Covid-19 and cohesion policy

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In a nutshell

Cohesion policy funding has had a key role in the EU emergency response to the Covid-19 outbreak. In the course of the health crisis, the European Commission presented two packages of urgent measures that implied a series of amendments to the 2014-2020 cohesion policy regulations with the aim to mobilize resources and provide flexibility to deploy investments to face the emergency.

The CPMR has closely monitored the EU response to the Covid-19 pandemic, informed its members as well as interacted with relevant EU officials and decision-makers.

This document gathers:
- Summary of the “Coronavirus response investment initiative” (CRII) and CRII +
- CPMR messages on both packages
- Open questions on the long-term impact of the “Coronavirus response investment initiative”
- CPMR publications during the COVID-19 health crisis

1. Introduction and context

In response to the Covid-19 outbreak, the European Commission presented a series of urgent measures across the different policy sectors to face the immediate challenges arising in the EU Member States. Of relevance for cohesion policy, the presentation on the 13th March of a first package of measures under the so-called “Coronavirus Investment Response Initiative” (CRII). Following the demands of Member States, the European Commission released a second package “Coronavirus Investment Response Initiative Plus” (CRII+) on April 2.

The two packages do not contemplate fresh funding. They instead aimed to facilitate that existing structural funds’ allocations would be targeted towards the health care systems and sectors of the economies affected by the Covid-19 outbreak. The packages proposed a series of amendments to
the Common Provisions Regulation 2014-2020, as well as European Regional Development Fund (ERDF) and European Maritime and Fisheries Fund (EMFF) Regulations.

→ **Key elements of the Corona Response Investment Initiative:**

- Member States can use EUR 8 billion of unspent pre-financing amounts for the year 2019 to temporary replace the national co-financing in investments related to Covid-19.
- **Possibility to re-programme up to a certain amount** (up to 8% of the allocation of a priority — and no more than 4% of the programme budget- to another priority of the same Fund and programme) **without requiring a decision of the Commission amending the programme.**
- **Extension of the scope of actions** eligible under the ERDF (investment to foster the crisis response capacities in public health services and the financing of working capital in SMEs) and the EMFF (compensation to fishermen for economic losses).

→ **Coronavirus Response Investment Initiative Plus measures:**

- **Transfer of resources across the three cohesion policy funds** (ERDF, ESF, CF) without any limitation.
- **Transfer of resources between the different categories of region** without any limitation versus the current threshold of 3%.
- Possibility to request a **100% EU co-financing rate** for cohesion policy operational programmes for the accounting year 2020-2021.
- **Flexibility when it comes to thematic concentration.** No thresholds to be fulfilled on specific thematic objectives in case of reprogramming.
- **Simplification** of the following procedural steps:
  - No need to amend Partnership Agreements to reflect changes until the end of the programming period.
  - Postpone the deadline for the submission of annual reports for 2019.
  - Simplification of audit procedures through extending the possibility to make use of a non-statistical sampling method.
  - No review or update of the ex-ante assessments in case of changes to financial instruments.
  - Expenditures for already completed or fully implemented operations fostering crisis response are retroactively eligible.
  - Maximum flexibility regarding compliance with decommitment rules (exemption to be allowed under “force majeure” clause).
  - Limited financial flexibility at the closure of programmes allowing them to ‘overspend’ up to 10% on specific priorities, provided it is compensated by an equivalent reduction in another priority.

For both proposals, the European Parliament and the Council of the EU were requested to approve the proposal swiftly without tabling amendments. The European Parliament approved the packages on its virtual plenary sessions (26 March and 16 April respectively) and the Council adopted the legislation at COREPER level. The regulations entered into force on 1st of April and on 24th of April respectively.

### 2. CPMR messages on CRII & CRII +

The CPMR General Secretariat looked carefully at the proposals, established its first reactions and messages, and shared them with the CPMR members as well as decision-makers. The following messages are based on the assessment of the proposal by the CPMR General Secretariat and informal discussions with CPMR members.
• The CPMR General Secretariat welcomes the overall logic of both packages, which is to provide ample flexibility and relax several obligations in order to ensure a quick use of the funding for priorities related to Covid-19.

• The proposal is the perfect illustration that cohesion policy, thanks to its multi-level governance and ample scope of intervention, has a crucial role to play in addressing new emerging challenges. This makes the proposed cuts to its post-2020 envelope even more unjustified.

• Even if the situation requires a fast response, we recommend that the partnership principle, more specifically the involvement of concerned local and regional authorities, is fully applied throughout the reprogramming process. Removing the obligation to amend the partnership agreement should not come at expenses of consulting the relevant stakeholders, in particular the concerned local and regional authorities, in accordance with the partnership principle. Even more so, in case of significant re-programming involving transfer of resources.

• The CRPM general secretariat welcomes the proposal to allow the reprogramming of significant resources without prior approval from the Commission – i.e. without going through the lengthy procedure for the revision/amendment of programmes. This flexibility is essential to make cohesion funding more responsive to unpredicted crises and events.

• The measures aimed at mobilising existing cohesion allocations towards fighting the crisis rely on the fact that Member States are able to re-programme resources and/or have yet to allocate part of them to specific projects. However, resources not yet spent or allocated to projects are not equally distributed across Member States and programmes. In fact, the rate of implementation or that of project selection for many programmes is very high as we are approaching the end of the period. This means that there is no certainty that worst hit areas are not necessarily those receiving the greatest support. In other words, for areas covered by programmes with high implementation rate the available cohesion funding will be obviously very modest as almost all resources have been already spent or committed to projects.

• The implementation of some elements of the CRII+ may present risks in terms of centralization at national level. In this regard, we call on the Commission to ensure that the core principles of the policy are fully respected by Member States.

• The unprecedented decision to allow unlimited transfer between categories of regions (against the current 3% limit) should be put in place in a balanced way, only as a last resort. Covid-19 has affected regions independently of their eligibility category, but all the measures put in place under the policy should remain consistent with its primary goal to reduce territorial inequalities and enhance territorial cohesion.

• The Commission should ensure a quick treatment of all requests of amendments submitted by programmes to shorten as much as possible an otherwise complex and lengthy process.

• The massive use of cohesion funding in relation to Covid-19 will inevitably entail shifting resources away from already planned priorities and – to some extent – projects. The use of cohesion policy to tackle emergencies should remain balanced and not lead to divert significant resources from its strategic objectives. The Commission should give programmes adequate flexibility to recoup these operations in the next programming period.
3. Open questions on the long-term impact of CRII and CRII+

The two packages of measures (CRII and CRII+) have introduced, albeit temporarily, unprecedented modifications to the cohesion policy rules which were unthinkable only a few months ago. Part of these changes depart significantly from the core principles of cohesion policy, in particular in relation to its long-term investment nature and the territorial earmarking.

The Commission has signalled that the measures are exceptional and temporary. It is not clear whether they will be extended, at least partially, beyond 2021. The current regulation leaves clearly the door opens to this possibility. At the time of writing, it is understood that the Commission is pondering an extension of current programmes as well as an overhaul of the proposed Common Provisions Regulation for 2021-2027 in the wake of the Covid-19 crisis. Regardless, the measures under the CRII/CRII+ set an important precedent and may well have an impact, though indirectly, on the next programming period.

This raises a number of questions for the future:

1) In the light of the lasting effects of the Covid-19 crisis, will part of the CRII/CRII+ measures be rolled over into the next programming period? Could this lead to a permanent alteration of some core aspects of the policy?

2) Cohesion policy is a structural policy. Its core mission and mode of functioning make it ill-suited to be used in response to emergencies or unforeseen events. This is also why the Commission was compelled to propose substantial modifications to the regulation to ensure the funding could be swiftly spent to address the crisis? Will CRII/CRII+ eventually lead to widen the scope of cohesion policy to include a fully-fledged emergency response dimension? Could this enfeeble its programming and long-term investment nature? The idea of creating a flexibility reserve for unforeseen events in the programmes for 2021-2027 was floated a couple of years ago by several actors but was not retained by the Commission in its post-2020 proposal. Could a similar idea be resumed?

3) As highlighted in a recent study of the OECD, the impact of the crisis at territorial level will be highly asymmetric. Moreover, there are clear signs that the fallout of the crisis may not be unfolding along the traditional less develop-more developed areas line. As emerged with the Coronavirus Response Investment Initiative, the current cohesion policy allocation methodology may not ensure an optimal distribution of resources to the worst hit areas. Will the allocation methodology be tweaked to best reflect this? In this scenario, will this imply a significant transfer of resources compared to the previous situation (e.g. from Eastern to Southern Europe) leading to political tensions among Member States?

4) Could the flexibility introduced with the two packages have the unintended effect of encouraging a centralization of the policy in the future?

4. CPMR Publications

- Op-ed in Euractiv from Enrico Rossi, CPMR Vice-President for cohesion policy and President of Tuscany on the EU response to the COVID and the important role that cohesion policy plays. (26 March 2020)
• Open Letter in Agence Europe from Vasco Cordeiro, President of the CPMR and President of the Regional Government of the Azores. The letter highlights the series of key issues that the new proposal should address. (8 April 2020)