery Instrument “Next Generation EU” and a revised MFF for the 2021-2027 period setting up the EU plan for the recovery. In addition, legislative proposals have been published in order to detail the features of the recovery instruments as well as to amend sectorial legislative proposals in place (2024-2020 period) and those being already under ordinary legislative procedure (2021-2027).

This note builds on the CPMR initial reaction to the proposal (see press release) and analyses in detail the budget allocations and legislative provisions with a specific attention to the CPMR core policy areas of interest. This note:
- Summarises the initial points of analysis from the CPMR General Secretariat (‘key takeaways’) 
- Details the budget allocations per heading for CPMR core areas for the MFF and Next Generation EU (section 2)
- Analyses the key elements of the revamped MFF and the EU Recovery Instrument on the main points that affect CPMR core areas of interest (section 3)
- Examines in detail the amended Cohesion policy legislations (section 4)

CPMR GENERAL SECRETARIAT KEY TAKEAWAYS

- There is much ambition shown by the European Commission with its revised proposal for a 2021 – 2027 EU budget and EU Recovery Plan. The package is particularly novel: it foresees the European Commission raising 750 bn EUR in financial markets reinvested through the timely “Next Generation EU” instrument mostly in the way of grants.

- The policy fundamentals of the Recovery Plan for a ‘fair and inclusive recovery for all’ with the European Green Deal as Europe’s growth strategy resound particularly well with the CPMR. There is also renewed attention to reinforcing Europe’s strategic autonomy in strategic value chains. This will require significant adjustments to state aid legislation in the future so that it supports the...
objectives of the EU Recovery plan. Ample flexibility should be sought for investments under the Resilience and Recovery Facility, for instance.

• **The proposal is geared towards increasing investments in a climate neutral, competitive and resilient economy, while ensuring a fair and just transition.** The significant increase of budget for the Just Transition Fund is positive as it enables the Fund to be a key tool for financing a just and green transition that builds on cohesion policy. **This will go some way in supporting territories towards achieving climate neutrality.**

• **A significant share of the recovery instrument will be channelled through Cohesion policy reasserting the role the policy has had since the COVID 19 outbreak on the deployment of EU funding, and via additional funding (REACT-EU).** **This is most welcome.** Despite this, it is worth noting that the revised proposal suggests cuts for the ERDF (-1.7%) and for the ESF (-2.8%) concerning the ‘regular’ Cohesion policy budget, compared to the initial 2018 proposal.

• **The message that the European response to the COVID 19 crisis should avoid an ‘uneven playing field and widening disparities’ sits at odds with the allocation criteria for REACT-EU and its proposed governance.** The distribution key for the allocation of funding is based on national data (contrary to the ‘Berlin formula’ which relies on many NUTS2 level indicators). Secondly, the breakdown of resources is not established per categories of regions and no other territorial criteria for the disbursement of resources are introduced, which means that **Member States would enjoy unprecedented leeway on how to allocate the funding among their regions.** The proposal justifies this decision on the grounds that it would allow national governments to target the resources to the geographic areas where they are most needed. With no objective criteria in place, there is no guarantee that this would happen in all instances. **Nor is it granted that the Member States will decide to channel the funding into regional programmes as the regulation goes as far as suggesting the possibility to set up a new dedicated national programme.** Ensuring that the involvement of regions for the delivery and implementation of the REACT-EU funding is in line with the partnership principle will be key.

• **There is little in the way of a territorial dimension or mentions of the involvement of regional authorities in the Recovery and Resilience Facility (RRF).** The embedding and governance of the RRF under the European Semester as the framework through which investment priorities will be defined, will make it difficult for regions to make their voice heard. The CPMR has long asked the European Commission to ensure that the European Semester framework adopts the same approach as Cohesion Policy on partnership and multilevel governance. **The stronger role provided to the European Semester as the framework to monitor “Next Generation EU” makes this demand more relevant than ever.**

• **We are concerned that the Recovery and Resilience Facility will allow the unlimited transfer of resources under shared management to the facility at the request of Member States (article 6).** This could imply moving substantial funding away from key EU policies such as cohesion.

• **The increase of budget for the European Maritime and Fisheries Fund (EMFF) of EUR 500 million is welcome,** as it improves the 2018 Commission proposal which had planned a 13% decrease compared to the 2014-2020 levels. This amount may be insufficient in relation to the challenges ahead for the fisheries and aquaculture sectors (the recovery, Brexit, implementation of Green deal, the Common Fisheries Policy and the Integrated maritime policy). **The disproportionate and inherent territorial nature of such challenges makes it more important than ever that the EMFF gets a higher share of support under shared management, and for a greater role for regions in the strategic direction of EMFF investment** (notably via regional operational programmes where required).
• It is disappointing that the EMFF is excluded from the REACT-EU programme, which provides more flexibility in the use of the regional policy funds. The (welcome) flexibility measures introduced in April 2020 to support the fisheries and aquaculture sector to face the consequences COVID-19 only apply until December 2020.

• The budget increase for certain centrally managed programmes (Horizon Europe) and Invest EU to fulfil the objectives of the Green recovery and the EU Industrial Strategy is noted. Including a territorial dimension to these programmes is crucially important, however, to help coastal regions to support the green recovery of their maritime sectors, vital sectors for local economies.

• On the proposed amendments to the cohesion policy legislative proposal for 2021-2027, the CPMR has voiced its strong opposition to Article 21 of new CPR (transfer of funds) fearing that it could lead to a reduction of cohesion resources to the benefit of centrally managed instruments. The proposed reinforcement of this article, in a way that gives additional powers to Member States, is a particular concern.

• The review of the cohesion allocations in 2024 to take account of latest available statistics is a positive element. Alas, until then the break-down for 2021-2027 will remain based on obsolete regional data (2014-2017) that do not reflect the likely considerable impact of the crisis at territorial level and the reshuffle in regional eligibility that would certainly result, with a number of regions facing a downgrade of category.

1. CONTEXT - Recovery Instrument “Next Generation EU”

The EU Recovery Plan is based on the EU Recovery Instrument “Next Generation EU” and a revamped MFF for the 2021-2027. In other words, the long-term EU budget for the 2021-2027 period will be boosted by the instrument “Next Generation EU”, that is the additional economic resources mobilised to respond to the most urgent challenges in the short term.

→ Main points on the European Recovery Instrument “Next Generation EU”

• Temporary instrument. One-off emergency instrument put in place for a temporary period (2020-2024) and used exclusively for crisis response and recovery measures.

• 750 bn € from financing raised from the capital markets. For the first time, the European Commission will borrow on the capital markets via a new increased own resources ceiling (up to 2% of EU GNI) in order to gather a financial allocation of 750 billion €. The European Commission intends to repay the market finance raised, after 2027 to 2058 through three options: increased national contribution, reduced policy support and/or new own resources.

• Channeled through EU programmes. New instruments and already existing EU programmes will receive resources from the European Recovery Instrument on top of the revised MFF budget. The programmes affected are the following:

• Structure of the “Next Generation EU”

<table>
<thead>
<tr>
<th>Pillar 1: Supporting Member States to recover – investment and reforms</th>
<th>Pillar 2: Kick-starting the economy and helping private investment</th>
<th>Pillar 3: Learning lessons from the crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>- NEW! Recovery and Resilience Facility</td>
<td>- NEW! Solvency support instrument</td>
<td>- NEW! EU4Health</td>
</tr>
<tr>
<td>- NEW! Strategic Investment Facility (within Invest EU)</td>
<td>- NEW! Reinforced rescEU (Union’s civil protection mechanism)</td>
<td>- Reinforced Horizon Europe</td>
</tr>
</tbody>
</table>
→ The revised MFF  The European Commission has presented a revised Multiannual Financial Framework 2021-2027 that includes the EU Recovery Instrument “Next Generation EU”. The budget revision comprises a budget shuffle for key programmes (see section 2) and the proposal of amendments of existing EU programmes and creation of the recovery tools (see section 3).

2. Budget allocations per heading for CPMR core areas

2.1 Overall size of the EU budget

The European Commission presents an overall budget level of **EUR 1.850 billion** for the period 2021-2027, including the aforementioned EUR 750 billion from the “Next Generation EU” instrument.

<table>
<thead>
<tr>
<th>Overall budget size (in EUR billion)</th>
<th>EC proposal (May 18)</th>
<th>Finnish Presidency Negotiation-Box (Dec’19)</th>
<th>EUCO President Negotiation-box (Feb’20)</th>
<th>EC recovery proposal (May’20) Incl. [Next Gen. EU]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.134,6</td>
<td>1.087</td>
<td>1.094</td>
<td>1.850 [750]</td>
</tr>
<tr>
<td>% EU GNI</td>
<td>1.11%</td>
<td>1.07%</td>
<td>1.074%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

2.2 Budget allocation per Headings

The following tables compare the financial allocations for policies of relevance to CPMR Members (in EUR million, in 2018 prices).

**COHESION POLICY**

At the time of writing, the amended Common Provisions regulation does not include a revised breakdown for resources allocated to categories of regions, territorial cooperation and other elements of Cohesion Policy. In the case of REACT-EU, the allocation methodology is largely determined by a comparison of economic and employment data for each Member State based on monthly statistics from 2020 and 2021.

<table>
<thead>
<tr>
<th>Heading 2. Cohesion and Values</th>
<th>EC proposal (May 18)</th>
<th>FI PRES Negotiation-Box (Dec’19)</th>
<th>EUCO PRES Negotiation-Box (Feb’20)</th>
<th>EC recovery proposal (May’20) excluding Next Gen. EU excluding REACT EU /50 000/</th>
<th>Change (EC proposals May 2020 vs May 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>391 974</td>
<td>374 100</td>
<td>380 100</td>
<td>374 460</td>
<td>-17 514 (-4.5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment for Jobs and Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less developed regions</td>
<td>322 194</td>
<td>313 000</td>
<td>315 300</td>
<td>200 000</td>
<td></td>
</tr>
<tr>
<td>Transition regions</td>
<td>198 621</td>
<td>195 600</td>
<td>200 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More developed regions</td>
<td>45 934</td>
<td>42 200</td>
<td>44 900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Territorial Cooperation</td>
<td>34 842</td>
<td>34 200</td>
<td>27 800</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8 430</td>
<td>7 930</td>
<td>7 930</td>
<td></td>
<td></td>
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</tbody>
</table>
TRANSPORT

<table>
<thead>
<tr>
<th></th>
<th>EC proposal (May 18)</th>
<th>FI PRES Negotiation-Box (Dec’19)</th>
<th>EUCO PRES Negotiation-Box (Feb’20)</th>
<th>EC recovery proposal (May’20)</th>
<th>Change (EC proposals May 2020 vs May 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecting Europe Facility</td>
<td>37 488</td>
<td>30 896</td>
<td>29 896</td>
<td>29 896</td>
<td>-7 592 (-20.25%)</td>
</tr>
<tr>
<td>Transport</td>
<td>21 384 incl. 10 000 from CF</td>
<td>21 384 incl. 10 000 from CF</td>
<td>21 384 including 10 000 from CF</td>
<td>22 884 including 10 000 from CF</td>
<td>+1 500 (+7%)</td>
</tr>
<tr>
<td>Military mobility</td>
<td>5 767</td>
<td>2 500</td>
<td>1 500</td>
<td>1 500</td>
<td>-4 267 (-74%)</td>
</tr>
<tr>
<td>Energy</td>
<td>7 675</td>
<td>5 180</td>
<td>5 180</td>
<td>5 180</td>
<td>-3 470 (-33%)</td>
</tr>
<tr>
<td>Digital</td>
<td>2 662</td>
<td>1 832</td>
<td>1 832</td>
<td>1 832</td>
<td>-1 168 (-31%)</td>
</tr>
</tbody>
</table>

NATURAL RESOURCES AND ENVIRONMENT

<table>
<thead>
<tr>
<th>Heading 3: natural resources and environment</th>
<th>EC proposal (May 18)</th>
<th>FI PRES Negotiation-Box (Dec’19)</th>
<th>EUCO PRES Negotiation-Box (Feb’20)</th>
<th>EC recovery proposal (May’20)</th>
<th>Change (EC proposals May 2020 vs May 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>336 623</td>
<td>346 582</td>
<td>354 082</td>
<td>402 032 [45 000]</td>
<td>incl. N.G. + 65 409 (+19.4%) incl. N.G. + 23 409 (+6.9%)</td>
</tr>
<tr>
<td>European Agriculture for Rural Development</td>
<td>70 037</td>
<td>80 037</td>
<td>72 537</td>
<td>90 013 [15 000]</td>
<td>incl. N.G. + 19 976 (+28.3%) incl. N.G. + 4 976 (+7.1%)</td>
</tr>
<tr>
<td>Programme for Environment and Climate Action (LIFE)</td>
<td>4 828</td>
<td>4 812</td>
<td>4 812</td>
<td>4 812</td>
<td>-19 (-0.33%)</td>
</tr>
<tr>
<td>Just Transition Fund</td>
<td>N/A</td>
<td>N/A</td>
<td>7 500</td>
<td>40 000 [10 000]</td>
<td></td>
</tr>
<tr>
<td>European Maritime and Fisheries Fund</td>
<td>5 448</td>
<td>N/A</td>
<td>5 930</td>
<td>5 930</td>
<td>+ 482 (+8.8%)</td>
</tr>
</tbody>
</table>

MIGRATION AND BORDER MANAGEMENT

<table>
<thead>
<tr>
<th></th>
<th>EC proposal (May 18)</th>
<th>FI PRES Negotiation-Box (Dec’19)</th>
<th>EUCO PRES Negotiation-Box (Feb’20)</th>
<th>EC recovery proposal (May’20)</th>
<th>Change (EC proposals May 2020 vs May 2018)</th>
</tr>
</thead>
</table>

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1 Allocation of the ESF+ under the Investment for Jobs and Growth goal.

2 Inclusion of Northern Sparsely Populated Areas as territories to receive a specific allocation of the ESF+. These territories were not considered under the Finnish Presidency negotiation – box nor the European Commission proposal.
3. Key policy elements within the revamped MFF

The following section analyses the key elements of the revised MFF, including those elements part of the EU Recovery Instrument, that affect CPMR core areas of interest.

The European Commission built its proposal on the previous MFF “Negotiation-Box” presented by the European Council President, Charles Michel, ahead of the extraordinary European Council meeting back in February 2020. In this context, budgetary and politically controversial policy provisions part of the MFF agreement and not mentioned in the proposal, stand as they were in the EUCO President “Negotiation-Box”. For the sake of conciseness, this section refers to limited key elements already in the EUCO President “Negotiation-Box”. For an extended analysis, please refer to “CPMR Analysis of the 2021-2027 MFF Negotiating Box – February 2020”.

3.1 Horizontal issues

**WHAT’S NEW!**

- Reassurance that the funding conditionality as regards the rule of law deficiencies in Member State is maintained.
- Strengthening the role of the European Semester as the framework through which Member States will be monitored by the European Commission to assure that the EU budget recovery investments are compatible with the EU objectives.

**Already present in the EUCO President version of the Negotiation-Box**

- The target of EU expenditure contributing to climate objectives should be at least 25%.

3.2 Heading 1: Single Market, Innovation and Digital

**WHAT’S NEW!**

- **EU Solvency Support Instrument under EFSI.** (EUR 26 billion) Temporary equity support to companies in the sectors, regions and countries most affected in order to keep employment and to boost the EU single market. The investment will be channelled through the European Investment Bank in like manner the European Fund for Strategic Investments (EFSI). It could be operational from 2020.
- **Strategic Investment Facility** within Invest EU (EUR 15 billion). Provisioning of an EU budget guarantee for financing of strategic investment projects via the European Investment Bank and national promotional banks with the aim to develop strong and independent value chains.
- Reinforced **Horizon Europe**.
Already present in the EUCO President version of the Negotiation-Box

- The option selected for the Cohesion Fund envelope in the Allocation to CEF – transport:
  - out of which EUR 10 000 million will be transferred from the Cohesion Fund to be spent in line with the CEF Regulation: 30% shall be made available based on high degree of competitiveness among Member States eligible for funding from the Cohesion Fund and 70% shall respect the national allocations under the Cohesion Fund until 2023 and thereafter based on full competition between Member States eligible for the Cohesion Fund.

- Allusion to the need for synergies between Horizon Europe and the structural funds, thereby enhancing regional R&I capacity and the ability of all regions to develop clusters of excellence.

3.3 Heading 2: Cohesion and values

WHAT'S NEW!

- Recovery and Resilience Facility
  - Key recovery tool. EUR 560 billion via grants (EUR 310 billion) and loans (EUR 250 billion).
  - Voluntary facility for long-term reform and investments until 2024.
  - Embed in the European Semester. Member States will submit recovery and resilience plans where they will address the investments needed in line with the challenges identified under the Semester and with their National Energy and Climate Plans, Territorial Just Transition Plans and EU Funds partnership agreements and operational programmes.
  - Subject to macroeconomic conditionality (under art. 15 of CPR 2021-2027).
  - Direct management implementation by the European Commission.
  - Optional transfer of shared management programmes resources to the Facility, upon Member State decision.
  - For the grants, a maximum amount per Member State will be determined based on a defined allocation formula (inverse GDP per capita and Member State relative unemployment rate). For financial support via loans, Member States subject to costs and additional reforms to those financed via grants, with a maximum lending amount depending on its maximum amount contribution.
  - Resources that remain available after 31 December 2022 may be allocated by the Commission through general calls in line with the calendar of the European Semester.

- REACT-EU: Recovery Assistance for Cohesion and the territories of Europe
  - Cohesion policy “top-up”: around 58 billion € of additional funding (53 billion € in 2021 and 2022 and 5 billion € already in 2020 by adapting the current financial framework).
  - The allocation methodology is based on national data versus regional data (NUTS2) in traditional cohesion policy methodology.
  - The resources are not broken-down per category of regions, which leaves national governments ample leeway to decide how to allocate them at domestic level.
  - The exceptional flexibility introduced through the CRII (Coronavirus Response Investment Initiatives) will be maintained.
  - A 100% EU co-financing may be applied to the additional resources.
  - The resources are made available only under the Investment for growth and jobs goal (mainstream programmes), which makes European Territorial Cooperation programmes ineligible for the additional funding.
  - The proposal sets out a dedicated allocation for outermost regions
  - A new cross-cutting thematic objective “Fostering crisis repair in the context of the COVID-19 pandemic and preparing a green digital and resilient recovery of the economy” is created to allow for an easier programming under a single separate axis.
  - Only actions related to the recovery could be financed: Employment subsidies, short time work schemes and youth employment measures, liquidity, and solvency for SMEs.
- The additional commitments could be implemented through programme amendments or a new dedicated programme submitted by the Member States and adopted by the Commission.
- 50% of the additional resources for the year 2020 will be paid as initial pre-financing to the programmes concerned.
- Each Member State shall allocate the additional resources available only to ERDF or ESF operational programmes.
- Thematic concentration requirements will not apply.

Already present in the EUCO President version of the Negotiation-Box

- **Classification of regions:** Less developed regions (below 75% of the average GDP per capita), transition regions (between 75% and 100% of the average GDP per capita) and more developed regions (above the 100% of the average GDP per capita).
- The decision of ERDF regional or national thematic concentration will be decided at national level at the beginning of the programming period.
- **Split of the Interregional Investments Component budget** (EUR 970 million) between EUR 500 million dedicated to interregional innovation investments under ERDF and EUR 470 million that remain under ETC while allocated to the other ETC components.
- Reinforced link between Cohesion Policy and respect of fiscal rules at EU level (macroeconomic conditionality).
- Establishment of a pre-financing rate of 0.5% for all the years.
- **Co-financing rate for categories of region** no higher than: 75% for the less developed regions; 65 for transition regions that in the 2014-2020 period were classified as less developed regions; 55% for the transition regions, 40% for the more developed regions. The co-financing rates for outermost regions and for the Cohesion Fund will not be higher than 75% and 70% for Interreg programs.

### 3.4 Heading 3: Natural resources and environment

**WHAT’S NEW!**

- Reinforced **European Agricultural Fund for Rural Development** to support green transition.
- Reinforced **Just Transition Mechanism** with EUR 40 billion (up from EUR 7.5 billion) allocated to the Just Transition Fund.
- Allocation of an additional EUR 500 million to the **European Maritime and Fisheries Fund envelope**.

Already present in the EUCO President version of the Negotiation-Box

- **The target of EU expenditure contributing to climate objectives should be at least 25%.**
- **Climate action target under CAP:** the share of the CAP expenditure that is expected to be dedicated to climate action shall be 40%.

### 3.5 Heading 4: Migration and Border Management

**WHAT’S NEW!**

- Reinforced **Asylum and Migration Fund and Integrated Border Management Fund** (up to EUR 22 billion).
- Enhanced **Solidarity & Emergency Aid Reserve** increased to an annual maximum amount of EUR 3 billion designed to enable swift reinforcements via budgetary transfers to EU instruments, including the Asylum and Migration Fund, where needs arise.

### 3.6 Heading 5: Resilience, Security and Defense

**WHAT’S NEW!**
– Establishment of an EU health programme “EU4Health” (EUR 9.4 billion) with the aim to provide investments in health security and capacity to react to crises, long-term disease prevention and cross-border collaboration in the health domain. Directly managed by the European Commission via grants.
– Reinforced rescEU, the Union’s civil protection mechanism, to face health emergencies, including by establishing response infrastructure. Grants directly managed by the European Commission.

3.7 Heading 6: Neighbourhood and the World

WHAT’S NEW!
– The Commission proposes to set the Neighbourhood, Development and International Cooperation Instrument at EUR 86 billion via a new External Action Guarantee and the European Fund for Sustainable Development to support partners – in particular in the Western Balkans, the Neighbourhood and the rest of Africa – in their efforts to fight and recover from the impact of the pandemic, in cooperation with international partners such as international financial institutions, the United Nations and the World Health Organisation. A targeted adjustment to the current financial framework will allow EUR 1 billion of additional support to be made available already in 2020.

3.8 On Revenues

WHAT’S NEW!
– Openness to the introduction of new own resources in order to finance the “Next Generation EU” Instrument. The European Commission suggests a range of taxes/duties as new sources of revenue: extension of Emission Trading Scheme, carbon border adjustment mechanism, an own resource based on operations of large enterprises, digital tax.

Already present in the EUCO President version of the Negotiation-Box
– Budget correction mechanisms to be applied for: Denmark, Germany, the Netherlands, Austria, and Sweden. The proposal presented does not consider this provision. This element will be agreed during the EU leaders’ negotiations.

4. What’s in it for Cohesion Policy?

4.1 Adjustment of the 2021-2027 cohesion policy regulations: CPR, ERDF-CF, ESF+

Common Provisions Regulation 2021-2027
– Increased flexibility for transferring cohesion policy resources towards direct and indirect management instruments and additional flexibility for transfers between the ERDF, the ESF+ or the Cohesion under Article 21.
– Emergency mechanism: In the event a Member State is faced with a major shock (e.g. severe downturn), i.e. exceptional or unusual circumstances as defined under the Stability and Growth pact, the Commission could authorize temporary flexibility measures easing the conditions to make use of cohesion funds (increase interim payments, extension the deadlines for submission of documents, etc).
– A review of national cohesion allocations will take place in 2024, taking into account the latest available statistics. The total level of adjustments cannot exceed 10 billion euros.
**European Regional Development Fund 2021-2027**
- **Extension of the scope and specific objectives** to actions that stimulate employment-friendly growth and competitiveness of SMEs.
- Under the aforementioned emergency mechanism, the scope of actions eligible for the ERDF could be extended to respond to exceptional circumstance (e.g. support to SMEs working capital) and thematic concentration requirements could be reduced.

**European Social Fund + 2021-2027**
- **Increased thematic concentration** requirements for youth employment to at least 15% of the ESF+ resources under shared management for those Member States with youth unemployment rate above the EU average, and to address child poverty establishing a minimum of 5% of the ESF+ resources under shared management to address children in poverty.
- Removal of the health strand under the ESF+ as it will be covered by the new EU Health Programme.