EPP Group REGI Position Paper on Covid-19

COHESION EMERGENCY RESERVE AND OTHER MEASURES TO TACKLE COVID-19 FALLOUT

COVID-19 outbreak is the worst health crisis of our times, generating a depressing loop for the economy and potentially also a financial crisis. There is still uncertainty about the progress of the disease and about the economic strategies to alleviate the impact on the economies and societies. There are major macro-economic costs associated with the containment / suppression strategy to solve the health crisis, which have to be assumed.

What is clear is that the response has to come **NOW** and it has to match the magnitude of the situation. Common shocks require common action, as no Member State has the capacity to stand alone. Cohesion policy, as the most pragmatic expression of the European solidarity, has already provided for a first rapid emergency response. Two legislative acts have been adopted by the co-legislators in this sense, providing for liquidity in light of the immediate mobilisation of EUR 37 billion ESI Funds resources for investments in public health systems and SMEs, as well as for increased flexibility, including in relation to emergency support through the Solidarity Fund (the Coronavirus Response Investment Initiative (CRII)).

A second package, under the title Coronavirus Response Initiative Plus (CRII+) has been published by the European Commission on the 2nd of April, following informal consultations with the European Parliament and the Council. It provides for additional extraordinary flexibility, introducing new options which allow for a bigger mobilisation of no-utilised support from the ESI Funds in the challenging context of this particular crisis. They refer to:

> 100% EU co-financing rate for cohesion policy programmes for the accounting year 2020 - 2021, allowing Members States to benefit of full EU financing for crisis-related measures;

> possibility to transfer allocations for the year 2020 between the ERDF and the ESF, as well as the Cohesion Fund under the Investment for Growth and Jobs goal, without limitations;

> possibility of transfers between categories of regions for the 2020 allocations, without affecting the completion of operations selected before the requests for such transfers;

> flexibility as regards thematic concentration until the end of the programming period to allow the channelling of investments to the sectors in most need in these times of crisis;

> simplification as regards procedural requirements linked to programme implementation, audits and use of financial instruments: Partnership Agreements are no longer amended; the deadline for annual implementation reports is postponed; the use of a non-statistical sampling method for audits is allowed; specific modalities for invoking force majeure in the context of decommitment is introduced; eligibility of expenditure is also exceptionally allowed for completed or fully implemented operations fostering crisis response capacity; the review and update of the ex-ante assessment and supporting documents for financial instruments is no longer required; possibilities for the support of working capital under the EAFRD are extended; additional flexibility at the closure of programmes (calculation of the payment of the final balance) is introduced;

> the possibility for the ERDF to provide support for undertakings in difficulties in these specific circumstances, ensuring consistency with the approach taken under the Temporary Framework for State Aid Measures and with rules for the granting of de minimis aid.

While the EPP REGI Members are welcoming all these measures, we think that the current crisis which differs profoundly in its nature from the previous ones requires the mix of all possible policy responses. Therefore, we consider that more needs to be done and ask the European Commission to put forward as soon as possible another package of measures, ensuring even more flexibility in the use of the European Structural and Investment Funds and more adaptability in terms of reaction capacity.

We are calling for:

Under the current policy framework (within MFF 2014-2020):

> The establishment of a 'Cohesion Emergency Reserve' under the ESI Funds. It would be an envelope within cohesion policy, containing the unused annual pre-financing amounts and 50% of the annual decommitments from each financial year until the end of the current programming period under a revised decommitment rule(N+4rule). The overall amount would be earmarked for the Member States based on the accumulated respective pre-financing and decommitment. The reserve would be triggered only in *force majeure* situations. The advantage of the scheme would be that no fresh money would be necessary, while at the same time Member States concerned would be able to quickly absorb their respective share of the reserve in order to react to a rapidly-developing crisis and to its knock-on consequences. The Reserve could be continued under the new CPR;

> Enactment of all funds under the Common Provisions Regulation to be deferred for 1 year; Commission should be urged to put forward a proposal for transitional provisions for all ESI Funds even though in the beginning of March Commission Ferreira re-insisted on the finalisation of the next legislative framework;

> Establishing the definition of *force majeure* in the CPR, including clearly healthcare emergency such as the one created by a pandemic;

> More flexibility for ESI Funds' state aid rules under *force majeure* ;

> Increased pre-financing in crisis / emergency and recovery periods, including financial, economic and social crises;

> Extension of deadlines for the completion of infrastructure or other large projects due to the outbreak and its knock-on consequences on the planning and implementation of EU-funded activities under the ESI funds;

> Repayment rules regarding durability requirements to be eased, at least for SMEs in those sectors heavily affected by the economic impact;

> Under *force majeure*, 5% retention in regards to the payment claims;

> More assistance to be provided in the context of cross-border healthcare, in order to substantially improve access to healthcare;

> Reducing the administrative burden by revoking the necessity for a Commission approval of amendments to the Operational Programmes in this particular context.

Under the future policy framework (within MFF post-2020):

> Rethinking of all ongoing and future proposals with budgetary impact on the next MFF, in light of ensuring the flexibility needed in case of similar events. In consequence, enactment of all funds under the new policy framework to be deferred for 1 year;

> Increased pre-financing in *force majeure*, including financial, economic and social crises, as well as recovery periods;

> The allocations under the Investment for Growth and Jobs goal should be recalculated in 2019 prices.