Why “FAST-CARE” matters for the future of cohesion policy

In a nutshell

The “FAST-CARE” package proposes targeted amendments to the cohesion policy legislation for both the 14-20 and the 21-27 periods to take account of the fallout from the war in Ukraine.

Despite the Commission being adamant about the exceptional nature of the proposed flexibilities, the package may have long term implications in that it could influence the reflection on the future of cohesion policy at least in three areas: the level of pre-financing, the EU co-financing rates and the transition from a period to another.

On these aspects FAST-CARE could accelerate a paradigm shift which has been partially building up with previous legislation in response to the pandemic and situation in Ukraine.

1. Introduction

The “FAST-CARE” package proposes targeted amendments to the cohesion policy legislation for both the 14-20 and the 21-27 periods to take account of the fallout from the war in Ukraine. The text introduces further flexibility under the two legal frameworks with a view to facilitating the deployment of funds towards the assistance of Ukrainian refugees. In addition it aims to mitigate the impact of inflation as well as supply chains bottle-necks on programmes’ (and projects) implementation.

The package has a short-term focus having been pulled together in response to the crisis sparked by the situation in Ukraine. But its implications could go far beyond reverberating on the future structure of cohesion policy. Part of the proposed flexibilities could prompt a shift in how certain key aspects of the policy will be tackled in the forthcoming reflection on the post-27 framework.

The main counter-argument is that we should not overstate the impact of these provisions as they are exceptional in nature and will be rolled back once the crisis is over. Yet they should also be seen against the background of a major rethinking of EU investment policies which appears to be looming owing to fresh initiatives such as NGEU and RepowerEU as well as shifting priorities at EU level.

So what FAST-CARE means for the future of cohesion policy? Here’s three aspects to keep an eye on.
2. Will national co-financing become obsolete?

One prominent measure proposed under FAST-CARE is the possibility to request an EU cofinancing of up to 100% until June 2024 for operations intended for the integration of third country nationals. Despite the limited scope of the measure one should not underestimate its importance.

The 100% EU co-financing rate has applied to considerable volumes of cohesion policy resources under the 14-20 period having been allowed under CRII+ (accounting year 2020-2021), CARE (accounting year 2021-2022) and REACT-EU (for the entire allocations).

The main rationale behind this quintessential flexibility measure was to help managing authorities make full use of unspent funds under the 14-20, in particular to tackle the crisis, as many authorities struggled to make up for the national cofinancing owing to overstretched local and national finances. One compelling justification for this measure was that the programming period was drawing to an end and it was necessary to avoid a loss of resources at a time they were badly needed.

But the extension of the EU 100% cofinancing into the 2021-2027 period, though very circumscribed, undermines this latter argument. In a crisis-prone world political pressure will inevitably mount on the Commission to expand the 100% financing to other areas. Even if this scenario does not materialize, it seems granted that the merits of the traditional co-financing model will be thoroughly (re)assessed in the debate on the post-27 period. National co-financing, despite its clear rationale in the cohesion policy, could be increasingly called into question.

The RRF model, which sits on a 100% EU co-financing rate, may heavily influence the debate. An argument which was used to justify higher levels of national co-financing is that it leads to more political ownership and responsibility over the funds within Member States. However, the national recovery and resilience plans, despite being financed only via EU money, seem to have reached in less than two years a much higher ownership than cohesion policy in 30 years.

3. Towards a smoother transition between programming periods?

FAST-CARE proposes to ease restrictions on unfinished projects that can be phased from the previous to the current period. The provision acknowledges that the combination of supply chains bottle-necks and inflation is causing delays in the implementation of several operations under the 14-20 period. The goal is to avoid these projects will cease to be funded at the end of the period despite being underway.

One should put this measure in perspective, as it may prompt a broader reflection as to how the transition from a period to another could be made smoother. The delays and the administrative burden resulting from the overlap of two periods are one of the biggest headaches for managing authorities.

The Commission has already taken significant simplification measures, for instance in relation to the appointment of the authorities. But the reflection on the post-27 period could and should discuss a more general reform when it comes to this aspect.

How to make the transition between two periods less difficult? Can a better alignment between two successive periods be achieved? Does this imply revising the timeframe of the programming periods? These questions will no doubt draw much attention during the discussions on the future of the policy.
4. Will (higher) pre-financing become a key feature of cohesion policy?

FAST-CARE proposes to slightly raise advance payments in the first two years of the new programming period, so as to release more liquidity to Member States. This is hardly a one-off. Since the pandemic the Commission has constantly leveraged on pre-financing to compensate for dwindling public finances at national/local level. This was done under various instruments/initiatives such as REACT-EU, CRII/CRII+, the Recovery and Resilience Facility, the Brexit Adjustment Reserve.

Stepping up the use of advance payments looks at odds with the way EU funds typically work whereby Member States are requested to advance the resources and claim the expenses from the Commission only afterwards. In line with this philosophy, pre-financing accounts for marginal amounts of cohesion policy allocations, having been further reduced to a tiny 0.5% per year under 21-27 period.

Are we heading for a shift, albeit to a limited extent, in the financial logic underpinning EU cohesion policy with higher pre-financing set to become a permanent feature in the future? This question is likely to feature in the debate on the future cohesion policy against a background of increasing pressure on public finances at both national and local level in many member states, all the more with the specter of a new economic downturn looming over the continent.