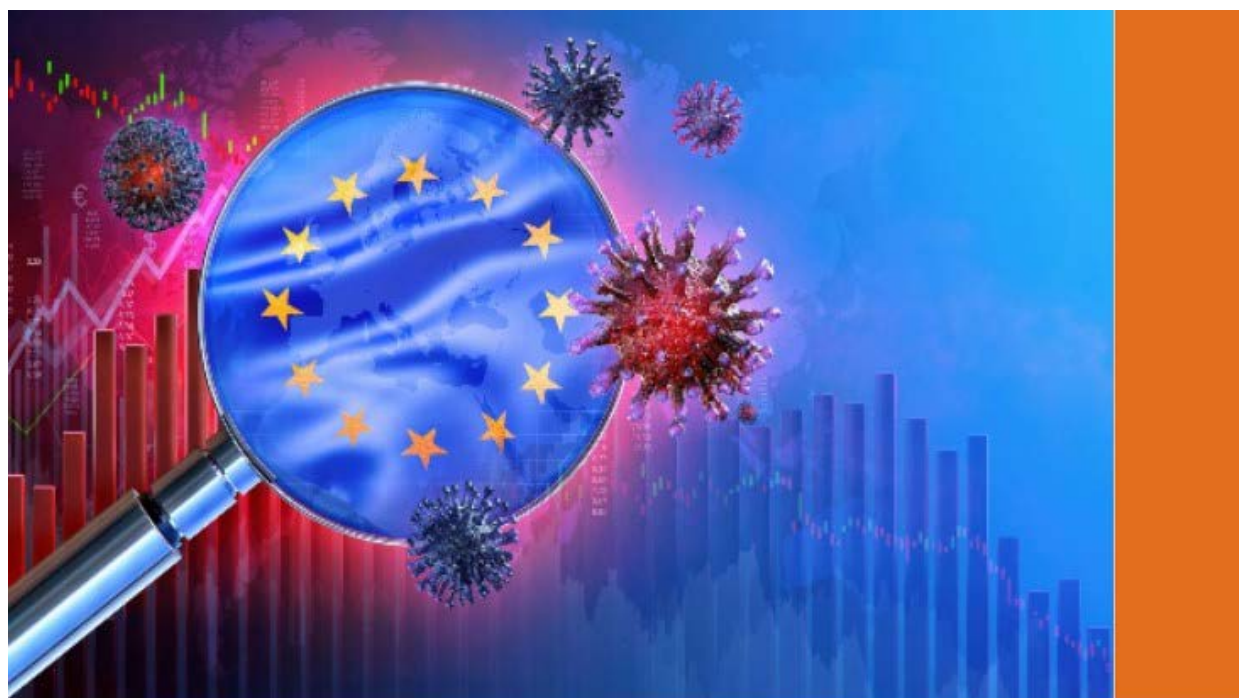


# Cohesion Policy Measures in Response to the COVID-19 Pandemic

---



**Regional Development**





RESEARCH FOR REGI COMMITTEE

---

# Cohesion Policy Measures in Response to the COVID-19 Pandemic

---

## Preliminary Insights

### **Abstract**

The EU has been very active in setting up policy and funding instruments to swiftly and pragmatically mobilise initial support during the health crisis, immediately followed by efforts to get the economy back on track.

This paper provides a first review of Cohesion Policy measures in response to the COVID-19 pandemic, including preliminary insights on their uptake and reflections on their impact. It concludes with policy pointers on how to use the measures as accelerators for structural change.

This document was requested by the European Parliament's Committee on Regional Development.

## AUTHORS

Spatial Foresight: Kai BÖHME, Christian LÜER

Research manager: Marek KOŁODZIEJSKI

Project and publication assistance: Jeanette BELL

Policy Department for Structural and Cohesion Policies, European Parliament

## LINGUISTIC VERSIONS

Original: EN

## ABOUT THE PUBLISHER

To contact the Policy Department or to subscribe to updates on our work for the REGI Committee please write to: [Poldep-cohesion@ep.europa.eu](mailto:Poldep-cohesion@ep.europa.eu)

Manuscript completed in October 2020

© European Union, 2020

This document is available on the internet in summary with the option to download the full text at: <https://bit.ly/3dGFVKD>

This document is available on the internet at:

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL\\_STU\(2020\)652216](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_STU(2020)652216)

Further information on research for REGI by the Policy Department is available at:

<https://research4committees.blog/regi/>

Follow us on Twitter: @PolicyREGI

### **Please use the following reference to cite this study:**

Böhme, K & Lüer, C 2020, Research for REGI Committee – Cohesion Policy Measures in Response to the COVID-19 Pandemic, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels

### **Please use the following reference for in-text citations:**

Böhme and Lüer (2020)

## DISCLAIMER

The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

© Cover image used under licence from Adobe.com.

## CONTENTS

<b>LIST OF ABBREVIATIONS</b>	<b>4</b>
<b>LIST OF BOXES</b>	<b>6</b>
<b>LIST OF FIGURES</b>	<b>6</b>
<b>LIST OF TABLES</b>	<b>6</b>
<b>EXECUTIVE SUMMARY</b>	<b>7</b>
<b>INTRODUCTION</b>	<b>11</b>
<b>1. POLICY MEASURES TAKEN BY SUMMER 2020</b>	<b>13</b>
1.1. Common Provisions and Cohesion Policy related regulations	13
1.2. Rural development	16
1.3. Other relevant EU policies	16
<b>2. PRELIMINARY ASSESSMENT OF THE MEASURES TAKEN</b>	<b>19</b>
2.1. Motivation and intentions of the European Commission – CRII/CRII+	19
2.2. First insights on effectiveness and efficiency – CRII/CRII+	23
2.3. Potential benefits and risks of CRII/CRII+	36
<b>3. POLICY MEASURES IN THE MAKING</b>	<b>39</b>
3.1. Expected and planned modifications to EU Cohesion Policy	39
3.2. Potential risks and benefits of future modifications	47
<b>4. POLICY POINTERS</b>	<b>51</b>
<b>REFERENCES</b>	<b>56</b>
<b>LEGAL REFERENCES</b>	<b>58</b>

## LIST OF ABBREVIATIONS

<b>AER</b>	Association of European Regions
<b>BN</b>	Billion
<b>CAP</b>	Common Agricultural Policy
<b>CF</b>	Cohesion Fund
<b>CoR</b>	European Committee of the Regions
<b>CPR</b>	Common Provisions Regulation
<b>CPRM</b>	Conference of Peripheral and Maritime Regions
<b>CRII</b>	Coronavirus Response Investment Initiative
<b>CRII+</b>	Coronavirus Response Investment Initiative Plus
<b>EAGF</b>	European Agricultural Guarantee Fund
<b>EAFRD</b>	European Agriculture Fund for Rural Development
<b>ECBM</b>	European Cross-Border Mechanism
<b>EFSD</b>	European Fund for Sustainable Development
<b>EFSI</b>	European Fund for Strategic Investment
<b>EGF</b>	Pan-European Guarantee Fund
<b>EGTC</b>	European Grouping for Territorial Cooperation
<b>EIB</b>	European Investment Bank
<b>EIF</b>	European Investment Fund
<b>EMFF</b>	European Maritime and Fisheries Fund
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ESF+</b>	European Social Fund Plus

<b>ESIF</b>	European Structural and Investment Funds
<b>ESM</b>	European Stability Mechanism
<b>FEAD</b>	Fund for European Aid to the Most Deprived
<b>GDP</b>	Gross Domestic Product
<b>ICT</b>	Information and Communication Technology
<b>ITI</b>	Integrated Territorial Investment
<b>JTF</b>	Just Transition Fund
<b>MFF</b>	Multiannual Financial Framework
<b>OP</b>	Operational Programme
<b>PO</b>	Policy Objective
<b>RDP</b>	Rural Development Programme
<b>REACT-EU</b>	Recovery Assistance for Cohesion and the Territories of Europe
<b>rescEU</b>	European Civil Protection and Humanitarian Aid Operations
<b>RRF</b>	Recovery and Resilience Facility
<b>SME</b>	Small and Medium-sized Enterprise
<b>SUD</b>	Sustainable Urban Development
<b>SURE</b>	Support to mitigate Unemployment Risks in an Emergency
<b>TC</b>	Territorial Cooperation
<b>YEI</b>	Youth Employment Initiative

## LIST OF BOXES

Box 1:	First glance on CRII/CRII+ uptake	24
--------	-----------------------------------	----

## LIST OF FIGURES

Figure 1	Evolution of lockdown measures and CRII/CRII+	20
Figure 2	Overview of CRII+	21
Figure 3	Health-related allocations in EU Cohesion Policy (ERDF, ESF), 2016-2020	25
Figure 4	Evolution of health-related allocations in EU Cohesion Policy (ERDF, ESF) (2016 = 100)	26
Figure 5	Health-related allocations in EU Cohesion Policy (ERDF, ESF) per Member State	27
Figure 6	Change in health-related allocations in EU Cohesion Policy (ERDF, ESF) 2019-2020	28
Figure 7	SME-related allocations in EU Cohesion Policy (ERDF, ESF), 2016-2020	30
Figure 8	Evolution of SME-related allocations in Cohesion Policy (ERDF, ESF) (2016 = 100)	31
Figure 9	SME-related allocations in EU Cohesion Policy (ERDF, ESF) per Member State	32
Figure 10	Change in SME-related allocations in EU Cohesion Policy (ERDF, ESF) 2019-2020	32
Figure 11	ICT-related allocations in EU Cohesion Policy (ERDF, ESF), 2016-2020	33
Figure 12	Evolution of ICT-related allocations in EU Cohesion Policy (ERDF, ESF) (2016 = 100)	34
Figure 13	ICT-related allocations in EU Cohesion Policy (ERDF, ESF) per Member State	35
Figure 14	Change in ICT-related allocations in EU Cohesion Policy (ERDF, ESF) 2019-2020	36
Figure 15	Instruments under 'Next generation EU' as agreed by the European Council, July 2020	40

## LIST OF TABLES

Table 1	Indicative breakdown of CRII by Member State	14
Table 2	COVID-19-related programme-specific indicators	23
Table 3	Overview of programmes and instruments under 'Next Generation EU'	41
Table 4	Structure and allocations for the Multiannual Financial Framework 2021-2027	44



## EXECUTIVE SUMMARY

### KEY FINDINGS

The EU has been very active in setting up policy and funding instruments to tackle the health crisis and support the economic recovery process in the wake of COVID-19. Preliminary insights suggest:

- The measures are used and help to cushion the most urgent needs. Cohesion Policy programmes are amended accordingly.
- The measures strengthen the role of national authorities in Cohesion Policy, which risks weakening the regional dimension, side-lining regional players and increasing regional disparities.
- The crisis and recovery measures might be a missed opportunity for accelerating structural change, as short-term investments are prioritised over strategic long-term investments.
- The Resilience and Recovery Facility might overshadow Cohesion Policy, leading to harmful competition between EU funding sources.

The COVID-19 pandemic poses a wide range of challenges and has triggered a severe economic crisis in Europe. In response to developments in early 2020, the European Union has been very active. It set up policy and funding instruments to swiftly and pragmatically mobilise initial support during the health crisis and then to help the economic recovery.

European cooperation has surpassed itself with the volume of financial support, the speed that was mobilised, and the flexibility allowed in the use of EU funding. In short, the EU has one more time shown its ability to react swiftly and comprehensively in times of crisis.

This paper offers an overview of Cohesion Policy measures taken up to August 2020 in response to the COVID-19 pandemic, and further policy modifications expected for autumn 2020. The paper also provides preliminary insights on the expected uptake as well as potential benefits and risks of these measures.

At the time this paper was drafted, the COVID-19 pandemic was still ongoing and many policy responses were still in the making. Allowing for preliminary insights on the use of policy responses, the paper draws on Cohesion Policy data as well as discussion papers and statements, available at end of August 2020. Accordingly, the paper offers only preliminary insights and reflections. The picture of the actual impacts of the policy measures, their effectiveness and efficiency will only begin to emerge in spring 2021 when Cohesion Policy programmes report on 2020.

### Policy measures taken by summer 2020

To tackle the societal and economic impacts of the COVID-19 pandemic and address the most urgent needs in European cities and regions, EU legislators adopted policy measures relevant to EU Cohesion Policy which have been effective since spring 2020.

Very early on, EU legislators put in place various measures to support efforts in the healthcare sector and keep the economy afloat. For this, measures were introduced in the 2014-2020 Common Provisions, Cohesion Policy, EU rural development policies and other relevant EU policies which were decided on in spring and early summer 2020. The most important measures are:

- The Coronavirus Response Investment Initiative (CRII) from March 2020, which mobilised unused pre-financing of EUR 8 billion as immediate liquidity and introduced simplifications.

- The Coronavirus Response Investment Initiative Plus (CRII+) from April 2020, which introduced amendments such as a 100% co-financing rate and easier transfers of allocations.
- For rural policies, several exceptional measures were adopted such as emergency assistance, higher payment advances and lower administrative requirements.
- The Eurogroup adopted a EUR 540 billion emergency package with three safety nets for Member States, workers, and small and medium-sized enterprises (SMEs).
- The European Commission adopted a temporary framework to increase the flexibility of state aid and broaden the scope of public financing.

## **Preliminary assessment of measures taken by summer 2020**

The rationale, potential risks and benefits of Cohesion Policy measures taken in response to the COVID-19 pandemic can be assessed based on Cohesion Data on amendments to EU Cohesion Policy programmes, available by the end of August 2020, as well as various discussion papers and statements.

The main motivation behind CRII/CRII+ was to enable Member States to set up fast and sizeable policy responses within the framework of EU Cohesion Policy that could cushion the negative impact of the crisis on Europe's regions and citizens.

As intended by the EU legislators, many Cohesion Policy programmes make use of the newly introduced rules and increased flexibility to restructure their allocations. About 100 programmes had presented amendments by late August 2020. Data on the first amendments shows significant increases in allocations related to health infrastructure, access to health services as well as support for entrepreneurship and start-ups. Furthermore, allocations in strategic or future-oriented fields such as greening the economy and digitalisation of SMEs decreased.

In addition to the benefits, the new flexibility also implies some risks, inter alia a lack of strategic orientation, accountability and territorial diversity. The most important risks are:

- The focus is on fast spending in order to ensure that European healthcare systems can cope with the crisis demands and that there is sufficient liquidity in the economy. However, fast does not always equate to effective or regular spending and might run into concerns about accountability.
- Flexibility risks favouring short-term investments over long-term strategic choices. The latest funding reallocations signal a shift towards easy short-term investments and reduced allocations for future-oriented topics such as sustainability and digitalisation.
- The increased flexibility might side-line some of the ambitions and expected benefits of earlier efforts to strengthen result orientation and performance frameworks.
- The flexibility and simplification measures mainly work at national level without regional differentiation, and risk side-lining regional players in Cohesion Policy management.

## **Policy measures in the making**

There are more and more far-reaching EU policy responses under discussion at the moment, and likely to be decided on in autumn 2020. At the heart of this are the 'Next Generation EU' and the Multiannual Financial Framework 2021-2027. Together, they constitute the European Recovery Plan with a proposed budget of EUR 1,850 billion to support Europe's recovery from the COVID-19 pandemic (state of play in August 2020).

The European Recovery Plan covers both the current and next funding periods. For the 2014-2020 programming period, Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) shall provide additional funding for ERDF and ESF programmes. For the 2021-2027 programming period, the most important proposal is the introduction of a Recovery and Resilience Facility. In addition, there are several proposed amendments for Cohesion Policy.

Given the unprecedented volume of available EU funding, potential benefits and risks deserve special attention. Some issues for discussion are:

- The most important risk is that the Resilience and Recovery Facility might overshadow Cohesion Policy, leading to a harmful competition between EU funding sources because of the limited absorption capacity.
- There is a risk that various support measures, when taken together, increase regional disparities in Europe, if no strategic criteria are applied to guide which regions receive funding.
- The crisis and recovery measures might be a missed opportunity for accelerating structural change, as short-term investments are prioritised over more ambitious high-quality and long-term investments.

The position papers analysed for this study show that despite these risks, the considerable amounts of funding, the flexibility, frontloading the next programme period and the refocusing on grants via REACT-EU are highly appreciated.

## Policy pointers

Europe has shown it can take steps with 'seven-league boots' in times of crisis. The task is to take these steps wisely and in the right direction. A review of Cohesion Policy related measures that respond to the COVID-19 pandemic suggests a few aspects for further consideration:

- **Ensuring the strategic and long-term dimension.** While the short-term response measures are very much needed, there is a risk that flexibility and simplifications shift the focus from strategic and structural long-term investments to ad-hoc needs. This might be a missed opportunity. The legislator should (a) ensure that strategic and territorial funding criteria are applied in both future EU Cohesion Policy and the Recovery and Resilience Facility, (b) allow for local and regional experimentation to explore new pathways as there is no blueprint for the recovery process, and (c) ensure that the crisis responses are based on a shared vision for a 'better Europe' (e.g. 'Territorial Agenda 2030', rural vision for Europe and the 'Future of Europe Conference').
- **Strengthening multilevel governance.** Strengthening the role of national authorities in EU Cohesion Policy risks weakening the regional dimension and side-lining local and regional players. This can lead to less place-based approaches and, consequently, increases in regional disparities. The legislator should emphasise the importance of the involvement of local and regional authorities in preparing, implementing and monitoring of the national recovery and resilience plans and in the shared management of Cohesion Policy. Furthermore, the legislator should ensure the cohesion orientation of the European Semester.
- **Strengthening the cooperation dimension.** The quality of government and governance is key for recovery processes to be successful. Clear strategic orientation, strong multi-level governance and intense cooperation between societal groups, territories and policy sectors can contribute to improving the Herculean policy responses and to avoiding risks. The European Parliament should (a) strengthen programmes and instruments based on multilevel governance and territorial cooperation principles, (b) facilitate cooperation in cross-border regions, especially in the field of healthcare and resilience, and (c) make cooperation mandatory in all EU Cohesion Policy programmes.



## INTRODUCTION

The EU has been very active in setting up policy and funding instruments to swiftly and pragmatically mobilise initial support during the health crisis triggered by COVID-19 and then support the economic recovery. This paper provides a first review of EU Cohesion Policy measures taken in response to the COVID-19 pandemic, and forthcoming policy modifications focusing on getting Europe's economy back on track. This paper also provides insights on the expected uptake as well as potential benefits and risks of these measures. The overview and preliminary insights on potential impacts may serve as policy pointers on how to ensure that measures taken will not challenge long-term objectives of EU policies, but rather serve as accelerators for structural change.

This paper has been elaborated in August and September 2020, while the COVID-19 pandemic still was ongoing and many policy responses were still in the making and under discussion. Even for policy responses which were decided before summer 2020, the use and uptake in Member States and regions had just started. Indeed, when drafting this report many Cohesion Policy programmes were still preparing programme amendments to make use of possibilities under policy responses already in place.

Accordingly, the report is based on Cohesion Data concerning amendments to EU Cohesion Policy programmes up to the end of August 2020. It also takes into consideration discussion papers and statements addressing possible impacts – potential risks and benefits – of Cohesion Policy measures taken in response to the COVID-19 pandemic (e.g. Anderson, Tagliapietra, & Wolff, 2020; Bachtler, Mendez, & Wislade, 2020; Böhme, Besana, Lüer, Holstein, Hans, Valenza, Caillaud, & Derszniak-Noirjean, 2020; CEMR, 2020; Cohesion Alliance, 2020; Committee of the Regions, 2020; CPMR, 2020a, 2020b; Eurofound, 2020; Lüer & Böhme, 2020b; Maillard, 2020; Odendahl & Springford, 2020; Sapir, 2020; Valenza & Brignani, 2020).

The paper starts off with a short overview of the most important EU policy measures responding to impacts of the COVID-19 pandemic on regional development. Chapter 1 briefly presents measures related to Common Provisions, Cohesion Policy, EU rural development policies and other relevant EU policies which were decided on in spring and early summer 2020.

The presentation is followed by a preliminary assessment of measures related to EU Cohesion Policy. Chapter 2 discusses the rationale behind the measures and initial insights on their uptake as well as potential risks and benefits.

There are more and more far reaching EU policy responses under discussion at the moment, and likely to be decided on in autumn 2020. Chapter 3 provides an outlook of what might lie ahead. This includes an overview of expected and planned modifications affecting Cohesion Policy, as well as preliminary assessments of their potential impacts.

Drawing some conclusions on existing and planned Cohesion Policy measures in response to COVID-19, chapter 4 sums up the work presented in the report. It provides policy pointers which may help to further improve policy responses to the pandemic.



## 1. POLICY MEASURES TAKEN BY SUMMER 2020

### KEY FINDINGS

To tackle the societal and economic impact of the COVID-19 pandemic and address the most urgent needs in European cities and regions, EU legislators adopted policy measures which are relevant for EU Cohesion Policy and have been effective since spring 2020.

- CRII from March 2020 mobilised unused pre-financing of EUR 8 billion as immediate liquidity and introduced first simplifications.
- CRII+ from April 2020 introduced amendments such as a 100% co-financing rate and easier transfers of allocations.
- For rural policies, several exceptional measures were adopted such as emergency assistance, higher advances of payments and lower administrative requirements.
- The Eurogroup adopted a EUR 540 billion emergency package with three safety nets for Member States, workers, and SMEs.
- The European Commission adopted a temporary framework to increase the flexibility of state aid and broaden the scope of public financing.

An overview of policy measures relevant for EU Cohesion Policy and adopted by the legislators, i.e. already effective, distinguishes between regulations that directly concern EU Cohesion Policy (see section 1.1), rules for rural development (see section 1.2) and other regulations, e.g. safety nets for enterprises and workers, and state aid rules (see section 1.3). The following sections provide a quick overview of these policy measures. A discussion on their uptake and effectiveness is in chapter 2.

### 1.1. Common Provisions and Cohesion Policy related regulations

The two main policy responses to COVID-19 in EU Cohesion Policy are the Coronavirus Response Investment Initiative (CRII) and its successor, the Coronavirus Response Investment Initiative Plus (CRII+).

#### 1.1.1. Coronavirus Response Investment Initiative Package (CRII)

Already in mid-March 2020, the European Commission suggested the Coronavirus Response Investment Initiative (COM(2020) 113 final), which was adopted by the end of March 2020 (Regulation (EU) 2020/460). The first package includes amendments for three regulations relevant for Cohesion Policy. The regulation laying down common provisions for the five European Structural and Investment Funds (ESIF) (Regulation (EU) No 1303/2013) and the fund-specific regulations for the European Regional Development Fund (ERDF) (Regulation (EU) No 1301/2013) and the European Maritime and Fisheries Fund (EMFF) (Regulation (EU) No 508/2014).

**Table 1** Indicative breakdown of CRII by Member State

Member State	Amounts to be released as liquidity (1) (EUR million)	Corresponding EU budget (2) (EUR million)	Total investment (3) = (1) + (2) (EUR million)	Remaining ESIF after CRII (EUR million)
Austria	13	6	19	25
Belgium	37	29	66	373
Bulgaria	122	690	812	546
Croatia	174	984	1,158	0
Cyprus	7	39	45	0
Czech Republic	294	869	1,163	3,956
Denmark	18	20	38	47
Estonia	73	222	295	397
Finland	24	24	48	349
France	312	338	650	1,311
Germany	328	498	826	1,906
Greece	355	1,421	1,776	0
Hungary	855	4,748	5,603	0
Ireland	1	1	3	0
Italy	863	1,465	2,318	8,945
Latvia	118	674	792	0
Lithuania	222	1,264	1,487	0
Luxembourg	1	1	2	0
Malta	9	39	48	0
Netherlands	14	11	25	0
Poland	1,125	6,310	7,435	0
Portugal	405	1,407	1,813	0
Romania	491	2,588	3,079	0
Slovak Republic	527	1,948	2,475	146
Slovenia	115	471	586	0
Spain	1,161	2,984	4,145	7,086
Sweden	23	23	46	460
<b>EU-27</b>	<b>7,678</b>	<b>29,073</b>	<b>36,751</b>	<b>25,546</b>
United Kingdom	244	311	555	2,408
<b>Total</b>	<b>7,922</b>	<b>29,384</b>	<b>37,306</b>	<b>27,954</b>

Source: European Commission, 2020<sup>1</sup><sup>1</sup> [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_20\\_458](https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_458)



Amendments to the Common Provisions Regulation (CPR) allow transfers of up to 8 % of the allocation of a priority (less than 4 % of the total programme budget) to another priority under the same ERDF, ESF or Cohesion Fund programme without approval from the European Commission. Furthermore, financial instruments under ESIF can now also provide support in the form of working capital to SMEs. A key element concerns the removal of recovery orders for amounts recoverable from Member States in 2020. This will mobilise unused pre-financing for 2019 of about EUR 8 billion and provide immediate liquidity. Based on average co-financing rates across EU Member States, EUR 8 billion of pre-financing imply support of some EUR 37 billion under 2014-2020 Cohesion Policy programmes without additional money from national budgets. The indicative breakdown per Member State shows significant total investments in many EU Member States (see Table 1).

Similar to financial instruments, programmes under ERDF may now also support the financing of working capital in SMEs, and not only activities related to (productive) investments and networking, cooperation and exchange. Also, the scope of Investment Priority 1 on research, technological development and innovation was broadened by allowing for investments in crisis response capacities in health services.

EMFF funded programmes may now also pay financial compensation for losses as a result of public health crisis for more than 30 % of the average turnover over the preceding three calendar years. For aquaculture producers, EMFF programmes may contribute to stock insurances covering losses including due to public health crisis.

#### 1.1.2. Coronavirus Response Investment Initiative Package plus (CRII+)

CRII+ complemented the first CRII package. It was proposed by the European Commission in early April 2020 (COM(2020) 138 final) and adopted three weeks later (Regulation (EU) No 558/2020). CRII+ brought about additional modifications for the CPR (Regulation (EU) No 1303/2013) and ERDF regulation (Regulation (EU) No 1301/2013). It introduced exceptional measures for the use of ESIF. The most important amendments include:

- increased co-financing rate of 100 % for the accounting year 2020-2021 for ERDF, ESF and Cohesion Fund programmes;
- transfers between ERDF, ESF and Cohesion Fund for programming for 2020 without affecting resources allocated to European territorial cooperation, outermost regions, the Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD);
- transfers between categories of regions for programming for 2020;
- exemption of allocations transferred between priorities under ERDF, ESF and Cohesion Fund programmes from thematic concentration (see CRII);
- extension of the possibility to provide working capital through financial instruments to the European Agricultural Fund for Rural Development (EAFRD) (see CRII);
- possibility to exceed the allocated budget of a priority by up to 10 % if it is compensated through a corresponding reduction of another priority under the same programme;
- simplified procedures and fewer requirements, e.g. for partnership agreements, financial instruments, reporting, ex-ante assessments, verification documents, and audits.

## 1.2. Rural development

Policy measures related to rural development at EU level run, first and foremost, under EU Common Agricultural Policy (CAP). CRII+ introduced several changes that are of particular relevance for Rural Development Programmes (RDP) funded by the European Agricultural Fund for Rural Development (EAFRD), which is an important pillar of CAP. As these modifications also apply to other ESI Funds, this section partly overlaps with the above, general overview of the most important changes introduced by CRII+ as well as the next section on state aid. Measures that are important for rural development and programme authorities implementing rural development programmes include:

- flexible use of financial instruments to provide guarantees and loans with fewer administrative requirements provided the eligible expenditure does not exceed EUR 200 000;
- postponed deadline to submit the annual implementation report for 2019 to 30 September 2020 instead of 30 June 2020; and
- no obligation to amend partnership agreements when programmes are amended, which reduces the administrative burden.

In addition to CRII+, the European Commission adopted different packages of exceptional measures in April and May 2020 in order to increase and facilitate the support for farmers, the agricultural and food sectors and rural development.<sup>2</sup> Among the most important measures are:

- Emergency assistance of up to EUR 7 000 per farmer and up to EUR 50 000 per SME active in processing, marketing or developing agricultural products or cotton (excluding fishery products);
- extended deadline for beneficiaries to apply for both direct payments and rural development payments by one month from 15 May 2020 to 15 June 2020;
- higher advances of payments from 50 % to 70 % for direct payments and from 75 % to 85 % for rural development payments;
- reduced on-the-spot checks from 5 % to 3 %, including the possibility to use alternative sources to replace on-farm visits, e.g. by using new technologies remotely;
- increased maximum state aid up to EUR 100 000 per farm and up to EUR 800 000 per food processing company, excluding de-minimis aid which has a threshold of EUR 20 000 (EUR 25 000 in special cases).

## 1.3. Other relevant EU policies

Two important measures that were taken at EU level to promote effective policy responses to the COVID-19 pandemic are the Eurogroup emergency support package and the Temporary Framework for state aid measures adopted by the European Commission.

---

<sup>2</sup> [https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/factsheet-covid19-agriculture-food-sectors\\_en.pdf](https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/factsheet-covid19-agriculture-food-sectors_en.pdf)

### 1.3.1. Eurogroup emergency support package

In April 2020, the Eurogroup decided on emergency support of EUR 540 billion to tackle the economic impact of the COVID-19 pandemic. The package consists of three safety nets to protect workers, SMEs and Member States:

- **Support to mitigate Unemployment Risks in an Emergency (SURE):** SURE provides up to EUR 100 billion for all Member States to finance short-time work schemes or other measures aiming at protecting employees and self-employed (Council Regulation (EU) 2020/672). It helps affected Member States to cope with the sudden increase in public expenditure with loans from the EU to the Member States.
- **Pan-European Guarantee Fund (EGF) for Workers and Businesses:** This EIB Group fund of up to EUR 25 billion will mobilise up to EUR 200 billion. The funding will come from EU Member States and mainly be granted to SMEs (at least 65%) but also to large companies (up to 23%), public sector companies active in the healthcare sector or related activities (up to 5%) and for venture and growth capital (up to 7%).
- **Pandemic Crisis Support credit line:** Implemented within the European Stability Mechanism (ESM) this credit line provides up to EUR 240 billion for euro area Member States to support direct and indirect costs related to healthcare, cure and prevention as a consequence of the COVID-19 pandemic. Member States can request access to the credit line until the end of 2022.

### 1.3.2. Temporary Framework for State aid

State aid regulations aim at minimising distortions in the European single market from transfers of public resources to economic operators. It is an important legal framework for Cohesion Policy. To increase the flexibility of state aid rules and support the economy as a response to the COVID-19 pandemic, the European Commission adopted a Temporary Framework for state aid measures on 19 March 2020 (C/2020/1863) with three amendments in April, May and June 2020. The initial Temporary Framework introduced rules for five types of aid:

- Member States may set up support schemes to provide up to EUR 800 000 per enterprise to address the most urgent liquidity needs;
- Member States may provide guarantees to ensure that banks continue providing loans;
- Member States may grant loans with reduced interest rates to allow companies to cover urgent working capital and investment needs;
- Support to safeguard the lending capacities of enterprises is considered as direct aid to bank customers, not to banks;
- Flexibility to demonstrate that some countries are non-marketable risks, which is relevant for Member States that intend to provide short-term export credit insurance.

With the first amendment of the Temporary Framework adopted on 3 April 2020 (C/2020/2215), more aid measures were introduced. Member States may provide different types of support (e.g. grants, tax advantages, repayable support, no-loss guarantees) to promote COVID-19 relevant research and development as well as the development and production of COVID-19 relevant products. Furthermore, Member States can defer tax payments and social security contributions and contribute to wages in sectors, regions or types of companies hit hardest by the pandemic.

The second amendment adopted on 8 May 2020 (C/2020/3156), inter alia, extends the Temporary Framework to cover recapitalisation and subordinated debts, to avoid undue market distortions. It also

defines conditions for recapitalisation aid (including transparency and reporting) as well as entry into and exit from the capital of companies.

The third amendment adopted on 29 June 2020 (C/2020/4509), *inter alia*, enables micro and small enterprises – in contrast to other companies – to receive public support under the Temporary Framework even if they were in difficulty before 31 December 2019. It also allows Member States to introduce incentives for private investor contributions to recapitalisation measures.

## 2. PRELIMINARY ASSESSMENT OF THE MEASURES TAKEN

### KEY FINDINGS

As intended by the EU legislators, many Cohesion Policy programmes make use of the new rules and have increased flexibility to restructure their allocations. The amendments entail potential benefits and risks.

- The main motivation behind CRII/CRII+ was to enable Member States to quickly set up sizeable policy responses within the framework of EU Cohesion Policy that could cushion the negative impact of the crisis on Europe's regions and citizens.
- A first assessment shows that the possibilities introduced by CRII/CRII+ have been taken up. About 100 programmes had presented amendments by late August 2020.
- There are significant increases in allocations related to health infrastructure, access to health services as well as support for entrepreneurship and start-ups.
- Allocations in future-oriented fields such as greening the economy and digitalisation of SMEs decreased.
- Besides benefits, the new flexibility implies some risks, inter alia related to a lack of strategic orientation, accountability and territorial diversity.

The abovementioned policy responses were quickly set up as part of an EU response to the exceptional situation caused by COVID-19, fully exploiting existing funding instruments under ERDF, ESF, EMFF and the CF. In this chapter, we provide an overview of the motivations and intentions of the European Commission for setting up CRII and CRII+ (section 2.1). We then offer insights on the effectiveness and efficiency of these measures. This includes information on how much programme authorities have made use of the opportunities. Data from the European Commission platform on cohesion data allows for first insights on the thematic reorientation of funding (section 2.2). Based on these analyses, we draw conclusions on cross-cutting issues, as well as benefits and risks of the measures (section 2.3).

### 2.1. Motivation and intentions of the European Commission – CRII/CRII+

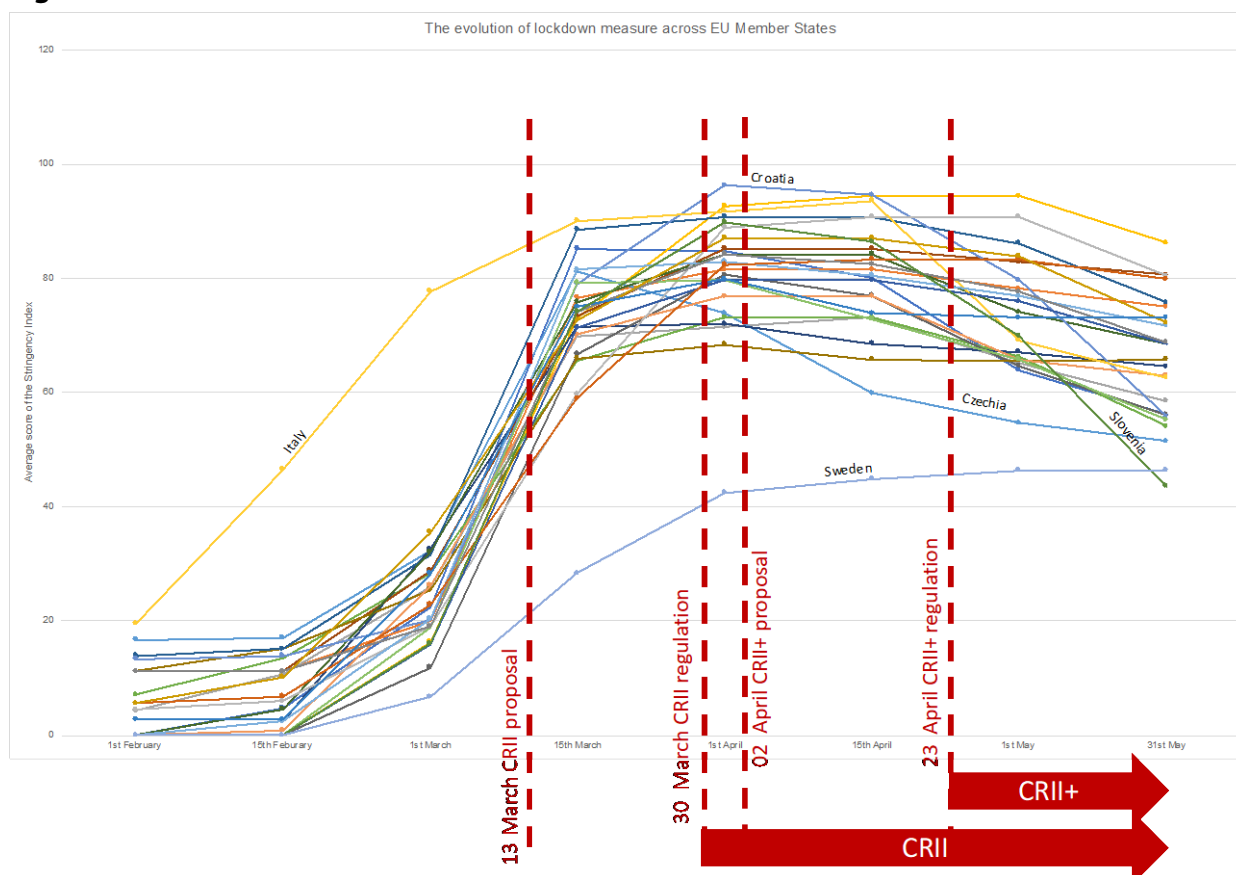
The COVID-19 pandemic forced EU Member States and regions to take various lockdown measures. For most countries the measures evolved rapidly in the first half of March 2020 with variations in their stringency and length (Figure 1). In parallel to the lockdowns, the European Commission prepared proposals on how to use EU Cohesion Policy instruments to help mitigate the worst effects.

Only a few weeks after the pandemic took hold in large parts of the EU, the European Commission tabled a proposal on how to mobilise investments in Member State healthcare systems and other sectors of their economies in response to the COVID-19 outbreak. This was the start of CRII. From the proposal to passing the regulation took only 17 days. The same week as the regulation was passed, the European Commission presented a follow-up proposal on specific measures to provide exceptional flexibility for using ESI Funds. The regulation based on this second proposal was passed three weeks later. This was the start of CRII+. The exact chronology of this exceptional timeline was:

- 13 March 2020, the European Commission presents its proposal for CRII in COM(2020) 113 final.
- 30 March 2020, Regulation (EU) No 460/2020 enacted CRII.

- 02 April 2020, the European Commission presents its proposal for CRII+ in COM(2020) 138 final.
- 23 April 2020, Regulation (EU) No 558/2020 enacted CRII+.

**Figure 1 Evolution of lockdown measures and CRII/CRII+**



Source: Own elaboration based on lockdown data by Blavatnik School of Government (2020)

This speedy process was only possible because there was broad agreement among co-legislators, that COVID-19 had led to an exceptional situation which needed specific measures to support and protect economies, companies and workers in the EU.

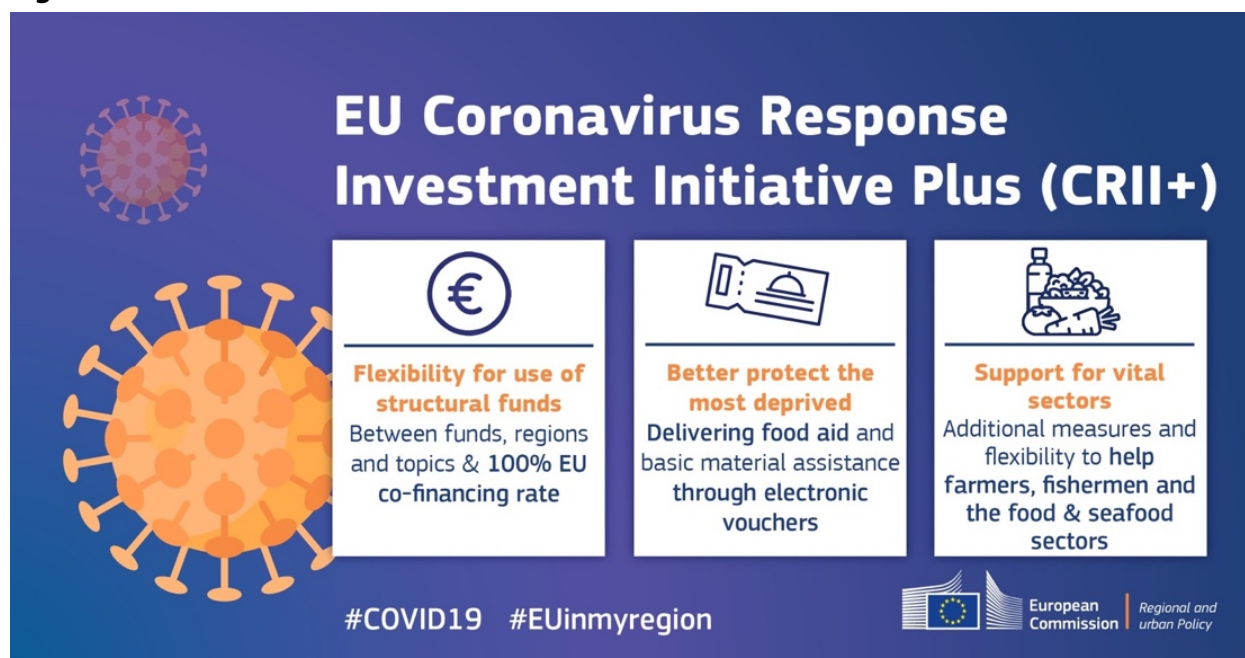
In principle, three major motivations underlie the preparation and adoption of CRII/CRII+:

- **Need to enable Member States** to set up swift responses by ensuring liquidity of public funds, so Member States had sufficient finance to invest without delay and with reduced administrative burden.
- **Need for sizeable and fast interventions** in healthcare systems to allow them to operate under considerable stress. Among others, investments in products and services to increase response capacities in health services should be possible under the ERDF investment priority on research, technological development and innovation.
- **Need to cushion negative consequences** on labour markets and other vulnerable parts of the economies, in particular through support to SMEs, which often have lower margins. Among others, financing working capital in SMEs should be supported under ERDF as a temporary measure to ensure their survival.

These needs had to be addressed within the existing tools and budget lines by mobilising cash reserves and investment liquidity. The expectation was that Member States would accelerate investments related to the COVID-19 outbreak under ERDF, ESF, CF and EMFF.

More specifically, CRII and CRII+ were launched to ensure that Cohesion Policy funding can be easily used to meet additional financial needs in the healthcare sector and to swiftly respond to the economic effects of the lockdowns. Thus, the intention was to quickly mobilise ESIF cash reserves to provide immediate liquidity to Member States and ensure it can be used with flexibility and without unnecessary administrative burden.

**Figure 2** Overview of CRII+



Source: CRII+ website<sup>3</sup>

While CRII focused on injecting liquidity to help Member States strengthen their healthcare systems and support local economies, CRII+ focused on introducing extraordinary flexibility to enable all non-utilised ESI Funds to be fully mobilised (Figure 2). This includes flexibility to better protect the most deprived groups of society as well as vital sectors in local and regional economies. The intention was to target more support to the most exposed sectors such as healthcare, SMEs and labour markets, and help the most affected territories and their citizens.

For Cohesion Policy, the intention was that as soon as accelerated procedures could support the reallocation of EU Cohesion Policy financing, national and regional programmes would come forward with reprogramming proposals based on their specific needs.

A more detailed view of the intentions and expectations for CRII/CRII+ outputs and results can be seen from the COVID-19-related programme-specific indicators proposed by the European Commission (see Table 2). About 70 programmes have already made use of these indicators, which is remarkable, as it usually takes several years before programmes use common indicators. Currently, DG REGIO is establishing databases with targets for the indicators, which should become publicly available in October or November 2020 and provide a first picture of the outputs and results that the COVID-19-related changes are expected to deliver. However, in many cases the targets are set during huge uncertainty. Thus, financial and progress reporting in 2021 will provide a much better picture of the

<sup>3</sup> See [https://ec.europa.eu/regional\\_policy/en/newsroom/news/2020/04/04-02-2020-coronavirus-response-investment-initiative-plus-new-actions-to-mobilise-essential-investments-and-resources](https://ec.europa.eu/regional_policy/en/newsroom/news/2020/04/04-02-2020-coronavirus-response-investment-initiative-plus-new-actions-to-mobilise-essential-investments-and-resources)

outputs and results. By the end of January 2021, financial reporting for 2020 is due and will provide first insights. In May 2021 the programmes have to deliver their annual implementation reports. This will allow for a more detailed understanding of the COVID-19 related indicators.



**Table 2 COVID-19-related programme-specific indicators**

Indicator long name	ERDF	ESF	Interreg	YEI	Output indicator	ESF result indicator
Additional bed space created for COVID-19 patients (Including acute and ICU beds, also in field hospitals)	x		x		x	
Ambulances and vehicles purchased for emergency response	x		x		x	
Number of enterprises supported to supply equipment and PPE to the health care system	x		x		x	
Number of entities supported in combating or counteracting the effects of the COVID-19 pandemic	x	x	x	x	x	x
Number of health care personnel who benefitted from ESF support		x		x	x	x
Number of laboratories newly built, newly equipped or with expanded capacity to test for COVID-19	x		x		x	
Number of participants gaining a qualification upon leaving supported actions combatting the effects of the COVID-19 pandemic		x		x		x
Number of participants maintaining their job 6 months after the end of support		x		x		x
Number of participants supported in combatting or counteracting the effects of the COVID-19 pandemic		x	x	x	x	x
Number of participants who benefitted from support in short-time work arrangements		x		x	x	x
Number of SMEs receiving non-financial support (advice, etc.) in COVID-19 response	x		x		x	
Number of SMEs supported with non-repayable financial support for working capital (grants) in COVID-19 response	x		x		x	
Number of SMEs supported with working capital other than grants (financial instruments) in COVID-19 response	x		x		x	
Personal protective equipment (Including disposable masks, eye protection, coveralls, etc.)	x	x	x	x	x	
Testing capacity supported to diagnose and test for COVID-19 (Including antibody testing)	x	x	x	x	x	
Value of COVID-19 related IT for education	x	x	x	x	x	
Value of COVID-19 related IT for health	x	x	x	x	x	
Value of COVID-19 related IT for SMEs	x	x	x	x	x	
Value of ESF actions to combat or counteract the effects of the COVID-19 pandemic (total public cost)		x		x	x	
Value of financial support to SMEs for working capital other than grants (financial instruments) in COVID-19 response (total public cost)	x		x		x	
Value of grants for R&D into COVID-19 treatments (medicines) and vaccines (total public cost)	x		x		x	
Value of IT equipment and software/licences financed in COVID-19 response (total public cost)	x	x	x	x	x	
Value of medical equipment purchased (ventilators, beds, monitors, etc.) (total public cost)	x	x	x	x	x	
Value of medicines purchased linked to the testing and treatment of COVID-19 (total public cost) (Including cost of testing kits, antivirals and other consumables)	x	x	x	x	x	
Value of non-repayable financial support to SMEs for working capital (grants) in COVID-19 response (total public cost)	x		x		x	
Value of personal protective equipment purchased (total public cost)	x	x	x	x	x	
Ventilators to support treatment of COVID-19 (Including CPAP (positive air pressure) devices)	x		x		x	

Source: European Commission, 2020<sup>4</sup>

## 2.2. First insights on effectiveness and efficiency – CRII/CRII+

The increased flexibility, simplifications and 100% EU co-financing rate introduced through CRII and CRII+ are generally welcomed, though they mainly benefit programmes with currently lower absorption rates. Programmes already close to their spending targets do not benefit much from the new rules. In total, CRII provides EUR 37 billion to fight COVID-19, made up of unspent 2019 pre-financing and co-financing from the EU budget (see Table 1). For this, as well as any other unused

4

<https://cohesiondata.ec.europa.eu/2014-2020-Indicators/COVID19-specific-monitoring-indicators-2020/pz85-ptis>

cohesion allocations, the new flexibility rules (mainly from CRII+) can be used. These are about EUR 28 billion as shown in Table 1.

All Member States except Austria had put CRII/CRII+ into action and started making use of the flexibility by end of July 2020. About 100 programmes have been amended to better meet the needs of COVID-19. This concerns regional and national programmes in 18 Member States and 4 Interreg programmes. In 27 cases, the amendments required just a notification to the European Commission and in 70 cases a European Commission decision was required.

So far, only preliminary assessments are available for which parts of CRII/CRII+ are used. The main measures applied are:

- the 100 % EU co-financing rate;
- transfers of resources between Funds;
- transfers of resources within priority axes of the same fund and programme;
- flexibility on Financial Instruments;
- transfers of resources between categories of regions;
- flexibility on thematic concentration;
- extension of deadlines for project implementation and for project calls; and
- simplifications for audits and financial instrument ex-ante assessments.

A first overview on the thematic orientation of uptake for CRII/CRII+, based on reported programme amendments, is shown in the text box. The next section provides more details on financial volumes and the geographical distribution for healthcare, SMEs and employment, as well as remote work and schooling.

### Box 1: First glance on CRII/CRII+ uptake

The overview on the uptake of CRII/CRII+ available at the Inforegio website<sup>1</sup> suggests that the measures are used for following types of support:

- **Healthcare sector**, including
  - urgent health equipment (e.g. Bulgaria, Belgium, Croatia, France, Lithuania, Poland, Spain);
  - renovation or modernisation of hospitals and care facilities (e.g. Bulgaria, Croatia, Latvia);
  - additional medical staff (e.g. Latvia, Spain);
  - reversion of SME activities towards local production of urgent health products (e.g. France); or
  - strengthening e-health (e.g. Poland).
- **SMEs and employment**, including
  - support for working capital or injection of liquidity (e.g. Bulgaria, Croatia, France, Hungary, Italy, Poland);
  - support entrepreneurship actions and employment measures (e.g. Bulgaria, Croatia, Greece, Latvia);
  - temporary employment schemes (e.g. Bulgaria, Croatia).
- **Remote work and schooling**, including
  - broadband to rural areas to enable remote learning (e.g. Latvia);
  - investments in online tools for education (e.g. Croatia, Slovenia).

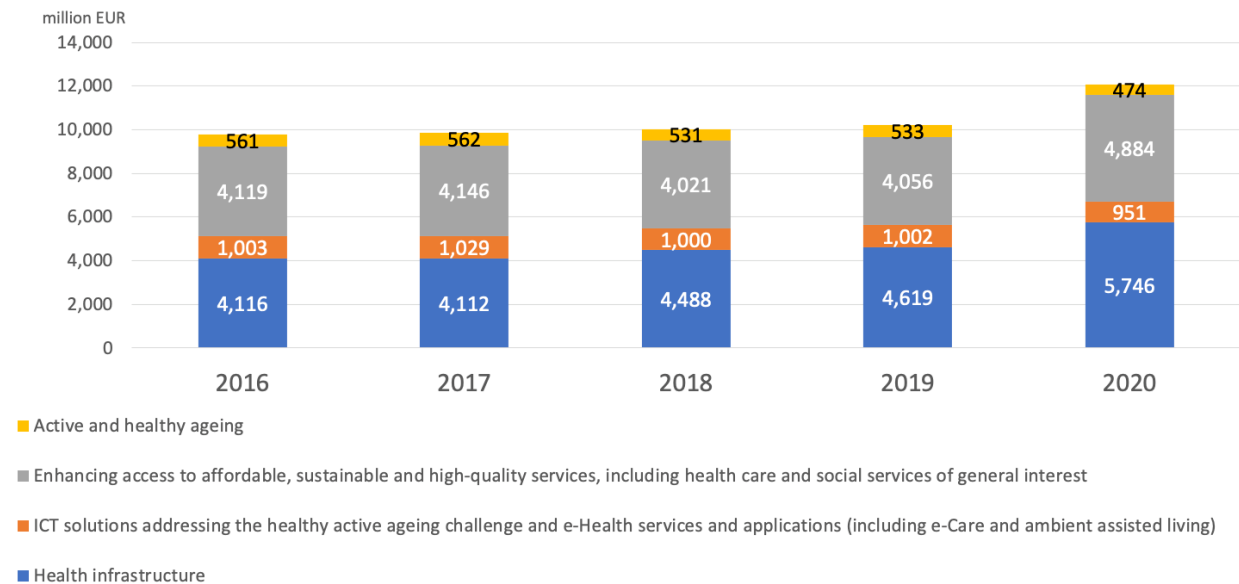
### 2.2.1. Healthcare

Analysing 2016-2020 data from the European Commission's Cohesion Data platform enables a more in-depth understanding of changes in EU Cohesion Policy allocations. For the healthcare sector, there was a considerable shift to health-related activities between 2019 and 2020. According to European Commission data on health<sup>5</sup> four intervention fields are considered as particularly relevant for monitoring health-related EU investments, the first two being mainly funded under ERDF, the latter under ESF:

- Health infrastructure (intervention field 053);
- ICT solutions addressing the healthy active ageing challenge as well as e-health services and applications (081);
- Active and healthy ageing (107); and
- Enhancing access to affordable, sustainable and high-quality services, including healthcare and social services of general interest (112).

The allocations for these four intervention fields increased significantly in 2020. While only slight increases can be observed for 2016-2019, about EUR 0.4 billion in three years, allocations increased from EUR 9.8 billion to EUR 12.1 billion between 2019 and 2020, about EUR 2.3 billion (Figure 3). Allocations for active and healthy ageing and ICT solutions even decreased slightly between 2019 and 2020. The increase of EUR 2.3 billion can be fully allocated to two of four intervention fields: Access to services (+EUR 0.8 billion) and health infrastructure (+EUR 1.6 billion).

**Figure 3 Health-related allocations in EU Cohesion Policy (ERDF, ESF), 2016-2020**



Source: Own representation, based on European Commission, 2020<sup>6</sup>

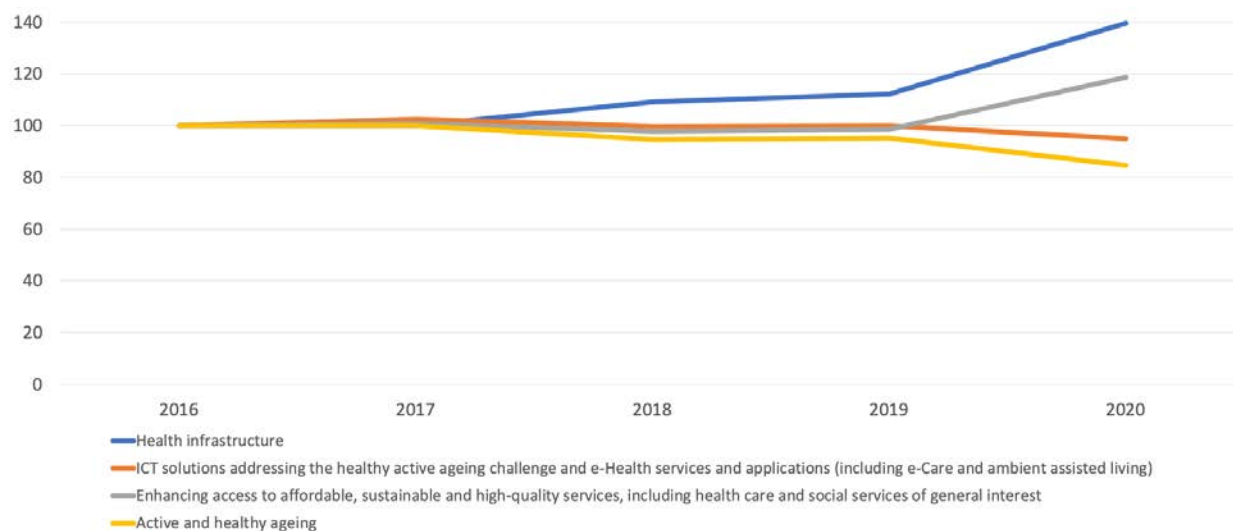
With a specific focus on the evolution of health-related allocations in EU Cohesion Policy, the increasing relevance of health infrastructure and access to services becomes even more apparent. Compared to 2016 allocations, 2020 allocations for access to services increased by 20% and for health infrastructure

<sup>5</sup> <https://cohesiondata.ec.europa.eu/stories/s/In-profile-cohesion-policy-improving-health-service/qyuv-h9j2>

<sup>6</sup> Based on dataset '2014-2020-ERDF-ESF-HEALTH-TIMESERIES', downloaded: 28 August 2020; latest update: 4 August 2020 (<https://cohesiondata.ec.europa.eu/2014-2020/2014-2020-ERDF-ESF-HEALTH-TIMESERIES/gubm-rbid>) for 2016-2019; and dataset '2014-2020-ERDF-ESF-HEALTH-latest-planned', downloaded 28 August 2020; latest update: 28 August 2020 (<https://cohesiondata.ec.europa.eu/2014-2020/2014-2020-ERDF-ESF-HEALTH-latest-planned/prjy-akp3>) for 2020.

even by 40 % (Figure 4). In the same period, on the other hand, allocations for ICT solutions and active and healthy ageing decreased by 5 % and 15 %, respectively. It is not certain how far these changes can be traced back to modifications introduced through CRII and CRII+. Nevertheless, changes are significant and are most probably a response to the COVID-19 pandemic.

**Figure 4 Evolution of health-related allocations in EU Cohesion Policy (ERDF, ESF) (2016 = 100)**

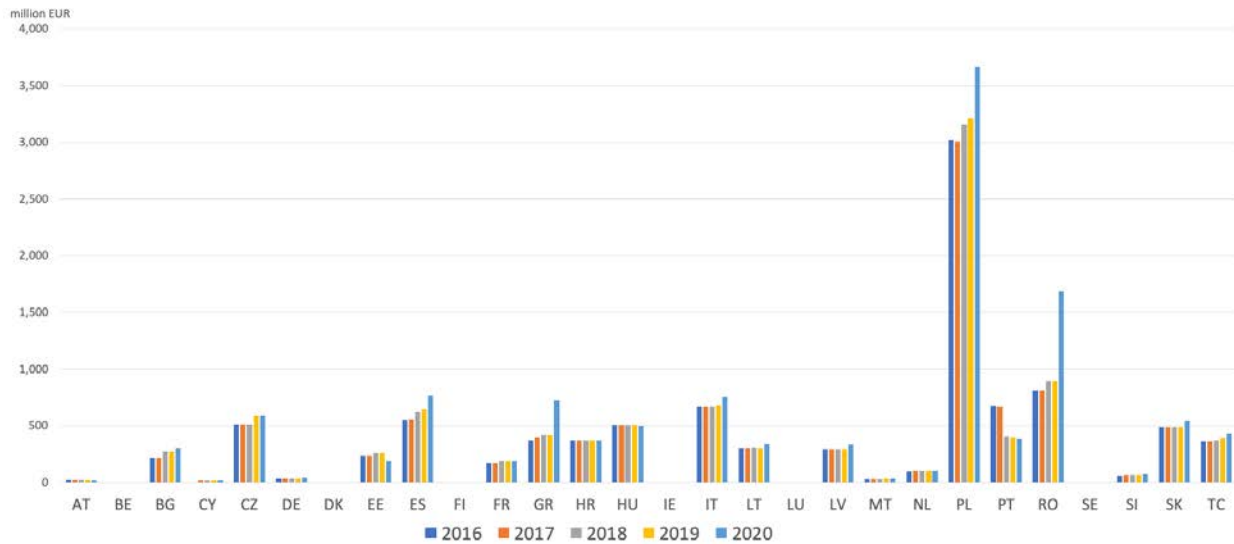


Source: Own representation, based on European Commission, 2020<sup>7</sup>

Programme authorities in some EU Member States did not increase their allocations for health-related activities while others increased it significantly. The increase can be traced back to changes in operational programmes from nine Eastern and Southern European countries: Bulgaria, Spain, Greece, Italy, Lithuania, Latvia, Poland, Romania and Slovakia, plus territorial cooperation programmes (TC) (Figure 5). Together, they account for 95 % of the increase in health-related allocations between 2019 and 2020. It is important, however, to emphasise that many programmes had not submitted any information on their allocations by the end of August 2020 but were expected to do so in the following weeks. This includes 1/3 of Italian programmes, many of which have comparatively large budgets.

<sup>7</sup> See footnote 6.

**Figure 5 Health-related allocations in EU Cohesion Policy (ERDF, ESF) per Member State**

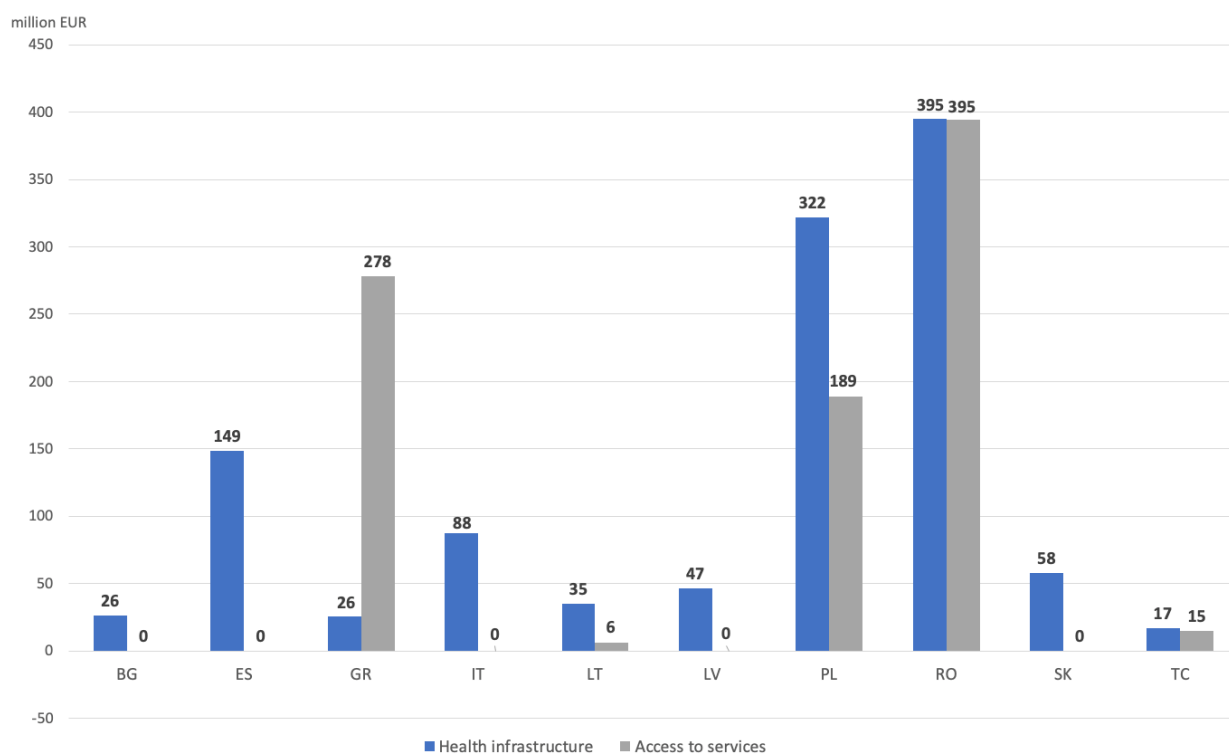


Source: Own representation, based on European Commission, 2020<sup>8</sup>

Looking further into the two fields of intervention that account for the increase, namely health infrastructure and access to services, reveals that allocations in Polish and Romanian programmes account for about EUR 1.3 billion, more than 50%. For health infrastructure, programmes from Spain, Italy and Slovakia also show a remarkable increase of about EUR 295 million. Greek programmes, on the other hand, increased their allocations to enhancing access to services, by almost EUR 280 million (Figure 6).

<sup>8</sup> See footnote 6.

**Figure 6** Change in health-related allocations in EU Cohesion Policy (ERDF, ESF) 2019-2020



Source: Own representation, based on European Commission, 2020<sup>9</sup>

### 2.2.2. SMEs

Similar to health-related activities, data from the European Commission’s Cohesion Data platform confirms a shift in Cohesion Policy allocations between 2019 and 2020. For SMEs<sup>10</sup>, 20 intervention fields can be relevant and summarised in five sub-groups:

- Innovation in SMEs
  - Investment in infrastructure, capacity and equipment in SMEs directly linked to research and innovation activities (intervention field 056);
  - Adaptation of workers, enterprises and entrepreneurs to change (062);
  - Research and innovation processes in SMEs (including voucher schemes, process, design, service and social innovation) (064);
  - Advanced support services for SMEs and groups of SMEs (including management, marketing and design services) (066);
  - Research and innovation processes in SMEs (including voucher schemes, process, design, service and social innovation) (067);
- Digitalisation of SMEs
  - Productive investment linked to the cooperation between large enterprises and SMEs for developing information and communication technology (ICT) products and services, e-commerce and enhancing demand for ICT (004);

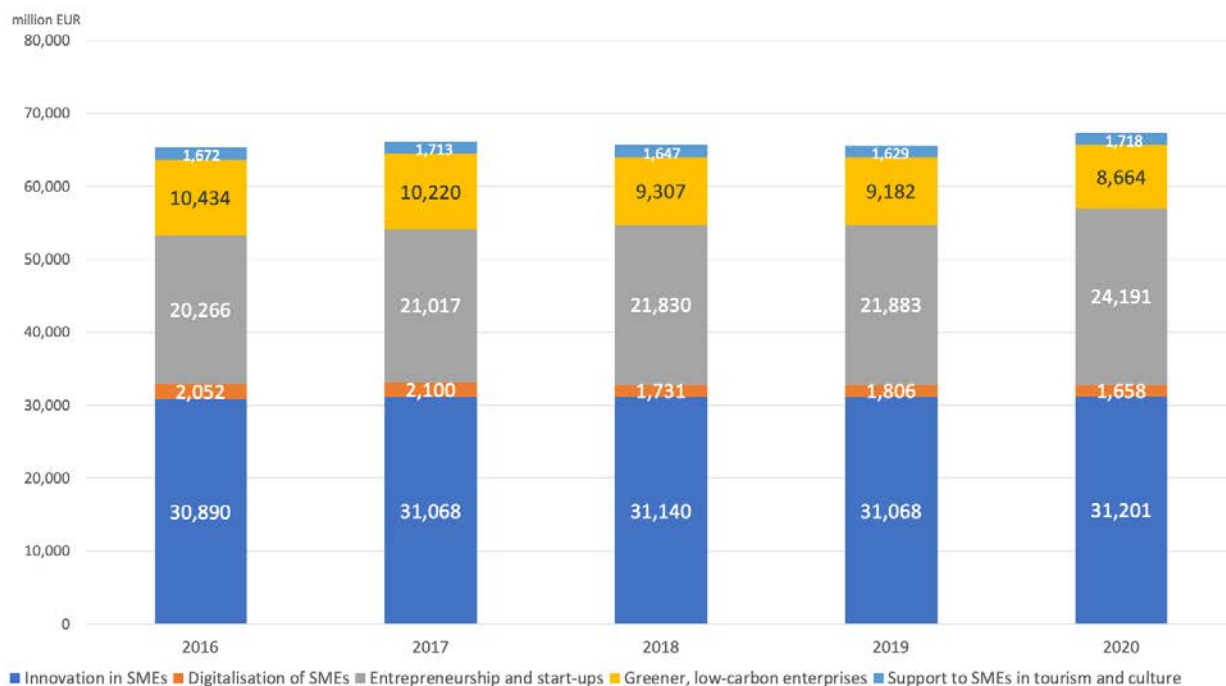
<sup>9</sup> See footnote 6.

<sup>10</sup> <https://cohesiondata.ec.europa.eu/stories/s/An-Economy-that-works-for-people-Cohesion-Policy-s/n4ee-2h83>

- 
- ICT Services and applications for SMEs (including e-Commerce, e-Business and networked business processes), living labs, web entrepreneurs and ICT start-ups (082);
  - Entrepreneurship and start-ups
    - Generic productive investment in SMEs (001);
    - Cluster support and business networks primarily benefiting SMEs (063);
    - Business infrastructure for SMEs (including industrial parks and sites) (072);
    - Support to social enterprises (SMEs) (073);
    - Self-employment, entrepreneurship and business creation including innovative micro, small and medium-sized enterprises (104);
  - Greener, low-carbon enterprises
    - Energy efficiency and demonstration projects in SMEs and supporting measures (068),
    - Support to environmentally friendly production processes and resource efficiency in SMEs (069),
    - Development and promotion of enterprises specialised in providing services contributing to the low carbon economy and to resilience to climate change (including support to such services) (071),
    - Adaptation of workers, enterprises and entrepreneurs to change (106);
  - Support to SMEs in tourism and culture
    - Development and promotion of tourism assets in SMEs (074),
    - Development and promotion of tourism services in or for SMEs (075),
    - Development and promotion of cultural and creative assets in SMEs (076),
    - Development and promotion of cultural and creative services in or for SMEs (077).

Allocations for the 20 intervention fields related to SME support increased from EUR 65.6 billion in 2019 to EUR 67.4 billion in 2020, i.e. by about EUR 1.8 billion. Compared with changes in previous years, this increase is significantly higher. Although this is similar to the increase in health-related allocations, it is important to underline that total SME-related allocations are much higher than health-related allocations. Looking into the five abovementioned groups, the highest increase is for entrepreneurship and start-ups (EUR 2.3 billion) while allocations related to innovation and tourism increased only slightly. Allocations related to sustainability and digitalisation – two topics of particular future relevance and closely related to overarching EU policies and strategies like the Green Deal or Digital Europe – even decreased by EUR 0.65 billion (Figure 7).

**Figure 7 SME-related allocations in EU Cohesion Policy (ERDF, ESF), 2016-2020**

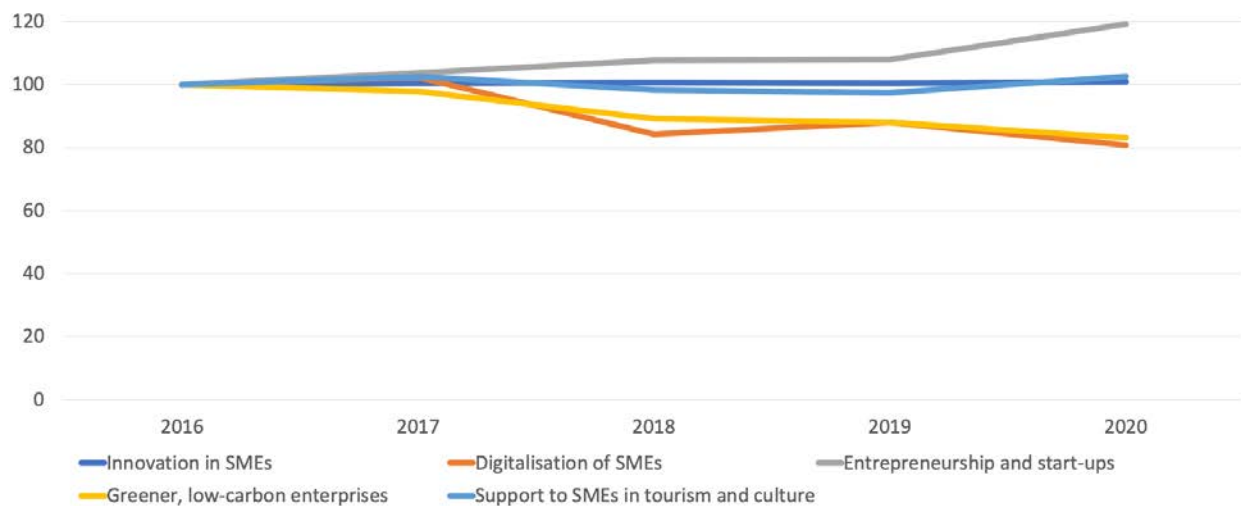


Source: Own representation, based on European Commission, 2020<sup>11</sup>

The analysis of the evolution confirms the direction of allocation development since 2016. While allocations to entrepreneurship and start-ups increased by about 20%, allocations for support related to digitalisation and a low-carbon economy decreased by about 20%. Allocations for innovation and tourism, on the other hand, remained rather constant (Figure 8). It is unclear to what extent the changes are rooted in modifications from CRII and CRII+, but the overall development shows a significant shift from priorities related to long-term economic transformation, such as digitalisation or greening of the economy, to short-term priorities like the support for entrepreneurship and start-ups. At the same time, it is important to emphasise that future-oriented allocations were in decline already before COVID-19. The pandemic might have rather accelerated than induced this development.

<sup>11</sup> Based on dataset 'ESIF 2014-2020 categorisation ERDF-ESF-CF planned vs implemented', downloaded: 1 September 2020; latest update: 4 August 2020 (<https://cohesiondata.ec.europa.eu/2014-2020-Categorisation/ESIF-2014-2020-categorisation-ERDF-ESF-CF-planned-3kkx-ekfq>) for 2016-2019; and dataset 'ESIF 2014-2020 categorisation ERDF-ESF-CF – planned', downloaded 1 September 2020; latest update: 1 September 2020 () for 2020.



**Figure 8 Evolution of SME-related allocations in Cohesion Policy (ERDF, ESF) (2016 = 100)**

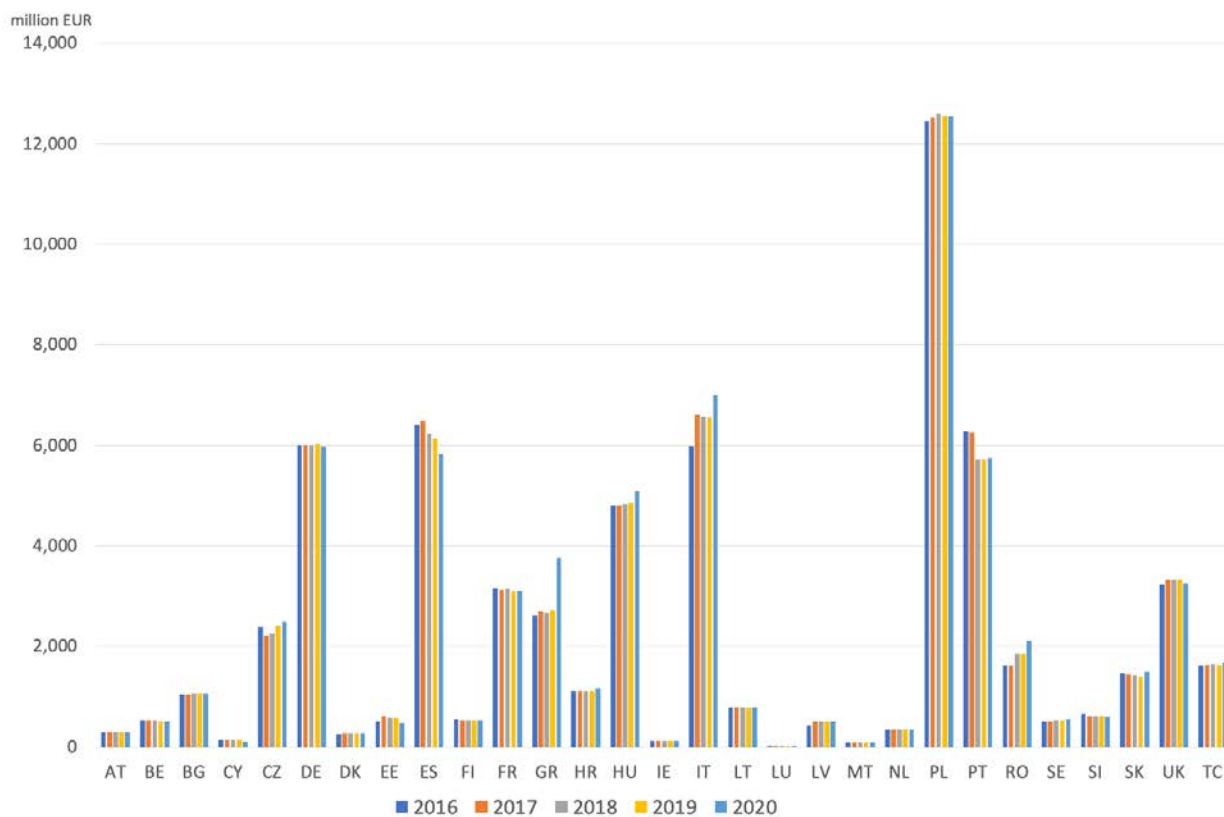
Source: Own representation, based on European Commission, 2020<sup>12</sup>

Not all EU Member States increased their allocations for SME-related activities between 2019 and 2020, in countries such as Germany, Poland, France, the Netherlands or Belgium, allocations remained constant. The increase can be mainly traced back to Greece (EUR 1.1 billion), Italy (EUR 456 million), Romania (EUR 273 million) and Hungary (EUR 252 million) (Figure 9). Among those countries that reduced their SME-related allocations, Spain sticks out with over EUR 300 million less between 2019 and 2020. Several other countries such as Portugal and Estonia also reduced their allocations but started doing so before 2019/2020. Hence, the reductions are probably not immediate responses to the COVID-19 pandemic.

Allocations for entrepreneurship and start-ups as well as for greener, low-carbon enterprises show the most significant changes. A closer look illustrates that Greece increased its allocations for entrepreneurship and start-ups significantly compared to 2019 while allocations for a greener, low-carbon economy hardly changed (Figure 10). Hungary, Italy and Romania have a small shift in SME-related allocations (about EUR 400 million to EUR 450 million per country) but comparatively high reductions in allocations for a low-carbon economy. Lastly, Spain is the only EU Member State that decreased allocations to either of the two topics by more than EUR 100 million.

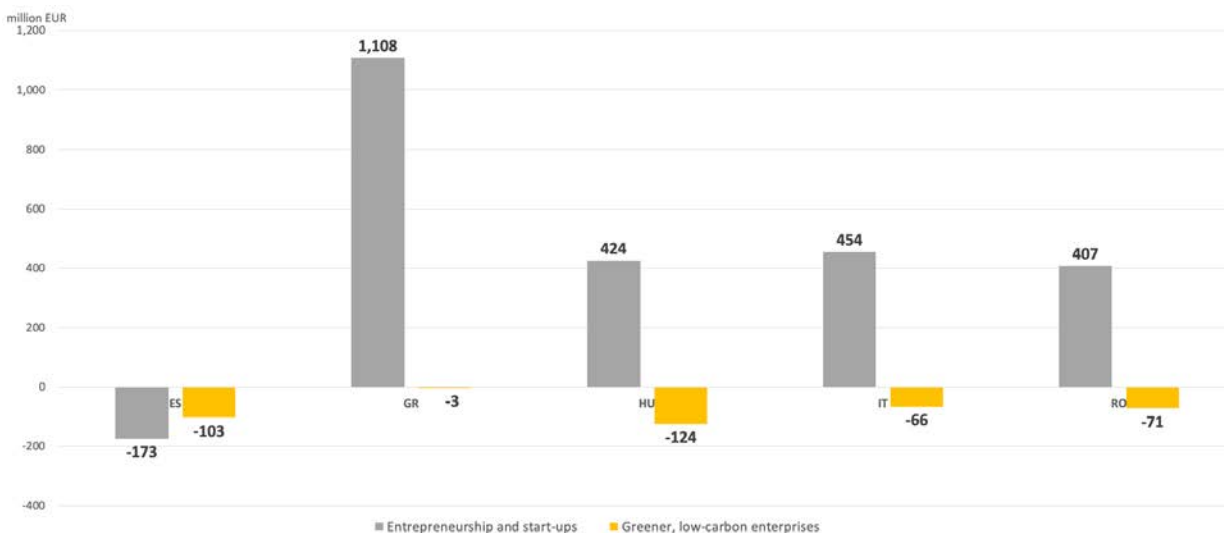
<sup>12</sup> See footnote 11.

**Figure 9 SME-related allocations in EU Cohesion Policy (ERDF, ESF) per Member State**



Source: Own representation, based on European Commission, 2020<sup>13</sup>

**Figure 10 Change in SME-related allocations in EU Cohesion Policy (ERDF, ESF) 2019-2020**



Source: own representation, based on European Commission, 2020<sup>14</sup>

<sup>13</sup> See footnote 11.

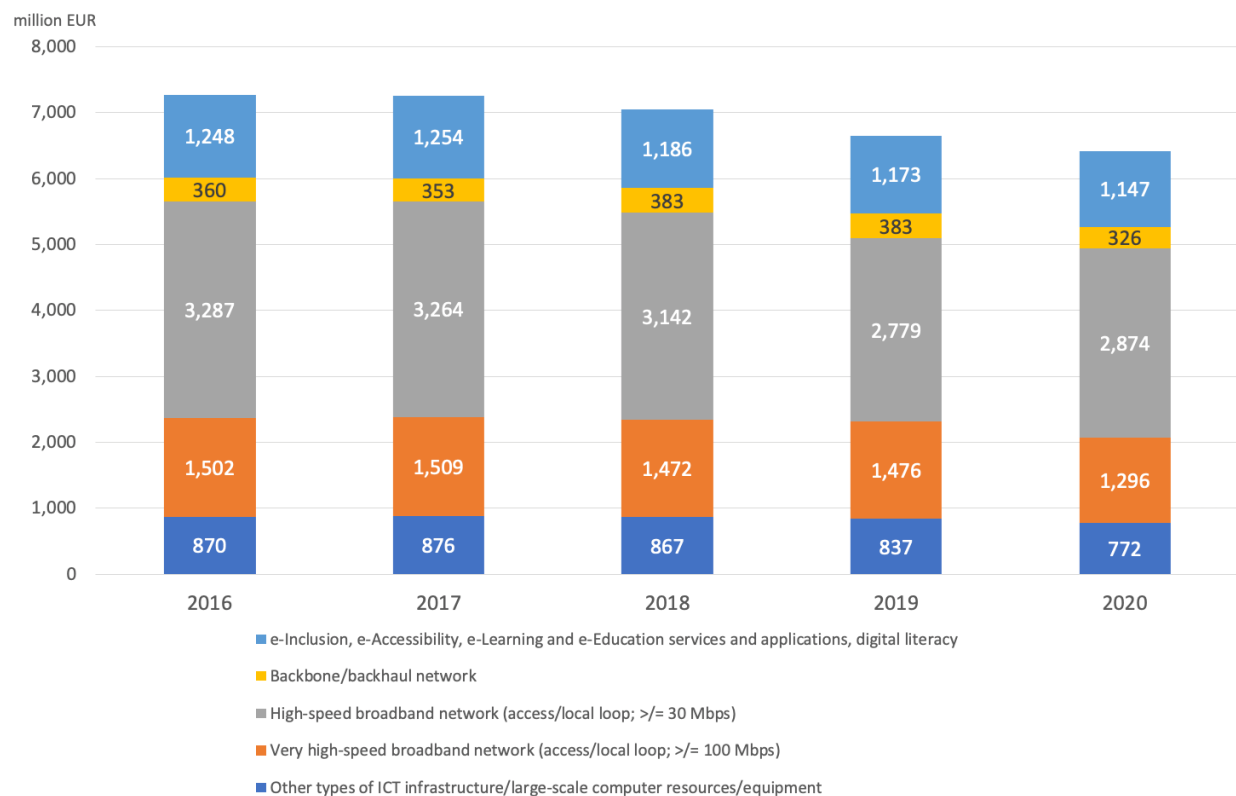
<sup>14</sup> See footnote 11.

### 2.2.3. Remote work and schooling

Looking into data from the European Commission Cohesion Data platform, there was no significant shift in allocations supporting remote work and schooling. Five intervention fields can be considered being relevant as they address ICT infrastructure and software:

- ICT: Backbone / backhaul network (intervention field 045),
- ICT: High-speed broadband network (access/local loop;  $\geq 30$  Mbps) (046),
- ICT: very high-speed broadband network (access/local loop;  $\geq 100$  Mbps) (047),
- ICT: Other types of ICT infrastructure/large-scale computer resources/equipment (including e-infrastructure, data centres and sensors; also in other infrastructure such as research facilities, environmental and social infrastructure) (048), and
- e-Inclusion, e-Accessibility, e-Learning and e-Education services and applications, digital literacy (080).

**Figure 11 ICT-related allocations in EU Cohesion Policy (ERDF, ESF), 2016-2020**



Source: Own representation, based on European Commission, 2020<sup>15</sup>

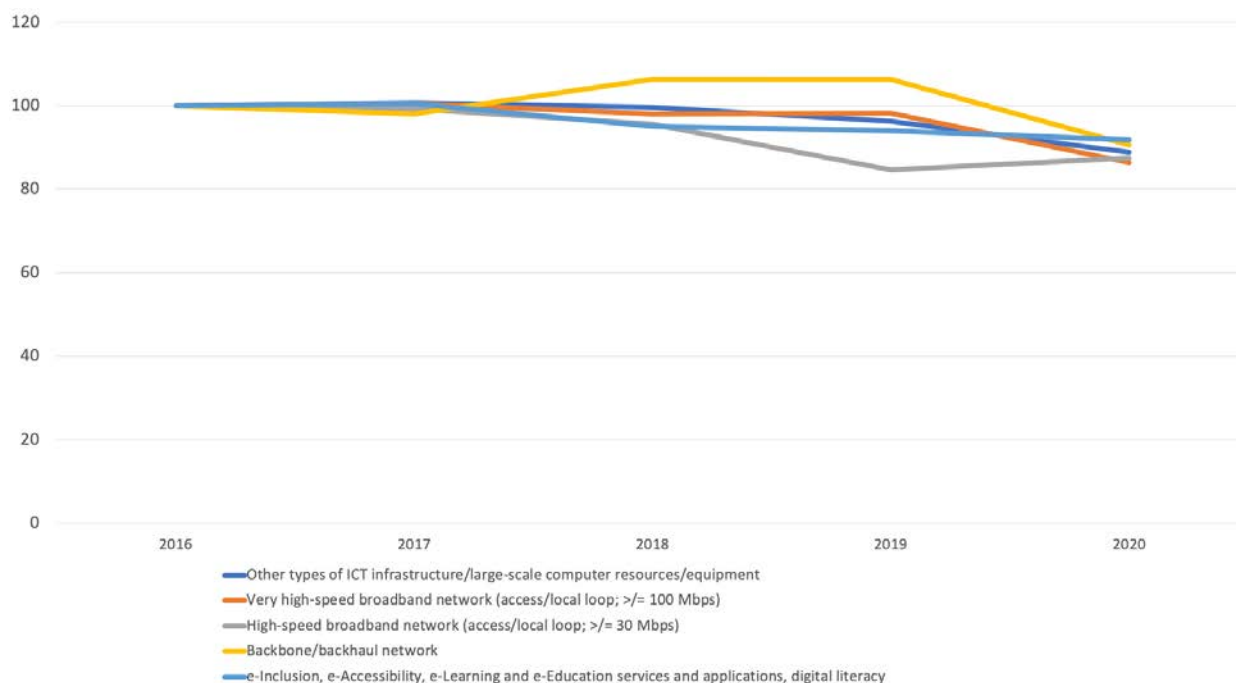
Allocations for the five intervention fields declined from EUR 6.7 billion in 2019 to EUR 6.4 billion in 2020 (Figure 11). This confirms the trend from previous years. Already between 2016 and 2019, the allocation went down from EUR 7.3 billion to EUR 6.7 billion, on average about EUR 0.2 billion per year. In contrast to health and SME-related allocations, CRII and CRII+ do not seem to have led to an increase in these fields of intervention. The budget allocated to the five fields of intervention is below health-related allocations although investments in state-of-the-art ICT infrastructure are certainly greater than many health-related measures. ICT infrastructure and e-services and applications have not been an

<sup>15</sup> See footnote 11.

important topic in EU Cohesion Policy so far and CRII/CRII+ have not led to increases in allocations. If CRII/CRII+ had an impact at all, it has probably been an even sharper decline in ICT-related allocations.

A more detailed look into the evolution of all intervention fields shows that the allocations for remote work and schooling declined in recent years (Figure 12). Allocations for backbone/backhaul networks are the only exception. They show an interim increase for 2018 and 2019 above the level of 2016. Given the minor relevance of this field (not more than EUR 0.38 billion per year), this increase should, however, not be overrated. Overall, the 2020 allocations are at about 85-90% of the 2016 level.

**Figure 12 Evolution of ICT-related allocations in EU Cohesion Policy (ERDF, ESF) (2016 = 100)**

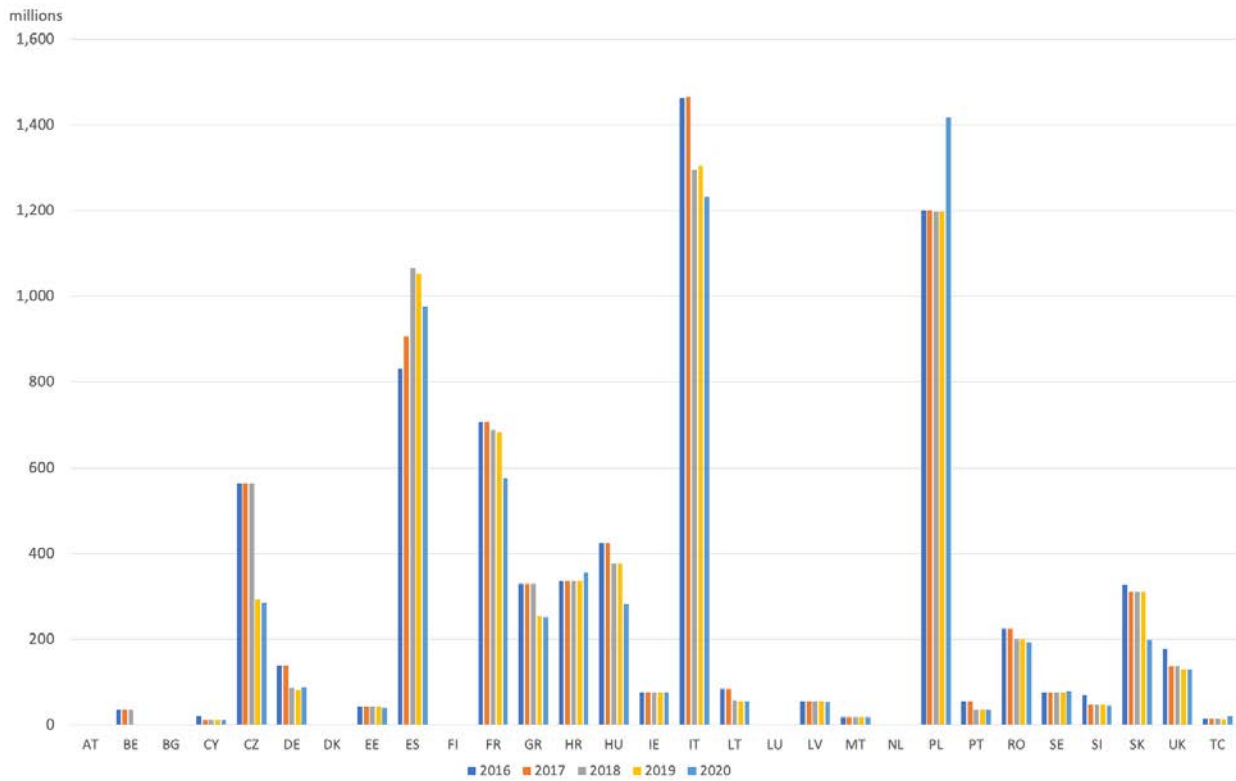


Source: Own representation, based on European Commission, 2020<sup>16</sup>

A few countries increased their ICT-related allocations between 2019 and 2020. These are Germany (EUR 5 million), Croatia (EUR 19 million), Poland (EUR 220 million) and Sweden (EUR 3 million) (Figure 13). European territorial cooperation programmes increased their allocations by EUR 7 million in 2020, an increase of more than 50% compared to 2019. Still, ICT does not play an important role under Interreg. Many countries have not had any allocations in these fields in 2019 and 2020 (Austria, Belgium, Bulgaria, Denmark, Luxembourg, the Netherlands) or did not change their allocations at all (Cyprus, Finland, Ireland, Malta, Portugal). EU Member States with the most significant (relative and total) decline in 2019-2020 are Spain, France, Hungary, Italy and Slovakia, with a total reduction of EUR 0.5 billion.

<sup>16</sup> See footnote 11.

**Figure 13 ICT-related allocations in EU Cohesion Policy (ERDF, ESF) per Member State**

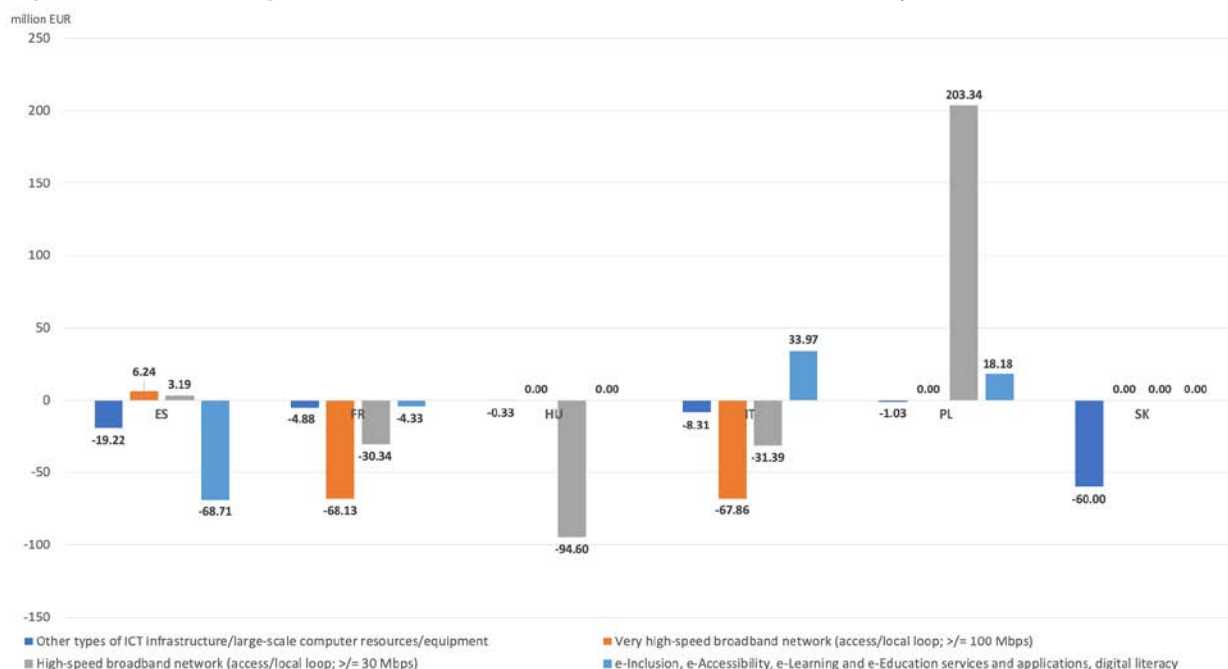


Source: Own representation, based on European Commission, 2020<sup>17</sup>

Looking into countries that either increased or reduced their allocations between 2019 and 2020 gives a varied picture (Figure 14). Poland clearly sticks out as the only country with major increases, especially in high-speed broadband networks but also in the intervention field that covers e-Inclusion, e-Learning and e-Education. Other countries only had minor increases of a few million Euros as described above. Hungary and Slovakia have clear reductions 2019-2020 in a single intervention field. Spain and Italy, on the other hand, show a broad decline across the four fields of intervention (except for Italian allocations to services and applications).

<sup>17</sup> See footnote 11.

**Figure 14** Change in ICT-related allocations in EU Cohesion Policy (ERDF, ESF) 2019-2020



Source: Own representation, based on European Commission, 2020<sup>18</sup>

### 2.3. Potential benefits and risks of CRII/CRII+

The ongoing debate on the uptake of CRII/CRII+ measures also reveals some cross-cutting issues highlighting both expected benefits and risks of these measures for the overall implementation of Cohesion Policy and the contribution to a stronger and more cohesive Europe.

**Flexibility**, while the increased flexibility is highly welcomed and widely used, especially for transfers to health infrastructure, access to health services, entrepreneurship and start-ups, there is no unanimity about whether it should be continued or extended beyond CRII/CRII+. Bachtler et al (2020, p. 25) argue that flexibilities introduced under CRII/CRII+ should be maintained and extended for regular EU Cohesion Policy in the 2021-2027 programming period. On the other hand, some fear that making these simplifications permanent, brings considerable risks for the strategic orientation and shared management of Cohesion Policy:

- Flexibility risks favouring short-term investments over long-term strategic choices (Böhme et al., 2020; Lüer & Böhme, 2020b). The data on reallocations (see section 2.2), already highlights reductions in allocations for future-oriented topics such as sustainability and digitalisation.
- Allowing Member States to decide how much the thematic concentration will apply (national or regional) could generate a discriminatory approach between EU regions. Thematic concentration thresholds between regions from the same category but in different Member States could differ (CPMR, 2020a).
- The high degree of flexibility for transferring resources across funds is a matter of concern as it may be used by national governments to the detriment of regions unless clear safeguards are in place (CPMR, 2020a).

<sup>18</sup> See footnote 11.

**Result and performance orientation** were important at the start of the current programme period to ensure strong result orientation. The increased flexibility might reduce some of the ambitions and expected benefits of this. Bachtler et al. (2020) expect that the increased flexibility might impact on the results and performance of the programme and on whether voluntary indicators will enable systematic insights on how well funding has been used.

**Fast spending** has been a key ambition to ensure that European healthcare systems can cope with the crisis and there is sufficient liquidity in the economy. However, fast does not always equate to effective or regular spending. As Bachtler et al. (2020, p. 53) point out, the European Court of Auditors has already signalled concerns on accountability with respect to the CRII/CRII+ packages. Given the anticipated pace of implementation they are less easy to track, especially if simplified and flexible processes are used. In other words, the focus on fast spending might run into concerns about accountability.

**Territorial diversity** remains a particular issue for policy initiatives responding to COVID-19. The pandemic shows considerable territorial asymmetries in terms of infections, the socio-economic impacts of lockdowns, hygienic measures and travel restrictions, as well as recovery policies (Böhme & Besana, 2020; Böhme et al., 2020). In very general terms, Southern regions had more severe lockdowns and need more support (Odendahl & Springford, 2020). Increased funding and flexibility as well as an extended funding period mainly benefits programmes with lower spending (Bachtler et al., 2020). These are mainly in the South. However, the territorial diversity of COVID-19 impacts on regional economies does not match the traditional Cohesion Policy picture of economically weak and strong regions. Spending, however, mainly follows the Cohesion Policy picture. Hence, the territorial diversity of COVID-19 impacts does not seem to be sufficiently reflected in the spending (Böhme & Besana, 2020; Lürer & Böhme, 2020b). The shared management and partnership principle of Cohesion Policy allows regional players to advocate that the flexibility of CRII/CRII+ benefits places in most need of support. Unfortunately, focus on the national level risks money not being used for a place-sensitive approach in the Member States (Lürer & Böhme, 2020b). Furthermore, there is too much focus on single countries, and too little on acknowledging the interdependencies between places in Europe (e.g. by strengthening cooperation) (Lürer & Böhme, 2020b, 2020a).





### 3. POLICY MEASURES IN THE MAKING

#### KEY FINDINGS

'Next Generation EU' and the Multiannual Financial Framework for 2021-2027 make up the European Recovery Plan. They have a proposed budget of EUR 1,850 billion and a strong focus on supporting Europe's recovery from the COVID-19 pandemic.

- As regards the 2014-2020 programme period, REACT-EU shall provide additional funding for ERDF and ESF programmes, which mainly is to be spent in 2021 and 2022.
- As regards the 2021-2027 programme period, the most important proposal is a new instrument: The Recovery and Resilience Facility.
- The considerable amounts of funding, the flexibility, frontloading the next programme period and the refocus on grants via REACT-EU are highly appreciated.
- Despite a generally positive reception for the modifications, the crisis and recovery measures might be a missed opportunity as short-term investments are prioritised over more ambitious high-quality and long-term investments.
- The most important risk is that the Resilience and Recovery Facility might overshadow Cohesion Policy, leading to downward competition between EU funding sources.

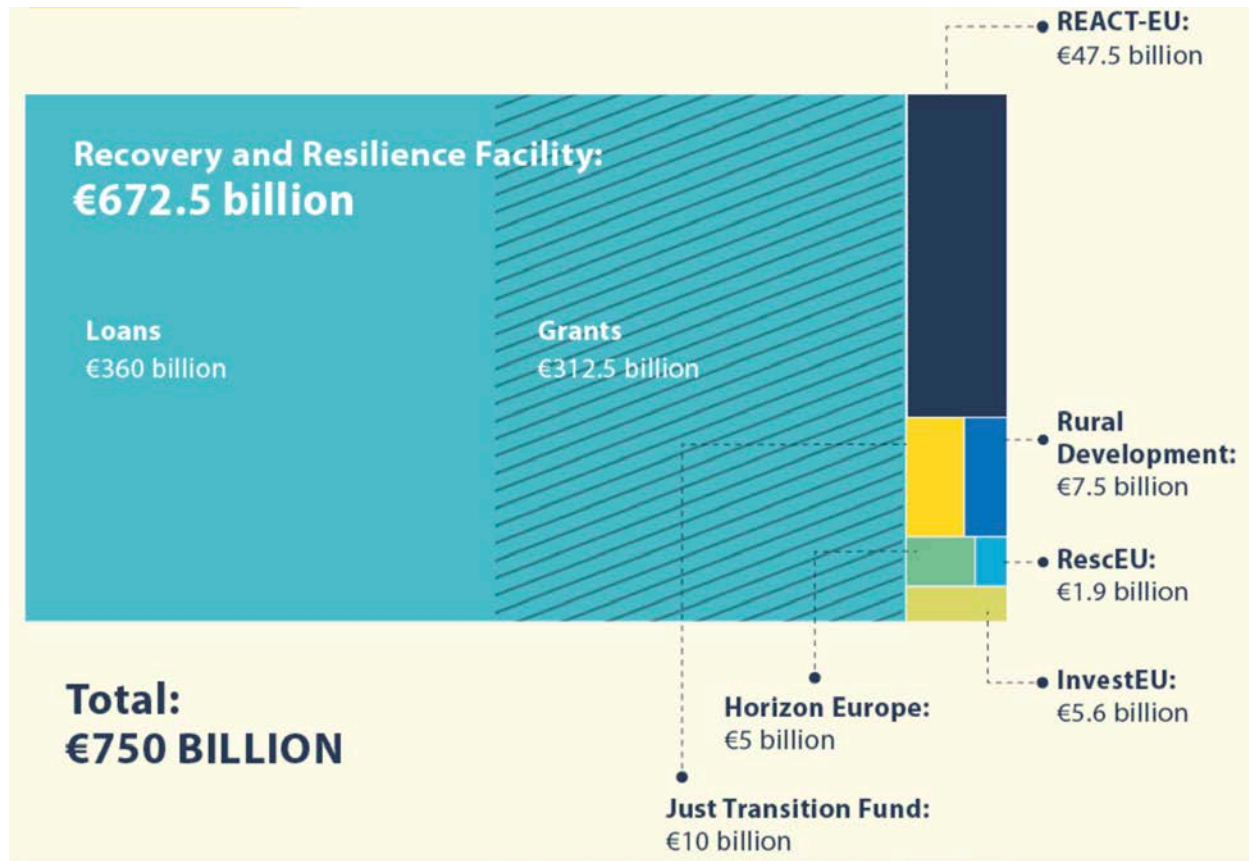
Various measures are currently under discussion between the European Commission, the Council and the European Parliament. The European Commission has published several proposals for changes that either refer to the current funding period 2014-2020 or imply modifications for the next funding period 2021-2027. In the following, we first describe expected and planned modifications in EU Cohesion Policy for both funding periods and, afterwards, discuss their potential risks and benefits. All numbers refer to the status as of summer 2020. The outcome of the July 2020 European Council summit is taken into consideration. Further negotiations have not been considered.

#### 3.1. Expected and planned modifications to EU Cohesion Policy

In May 2020, the European Commission published its proposal for a one-off EU Recovery Instrument – the 'Next Generation EU' instrument (COM(2020) 441 final/2). The proposal included a combination of different types of support (direct non-repayable grants, repayable loans, guarantees) providing up to EUR 750 billion for existing and new programmes. 'Next Generation EU' will affect both the current 2014-2020 (taking into account the extended spending period) and the next 2021-2027 funding periods. Together, 'Next Generation EU' and the next Multiannual Financial Framework for 2021-2027 constitute the European Recovery Plan with a proposed budget of EUR 1,850 billion.

After one of the longest EU summits in history in July 2020, the Heads of States and Governments of the EU agreed on an amended version of 'Next Generation EU' which did not change the total budget of EUR 750 billion but the distribution between instruments (Figure 15). Under this agreement, the budgets of programmes directly or indirectly related to EU Cohesion Policy such as REACT-EU, the Just Transition Fund and EAFRD, were reduced. Five other instruments were completely taken off the list of programmes funded under 'Next Generation EU'. On the other hand, the Recovery and Resilience Facility increased significantly (Table 3). As the proposal and the Council Conclusions are subject to ongoing negotiations between the Council and the Parliament, the final design of 'Next Generation EU' has not yet been decided. Below, we introduce the most relevant instruments for EU Cohesion Policy as well as the Recovery and Resilience Facility (RRF), because of its total budget.

**Figure 15** Instruments under 'Next generation EU' as agreed by the European Council, July 2020



Source: European Council, 2020 (extract)<sup>19</sup>

<sup>19</sup> <https://www.consilium.europa.eu/media/45176/2007-next-generation-eu-infographic11.jpg>

**Table 3 Overview of programmes and instruments under 'Next Generation EU' (in 2018 prices)**

Pillar	Name in the European Commission proposal (COM(2020) 441/2 final)	Programme / instrument	Budget in EUR billion				Main type of support
			COM proposal (COM(2020) 441)		Council conclusions (EUCO 10/20)		
Supporting Member States to recover, repair and emerge stronger from the crisis	Structural and cohesion programmes of the MFF 2014-2020 as reinforced until 2022	REACT-EU	50	655 (87 %)	47.5	737.5 (98 %)	Grants
	Programme financing recovery as well as economic and social resilience via support for reforms and investments	Recovery and Resilience Facility	310		312.5		Grants
			250		360		Loans
	Programmes supporting territories in their transition towards a climate-neutral economy	Just Transition Fund	30		10		Grants / loans
Development in rural areas	European Agricultural Fund for Rural Development (CAP pillar II)	15	7.5	Grants / loans			
Kick-starting the economy and helping private investment	Programmes supporting investment in EU internal policies	Strategic Investment Facility	15	56.3 (8 %)	-	5.6 (1 %)	Guarantees
		InvestEU Fund	15.3		5.6		Guarantees
	Programmes strengthening the solvency of economically viable businesses in the EU	Solvency Support Instrument	26		-		Guarantees
Learning lessons from the crisis and addressing Europe's strategic challenges	Programme related to health	EU4Health	7.7	38.7 (5 %)	-	6.9 (1 %)	Grants
	Programmes related to civil protection	Union Civil Protection (rescEU)	2		1.9		Grants
	Programmes related to research and innovation, including support for financial instruments	Horizon Europe	13.5		5		Grants / loans
	Providing humanitarian aid outside the Union	Humanitarian Aid	5		-		Grants / loans
	Programmes fostering sustainable and inclusive economic growth outside the EU	Neighbourhood, Development and International Cooperation Instrument	10.5		-		Guarantees

Source: Own elaboration, based on COM(2020) 441, 442; EUCO 10/20

### 3.1.1. 2014-2020

For the current funding period, two proposals were on the table: REACT-EU and the amended 2014-2020 budget. While the European Council Conclusions from July 2020 underline that ‘relevant actions started from 1 February 2020 onwards should be eligible for financing under ReactEU’ (EUCO 10/20; A31), the latter was taken off the table as the Council decided there ‘will be no change to the MFF 2014-2020’ (ibid.). As negotiations between the legislators are ongoing, we introduce both proposals.

#### **REACT-EU**

REACT-EU extends the 2014-2020 funding period to 2022 with regard to commitments and to 2025 for payments. This implies that commitments linked to the additional resources will only be decommitted in 2025 (‘N+3’). Furthermore, REACT-EU will provide additional funding for ERDF and ESF programmes of the extended 2014-2020 funding period. In addition, the European Parliament suggests also including the Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD). The initial budget of EUR 50 billion suggested by the Commission (COM(2020) 451), was reduced by EUR 2.5 billion in the Council Conclusions (EUCO 10/20). The legal proposal includes amendments to the CPR (Regulation (EU) No 1303/2013). The key elements are two articles, 92a and 92b, that define the rules for additional allocations spent under REACT-EU:

- Member States may decide whether they allocate the resources to one or more priority axes within an existing programme or set up a new programme.
- The additional resources shall support measures under the new thematic objective related to repair in the context of the COVID-19 pandemic and a green, digital and resilient recovery from the crisis, more specifically:
  - Resources allocated to ERDF programmes will primarily be used for health services, working capital and investment support to SMEs, the transition towards a digital and green economy, infrastructure for basic services and economic measures in the regions hit hardest by the crisis.
  - Resources allocated to ESF programmes will primarily be used for job maintenance and job creation, youth employment, education and training, skills development and enhancing access to social services of general interest.
- Besides ERDF and ESF, the additional resources may also be used to increase allocations for FEAD. According to the Commission proposal, allocations to the YEI will not be affected. The European Parliament, however, insists including both FEAD and YEI.
- Member States may transfer the additional resources from REACT-EU to ERDF and ESF programmes.
- Fewer administrative requirements have to be fulfilled, e.g. for ex-ante evaluations, thematic concentration, result indicators, the performance framework, technical assistance, administrative capacities, conditionalities or administrative burden.
- Member States can apply a co-financing rate of up to 100%.

#### **Amended budget**

In addition to the REACT-EU instrument to boost 2014-2020 Cohesion Policy, the European Commission also proposed an amended budget for 2014-2020 (COM(2020) 423) to exploit the full potential of the EU budget to mobilise investments and frontload financial support already in 2020. This proposal was not included in the Council conclusions of July 2020 as there will be no change to

the Multiannual Financial Framework 2014-2020. The proposed amendment included additional resources of EUR 11.54 billion to be used for:

- Initiating REACT-EU: Member States can use EUR 5 billion for ERDF (about EUR 3.5 billion) and ESF (about EUR 1.5 billion) programmes for repair and recovery measures in the hardest hit regions. Alternatively, they can use the resources for programmes under FEAD.
- European Fund for Strategic Investment (EFSI): A solvency support instrument with a budget of about EUR 5 billion will be created under EFSI to mobilise private capital and support the solvency of companies hit hardest by the crisis.
- European Fund for Sustainable Development (EFSD): EUR 1.04 billion can support proposed amendments to the geographic scope of EFSD to the Western Balkans and a one-year extension of the investment period.
- European Investment Fund (EIF): The capital of the EIF will be increased by EUR 0.5 billion in 2020 to maintain the EIF's financial capacity and preserve its high-grade profile on financial markets.

### 3.1.2. 2021-2027

For the upcoming funding period 2021-2027, several proposals are on the table. The biggest and generally most important proposal is the Recovery and Resilience Facility (RRF). This facility is – financially – the main instrument under 'Next Generation EU' and became even more important in the Council Conclusions in July 2020. According to the agreement in the Council, RRF accounts for 90 % of the budget under 'Next Generation EU', compared to 75 % in the initial proposal by the European Commission.

With a direct link to Cohesion Policy, the European Commission also proposed amendments for the Multiannual Financial Framework 2021-2027 and the Common Provisions and financial rules on ERDF, ESF+, Cohesion Fund, the Just Transition Fund and the EMFF. In addition, amendments were elaborated for the respective fund-specific regulations.

#### ***Recovery and Resilience Facility***

The Recovery and Resilience Facility (RRF) is the main instrument under the framework of 'Next Generation EU'. According to the Council Conclusions, the budget of EUR 672.5 billion is a significant increase compared to the initial Commission proposal of EUR 560 billion. While the Commission proposed more than 54 % to be spent as non-repayable grants (EUR 310 billion) and 46 % as repayable loans (EUR 250 billion), the Council agreed on a distribution that reverses this ratio to 45 % for non-repayable grants (EUR 312.5 billion) and 55 % for repayable loans (EUR 360 billion).

RRF will provide financial support to improve the resilience and adjustment capacity of Member States, mitigating the social and economic impact of the crisis and support the green and digital transitions. It is closely linked to the governance framework of the European Semester. Member States request support from RRF, submit national recovery and resilience plans consistent with their National Reform Programme, National Energy and Climate Plan, Just Transition Plan, partnership agreement and operational programmes under EU funds and Country Specific Recommendations. According to the Council Conclusions, the recovery and resilience plans will be approved by the Council, by qualified majority. If one or more Member States consider deviations from the fulfilment of targets and milestones defined in the national plan, it can request the European Council to discuss the matter at its next meeting. The fulfilment of targets and milestones is necessary before payment requests are approved.

**Multiannual Financial Framework 2021-2027**

The next Multiannual Financial Framework was subject to discussions between the European Council and the European Parliament already before the COVID-19 pandemic. The initial proposal of the European Commission was published in May 2018 (COM(2018) 322). In May 2020, the European Commission published a revised proposal (COM(2020) 443) as a response to the pandemic. This proposal was further discussed and revised by the European Council in July 2020. Looking at allocations to the various sub-headings shows that cuts under heading 2 ‘Cohesion, Resilience and Values’ concern competitiveness (Table 4). The budget for economic, social and territorial cohesion, on the other hand, has hardly changed since the 2018 proposal. It even slightly increased between the 2020 Commission proposal and the Council Conclusions in July 2020. The European Parliament aims for a considerable increase of the MFF 2021-2027. According to various votes, the Parliament seeks to increase the allocations for all headings compared to the initial proposal from May 2018 (except for the budget for European Public Administration). Overall, the issue of balanced development in Europe – as expressed under the objective of a ‘Just Europe’ in the current draft of the Territorial Agenda 2030 – remains important. Details on single funds and instruments under the Multiannual Financial Framework are below.

**Table 4 Structure and allocations for the Multiannual Financial Framework 2021-2027 [million EUR]**

Headings under EUCO 10/20	COM proposal, May 2018 (COM(2018) 322)	EP resolution, November 2018 (P8_TA(2018) 0449)	COM proposal, May 2020 (COM(2020) 443)	Council Conclusions, July 2020 (EUCO 10/20)
<b>1. Single Market, Innovation and Digital</b>	166,303	216,010	140,656	132,781
<b>2. Cohesion, Resilience and Values</b>	391,974	457,540	374,460	377,768
2a. Economic, social and territorial cohesion	330,642	378,097	323,181	330,235
2b. Investing in competitiveness, people and values	61,332	79,443	51,279	47,533
<b>3. Natural Resources and Environment</b>	336,623	404,718	357,032	356,374
Of which: Market-related expenditure and direct payments	254,247	383,255	258,247	258,594
<b>4. Migration and Border Management</b>	30,829	32,194	31,122	22,671
<b>5. Security and Defence</b>	24,323	24,639	19,423	13,185
<b>6. Neighbourhood and the World</b>	108,929	113,386	102,705	98,419
<b>7. European Public Administration</b>	75,602	75,602	74,602	73,102
Of which: Administrative expenditure of the institutions	58,547	58,547	57,480	55,852
<b>TOTAL</b>	<b>1,134,583</b>	<b>1,324,089</b>	<b>1,100,000</b>	<b>1,074,300</b>

Source: Own elaboration, based on COM(2018) 322; P8\_TA(2018)0449; COM(2020) 443; EUCO 10/20

### **Common Provisions**

The European Commission proposed an amendment (COM(2020) 450) to the proposal on Common Provisions for the ERDF, ESF+, Cohesion Fund, Just Transition Fund and EMFF and financial rules for these funds plus the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument (COM(2018) 375). The proposed amendment includes the following modifications:

- Member States may request a transfer of up to 5 % of the initial allocation of each fund to another fund. Previously, this was only possible between instruments under the same fund.
- The additional possibility for Member States to request a transfer of another 5 % of the initial allocation by fund between ERDF, ESF+ and Cohesion Fund.
- As a response to exceptional and unusual circumstances, the European Commission may
  - on request by a Member State, increase interim payments by 10 % above the co-financing rate (not exceeding 100 %),
  - allow Member States to select operations that have already been completed,
  - allow retroactive eligibility of operations,
  - extend the deadlines for submitting documents and data by up to three months.
- Lower threshold for operations subject to phased implementation over two programming periods from EUR 10 million to EUR 5 million.

**ERDF and CF**

The European Commission proposed an amendment (COM(2020) 452) to the proposal for a regulation on ERDF and CF (COM(2018) 372). The new proposal includes the following modifications:

- Broader scope for several specific objectives, e.g. job creation under policy objective 1<sup>20</sup> (PO 1), distance and online education and training, the resilience of health systems and culture, tourism, social inclusion and social innovation under policy objective 4 (PO 4);
- Possibility to purchase supplies necessary for strengthening the resilience of health systems (PO 2) and disaster resilience (PO 4);
- Support for undertakings in difficulty may be provided if it is authorised under a temporary state aid framework established as a response to exceptional circumstances;
- As a response to exceptional and unusual circumstances, the European Commission may
  - extend ERDF support to working capital for SMEs in the form of grants and
  - lower the requirements for sustainable urban development with regard to thematic concentration and minimum allocations.

**ESF+**

The European Commission proposed an amendment (COM(2020) 447) to the proposal for a regulation on ESF+ (COM(2018) 382). The new proposal includes the following modifications:

- Deletion of all references to health because a proposal for a stand-alone EU4Health Programme (COM(2020) 405) is on the table so health would no longer be a topic under ESF+ (see below on EU4Health);
- Reduction of the respective financial envelopes for health;
- Requirement for Member States to allocate at least 5 % of ESF+ resources to tackling child poverty;
- For Member States with above-EU-average youth unemployment: Increase of the minimum allocation to support youth employment, vocational education and training in 2021-2025 from 10 % to 15 % of ESF+ resources.

**EU4Health**

Initially, health was supposed to be under ESF+ with a total budget of EUR 0.4 billion (COM(2018) 382). As a response to COVID-19, the European Commission proposed a stand-alone EU health programme (COM(2020) 405). The new proposal suggested an increased budget for the stand-alone programme of EUR 9.4 billion, as a combination of resources from 'Next Generation EU' (EUR 7.7 billion) and the revised Multiannual Financial Framework 2021-2027 (EUR 1.7 billion). According to the Council Conclusions from July 2020 however, the full allocation from 'Next Generation EU' of EUR 7.7 billion will be cut so the budget for the stand-alone programme would be reduced from EUR 9.4 billion to EUR 1.7 billion, the amount initially foreseen in the revised Multiannual Financial Framework 2021-2027.

---

<sup>20</sup> For the 2021-2027 funding period, five policy objectives (PO) replace the eleven thematic objectives from the 2014-2020 funding period (COM (2018) 375): PO 1 on a smarter Europe; PO 2 on a greener low-carbon Europe; PO 3 on a more connected Europe; PO 4 on a more social Europe; and PO 5 on Europe closer to citizens.



### **Just Transition Fund**

The European Commission proposed an amendment (COM(2020) 460) to the proposal for a regulation on the Just Transition Fund (COM(2020) 22). The new proposal includes an increase of resources from EUR 7.5 billion to EUR 40 billion with a focus on 2021-2024. The new allocations will stem from both 'Next Generation EU' (+ EUR 30 billion) and the revised Multiannual Financial Framework 2021-2027 (+ EUR 2.5 billion). In its conclusions, the Council agreed to reduce the increase for 'Next Generation EU' from EUR 30 billion to EUR 10 billion, so the budget for the Just Transition Fund for 2021-2027 would be EUR 17.5 billion.

### **EAFRD**

The European Commission proposed an amendment (COM(2020) 459) that includes a proposal for regulation on strategic plans under the CAP financed by the EAGF and the EAFRD. It increased the initial 2021-2027 envelope for EAFRD measures from EUR 75 billion by another EUR 15 billion from 'Next Generation EU'. The additional allocations would be available for budgetary commitments in 2022-2024. But, as for the EU health programme and the Just Transition Fund, the Council agreed to cut the additional allocations from 'Next Generation EU', for EAFRD from EUR 15 billion to EUR 7.5 billion. At the same time, the Council also agreed to increase the EAFRD budget under the next Multiannual Financial Framework from EUR 75 billion to EUR 77.85 billion, i.e. by EUR 2.85 billion. Consequently, the total envelope for EAFRD would be EUR 85.35 billion (EUR 77.85 billion + EUR 7.5 billion). In addition, the Council decided to make additional allocations for Member States that face particular challenges, have invested heavily in rural development under EAFRD or need to transfer higher amounts to pillar I. These allocations within the overall amount benefit 15 Member States by EUR 5.35 billion, e.g. France (EUR 1.6 billion), Germany (EUR 0.65 billion), Spain and Italy (EUR 0.5 billion each).<sup>21</sup>

## **3.2. Potential risks and benefits of future modifications**

The potential risks and benefits of these forthcoming modifications largely mirror the risks and benefits discussed already in the previous section concerning CRII/CRII+.

While CRII/CRII+ focus on direct support in the health crisis and were developed in parallel to the developing crisis, the forthcoming modifications focus on efforts to get the economy back on track, as most parts of the EU experience the worst economic downturn for decades.

In parallel to section 2.3 the following highlights cross-cutting issues concerning potential risks and benefits of the future modifications.

Generally, the EU decision making processes are currently a fast and forceful reaction. This is clearly appreciated and impressive. More details on the positive side:

- **Outstanding achievement.** Recovery from the biggest economic crisis in the history of the EU is certainly a Herculean task. In this light, the available budget as well as the speed of decision-making and flexibility are both welcome and impressive. Joint debts and the EUR 1,850 billion for the recovery plan are a milestone in European integration. (Lüer & Böhme, 2020b)
- **Frontloading 2021-2027.** Frontloading the next programming period seems reasonable to bridge the transition gap, especially for REACT-EU. (Böhme et al., 2020)

<sup>21</sup> BE: EUR 100 million, DE: EUR 650 million, IE: EUR 300 million, GR: EUR 300 million, ES: EUR 500 million, FR: EUR 1,600 million, HR: EUR 100 million, IT: EUR 500 million, CY: EUR 50 million, MT: EUR 50 million, AT: EUR 250 million, SK: EUR 200 million, SI: EUR 50 million, PT: EUR 300 million, FI: EUR 400 million

- **Refocusing on grants – REACT-EU.** Some of those worried about a shift from ESIF grants towards ESIF financial instruments (mainly loans and guarantees) in Cohesion Policy, responded positively to ‘grants’ being back in fashion (via both the substantial grants elements of the Recovery and Resilience Facility and the creation of REACT-EU) (CPMR, 2020a). This is both an opportunity and a test. The speed that funds will be absorbed as well as the impact of grant-funded projects may inform the future course of EU investment policies.
- **Territorial dimension – Just Transition Fund.** The Just Transition Fund is the only recovery instrument with a strong territorial dimension. Despite cuts by the Council, the Just Transition Fund will still be significantly increased compared to the initial proposal of the European Commission. Hence, the territorial dimension might become more important in future EU policies. (Böhme et al., 2020)

All this suggests that the changes can be expected to bring additional benefits and serve the intentions of the legislators. However, despite a generally positive reception for the modifications, there are also potential risks:

- **Competition for investments.** The huge amount of funding for the recovery is certainly needed but might meet limits of the capacity to plan and manage investments. This holds the risk that various investment sources start competing with each other. Concretely, the Resilience and Recovery Facility may overshadow Cohesion Policy as it probably comes with easier administration and fewer requirements to be considered. This might – at least temporarily – reduce the demand for Cohesion Policy or exercise pressure on Cohesion Policy to lowering the bar in terms of formal requirements and strategic orientation. Such an unhealthy downward competition between EU funding sources needs to be avoided.
- **Focus on liquidity limiting ambitions on structural investments.** Many recovery measures make administrative funding procedures simpler and more flexible. While this is welcomed in general, there is a risk that an increasing focus on fuelling the economy with cash to reduce the risks of increasing unemployment and bankruptcies favours short-term investments over more ambitious high-quality and long-term investments (Valenza & Brignani, 2020). This may lead to missed chances for structural changes including side-lining sustainable development and possible experimental actions (Böhme et al., 2020). Indeed, it remains to be seen whether the plan works out, i.e. that CRII/CRII+ provides emergency help by allowing for maximum flexibility and ‘Next Generation EU’ thereafter supports the strategic focus again by getting the Green Deal and Digitalisation agenda back on board. The risk is that flexibility and the attempt to go for easy investments rather than strategic long-term investments remains.
- **Weakened place-based approach.** A major concern is the strong focus on national decision making reducing the role of regional decision makers and Structural Funds partnerships. The changes risk national level sovereignty increasingly squeezes out other drivers of Cohesion Policy. Increasing centralisation or renationalisation will diminish the roles of regions and cities, and thus reduce place-sensitivity (Böhme et al., 2020). In addition, it risks harming the subsidiarity framework which has a crucial role in EU institution building. Indeed, the shared management and the role of regional players will largely depend on the cohesion orientation of the European Semester and how local and regional authorities are envisaged to participate in the preparation of the national recovery and resilience plans. AER, CoR, Cohesion Alliance, CPMR, EUROCITIES and others stress the importance of multi-level governance and the partnership principle in the design and implementation of Cohesion Policy (Bachtler et al., 2020; CPMR, 2020a).

- **Increasing regional imbalances.** The regional focus is also weak in the funding allocation and strategic orientation of the recovery package. In particular for REACT-EU and the Recovery and Resilience Facility, no strategic criteria are applied to guide which regions receive funding, whether these regions have the most need and which distribution mechanisms are applied. All this might become less transparent than the current Cohesion Policy practice. The risk is that strong regions and regions with good institutional capacities might be better able to lobby for their interests and benefit more from the recovery measures than weaker regions or regions with less advanced institutional capacity. This might increase inter-regional imbalances, but also societal disparities (Böhme et al., 2020). The increased flexibility on state aid might also contribute to this as cities and regions in countries with better access to public finance and higher quality government may profit disproportionately.
- **Insufficient Just Transition Fund.** As outlined above, the Just Transition Fund is the only recovery instrument with a strong territorial dimension. Furthermore, it is also clearly linked to climate ambitions of the recovery plan. The sharp cut of the Just Transition Fund in the budget negotiations (compared to the European Commission proposal in May 2020) contrasts the potential for this instrument outlined above. (CPMR, 2020a)
- **Poor performance due to overburdened programmes.** The programme amendments for the 2014-2020 period to adjust to the COVID-19 realities (making use of CRII/CRII+) and possible extensions until 2022 (2025 taking into account N+3) add the work load to the programme authorities, while at the same time drafting the programme documents for 2021-2027 and often still working on the closure of 2007-2013. This increases the administrative costs of programmes and might lead to a decline in the quality of programming. (Böhme et al., 2020).



## 4. POLICY POINTERS

### KEY FINDINGS

Europe has shown it can take steps with 'seven-league boots' in times of crisis. The task is to take them wisely and in the right direction.

- The EU has been very active in setting up policy and funding instruments to tackle the health crisis and support economic recovery.
- The measures should be used and will help to cushion the most urgent needs. Cohesion Policy programmes use the measures for programme amendments.
- While the short-term crisis response measures are very much needed, there is a risk that flexibility and simplifications shift the focus from strategic and structural long-term investments to ad-hoc needs. This might be a missed opportunity.
- Strengthening the role of national authorities in EU Cohesion Policy risks weakening the regional dimension and side-lining regional players. This can lead to a decline in place-based approaches and, consequently, increases in regional disparities.
- Clear strategic orientation, strong multi-level governance and intense cooperation between societal groups, administrative levels, places and policy sectors can contribute to improving the positive policy responses and avoiding such risks.

The European Union has been very active in setting up policy and funding instruments to swiftly and pragmatically mobilise initial support during the health crisis and then support efforts to get the economy back on track, given that most parts of the EU face the worst economic downturn for decades.

European cooperation has surpassed itself with the volume of support mobilised, the speed that has happened, and flexibility in the use of EU funding. In short, the EU has once again shown its ability to react swiftly and comprehensively in times of crisis

The review of Cohesion Policy measures in response to the COVID-19 pandemic, including initial insights into their uptake and reflections on their impact allow for some general conclusions:

- **Big and fast policy response.** The speed support mechanisms have been made available and the amount of the support are impressive. In particular compared to the usual legislative processes for Cohesion Policy. The recovery plan with 'Next Generation EU' and the Multiannual Financial Framework 2021-2027 is a milestone in European integration and deserves credit.
- **Highly appreciated and used.** Under Cohesion Policy, the efforts and support mechanisms introduced through CRII/CRII+ are highly appreciated, and initial indications suggest they are already and will be further used in Member States and regions. The programme adjustments analysed for this report indicate that there is a considerable uptake of the support mechanisms. At present the focus of this uptake is on meeting short-term needs in the healthcare sector and supporting SMEs.
- **Cushioning most urgent needs and crises.** In the wake of the COVID-19 pandemic, Europe – as in most other parts of the world – faces a considerable economic downturn leading to an economic and social crisis. Neither Cohesion Policy measures in response to COVID-19, nor the

Recovery and Resilience Facility will be able to offset the crisis. However, the uptake suggests that they help cushion immediate needs.

- **Risk of neglecting long-term strategic investments.** There is a risk that the flexibility and simplifications offered under Cohesion Policy in response to the crisis put too strong focus on short-term spending and side-line long-term strategic investments. This may lead to missed opportunities for adjusting economies to future needs and approaching long-term structural changes, rather than trying to maintain or return to the pre-COVID-19 status-quo. Indications for this come from amendments in Cohesion Policy programmes shifting funding from actions related to climate change and digitalisation to short-term support. While that is very much needed in the short term, there is a risk that flexibility and easy investments rather than strategic and structural long-term investments hang on.
- **Risk of weakened place-based approach and increasing regional disparities.** The regional dimension and engagement of regional players is weak in Cohesion Policy measures in response to COVID-19. This leads to major concerns that increased national decision-making may diminish the role of regional decision-makers in Structural Funds management and partnerships. Furthermore, there are serious concerns that the national focus of funding allocations and decision-making will lead to responses contributing to increasing regional and social disparities. Strong regions with good institutional capacity might be better positioned to lobby for their interests and handle the investment possibilities offered by the policy measures.
- **How much time will it take until the funding arrives ‘on the ground’?** Although European legislators have been speedy in making decisions and Cohesion Policy programmes are currently being adjusted in many Member States, the critical question is when the money arrives on the ground. When do the players in the healthcare sector, the SMEs and other target groups receive the funding? Given the cascading of Cohesion Policy decision making, there is still a risk that funding may not arrive in time to strengthen support for the healthcare sector or SMEs in mastering the current crisis.

The risks outlined above lead to a few recommendations and policy pointers for ensuring that the significant measures launched in response to COVID-19 can become even better. In principle the policy pointers fall into three groups; ensuring strategic orientation, strengthening multilevel governance and strengthening cooperation.

### ***Ensuring the strategic and long-term dimension***

Cohesion Policy aims at supporting strategic long-term structural change to reduce regional disparities in Europe and ensure economic competitiveness. Despite the need for short-term support to address immediate needs during the crisis, the long-term strategic dimension should not be abandoned. Indeed, the crisis might actually offer the opportunity to accelerate structural changes, as has been shown, including for videoconferencing.

- **Clear vision on the future of Europe.** To use the crisis and the funding as accelerators for structural changes towards a ‘better Europe’, a shared vision about what that ‘better Europe’ should look like is needed.
  - Existing debates on the future of Europe, in particular its spatial dimension and spatial imbalances, should be taken on board when shaping the use of money available under ‘Next Generation EU’. This includes the ‘Future of Europe Conference’, the ‘Territorial Agenda 2030’ and work on a rural vision for Europe. The idea of a Green and Just Europe

offering a future for all places and people, i.e. without places of discontent and leaving no one behind, might be a starting point.

- Such a vision for a 'better Europe' cannot exist in isolation at European level. As ESPON (2019) points out, there is a need for a European framework for bottom-up visions to serve as a reference where local visions can link when addressing their role in a European context. At the same time, given its diversity, Europe needs diverse and multifaceted bottom-up spatial visions for places and functional regions.
- **Strategic funding criteria.** Although the flexibility of policy measures in response to COVID-19 is highly appreciated there is a need for a strategic division of labour between Cohesion Policy and the Recovery and Resilience Facility. Strategic funding criteria should also be applied in both of them – in particular the Recovery and Resilience Facility.
  - An unhealthy downward competition between the Recovery and Resilience Facility and Cohesion Policy needs to be avoided. Cohesion Policy must not be forced to 'pause' until the Recovery and Resilience Facility has spent its money, nor to lowering the bar in terms of accountability, transparency and strategic orientation.
  - Strategic funding criteria within Cohesion Policy have to be strengthened again for funding related to the recovery process (i.e. going beyond responses to immediate crisis needs) and address issues related to the risk of increasing regional disparities. Ideally, the Recovery and Resilience Facility would also apply such criteria.
  - The potential of the Just Transition Fund to boost long-term structural change responding to climate change ambitions with a place-based approach should be further strengthened. Starting points would be an increase in the budget and/or a stronger focus on NUTS3 rather than NUTS2 regions to delineate eligible areas, strengthening the local and regional dimension of the Just Transition Fund and taking better account of territorial diversity.
- **Local and regional experimentation.** Despite the need for a strategic approach, there is no blueprint for a sustainable recovery. Therefore, it is important to support local and regional players in exploring new paths, testing and experimenting, even if there are no guarantees of what the results will be.
  - This is about encouraging platforms to exchange new approaches and first experiences and stimulate the use of EU and national funds to support experimental activities.
  - Interreg programmes offer a good starting point, as they are established institutional and policy innovation platforms familiar to local and regional authorities.

### ***Strengthening multilevel governance***

Shared management and multilevel governance are cornerstones of EU Cohesion Policy. Although they may make decision-making more cumbersome at times, they are important for place-based policy making. Responding to the crisis, the role of local and regional representatives in Cohesion Policy has been weakened. Moving towards supporting local and regional recovery from the crisis, a place-based approach and the involvement of local and regional representatives must be further strengthened.

- **National recovery and resilience plans.** The involvement of local and regional authorities in preparing national recovery and resilience plans is crucial to ensure a place-based approach and mitigate the risk of policy responses to COVID-19 increasing spatial imbalances.

- **Cohesion Policy.** Increasing centralisation or renationalisation in Cohesion Policy will diminish the role of regions and cities, and thus reduce place-sensitivity. Shared management and the role of regional representatives in the design, management and implementation of Cohesion Policy may not be further weakened. The cohesion orientation of the European Semester is important to preserve shared management and the role of regional representatives in Cohesion Policy.
- **Recovery and Resilience Facility.** Besides the development of the national recovery and resilience plan, place-based and multilevel governance approaches should also be applied in the implementation of the Recovery and Resilience Facility. This instrument has considerable potential to impact on the regional economies in Europe and thus on regional disparities. Place-sensitive investment approaches and involving local and regional representatives in national implementation of the instrument can contribute to a Just Europe, drawing on the potential of all (types of) places.

### ***Strengthening the cooperation dimension***

Recovery and resilience are often about governance, government quality and administrative capacities (e.g. Dijkstra, Poelman, & Rodríguez-Pose, 2018, 2020; Rodríguez-Pose, 2020b, 2020a; Rodríguez-Pose & Ketterer, 2019; Sapir, 2020). The quality of government is an increasingly important factor explaining why some investments in infrastructure, human capital and technology lead to better regional economic development than others. Accordingly, differences in the quality of government and governance will affect the effectiveness of recovery policies and funding in European cities and regions. Furthermore, the COVID-19 pandemic has highlighted that the challenges ahead cannot be addressed singlehandedly but require cooperation. Cooperation between different policy sectors, different governance levels, different places and different groups of society is indispensable.

- **Integrated place-based approaches.** In the context of Cohesion Policy, cooperation is often addressed through Interreg. However, there are also cooperation instruments for regional and national programmes, most prominently Integrated Territorial Investments (ITI) and Sustainable Urban Development (SUD). To underline the importance of cooperation, the requirements for programmes to use these approaches should not be reduced.
- **Functional cross-border regions.** Border closures during lockdowns and travel restrictions have affected healthcare systems as well as the recovery and resilience of many functional cross-border regions in Europe. Cohesion Policy and the EU health programme should pay particular attention to ensuring better integration of cross-border regions and approaches to increase resilience to situations where borders could be closed. The potential of specific tools for cross-border cooperation like the existing European Grouping of Territorial Cooperation (EGTC) and the proposed European Cross-Border Mechanism (ECBM) should be investigated and exploited.
- **Multidisciplinary approaches.** Neither the pandemic nor the recovery can be mastered by a single policy sector. The 'silo approach' of policy making in large parts of Europe has posed substantial challenges when responding to COVID-19. Both Cohesion Policy programmes and the Recovery and Resilience Facility should emphasise the need for multidisciplinary approaches to recovery investments bringing together several policy fields.
- **Cooperation between cities and regions.** Cities and regions have had very different experiences regarding pressure on their healthcare systems, how to deal with policy responses, how to support citizens and businesses during the lockdown and how to boost recovery (Böhme et al., 2020). Strengthening experience sharing and learning from each other is



important as local and regional authorities are looking for concrete solutions on how to handle the pandemic and boost recovery. Cohesion Policy can support this both within as well as across countries, by making cooperation a requirement not only in Interreg but in all Cohesion Policy programmes.

- **Cooperation between groups of society.** COVID-19 has different health, social and economic implications for different groups of society. Often the most marginalised social groups are most affected. To avoid increasing social imbalances and/or the perception of being left behind, it is important that Cohesion Policy addresses social imbalances and contributes to strengthening ties between different groups in society. This is not just for ESF+ and the EU4Health programme.

The COVID-19 pandemic can be an accelerator for structural change in Europe, reducing spatial and social imbalances and moving towards a Green and Just Europe. To achieve this, policy measures taken in response to the pandemic need to be handled wisely and purposefully. Europe has shown that it can take steps with 'seven-league boots' in times of crisis. Now, the task is to take them in the right direction.

## REFERENCES

- Anderson, J., Tagliapietra, S. & Wolff, G. B. (2020). *Rebooting Europe: a framework for a post COVID-19 economic recovery* (Policy Brief 2020/01). Brussels: Bruegel.
- Bachtler, J., Mendez, C. & Wishlade, F. G. (2020). *The Recovery Plan for Europe and Cohesion Policy: An Initial Assessment* (European Regional Policy Research Consortium Paper 20/1). Glasgow and Delft: European Policies Research Centre.
- Blavatnik School of Government. (2020, April 29). Variation in Government Responses to COVID-19 Version 5.0.
- Böhme, K. & Besana, F. (2020). *Understanding the territorially diverse implications of COVID-19 policy responses* (Spatial Foresight Brief No. 2020:13). Luxembourg: Spatial Foresight.
- Böhme, K., Besana, F., Lüer, C., Holstein, F., Hans, S., Valenza, A., Caillaud, B. & Derszniak-Noirjean, M. (2020). *Potential impacts of COVID-19 on regions and cities of the EU*. Brussels: European Committee of the Regions - ECON Commission. <https://cor.europa.eu/en/engage/studies/Documents/IMPACTS-COVID-19.pdf> (accessed on: 13 October 2020).
- CEMR. (2020). *COVID-19's impact on local and regional finance. CEMR analysis*. Brussels: CEMR.
- Cohesion Alliance. (2020). *Declaration of the #CohesionAlliance for a cohesive, sustainable and resilient Europe*. Brussels: Committee of the Regions.
- Committee of the Regions. (2020). Europe's recovery will fail without a strong cohesion policy and a real partnership among EU, national, regional and local actors. <https://cor.europa.eu/en/news/Pages/Europe-recovery-will-fail-without-strong-cohesion.aspx> (accessed on: 13 October 2020).
- CPMR. (2020a). *Analysis of the European Council agreement: the EU Recovery Instrument and the MFF 2021-2027*. Brussels: Conference of Peripheral Maritime Regions.
- CPMR. (2020b). *The EU Recovery Plan: 'Next Generation EU' Recovery Instrument in a revamped MFF 2021-2027*. Brussels: Conference of Peripheral Maritime Regions.
- Dijkstra, L., Poelman, H. & Rodríguez-Pose, A. (2020). The geography of EU discontent. *Regional Studies*, 54(6), pp. 737–753. <http://doi.org/10.1080/00343404.2019.1654603>
- Dijkstra, L., Poelman, H. & Rodríguez-Pose, A. (2018). *The Geography of EU Discontent* (Working Papers No. 12/2018). Luxembourg: Publications Office of the European Union. [https://ec.europa.eu/regional\\_policy/sources/docgener/work/2018\\_02\\_geog\\_discontent.pdf](https://ec.europa.eu/regional_policy/sources/docgener/work/2018_02_geog_discontent.pdf) (accessed on: 3 June 2019).
- ESPON. (2019). *European Territorial Reference Framework. Final Report*. Luxembourg: ESPON EGTC. <https://www.espon.eu/etrf> (accessed on: 11 February 2020).
- Eurofound. (2020). *COVID-19: Policy responses across Europe*. Luxembourg: Publications Office of the European Union.
- Lüer, C. & Böhme, K. (2020a). Europas Aufgabe in der Coronakrise: Teamwork statt Abschottung. *Handelsblatt*. Düsseldorf. <https://www.handelsblatt.com/meinung/gastbeitraege/gastbeitrag-europas-aufgabe-in-der-coronakrise-teamwork-statt-abschottung/25673304.html?ticket=ST-636191-rSPhW17LdJACaYVz2Pai-ap4> (accessed on: 13 October 2020).
- Lüer, C. & Böhme, K. (2020b). The EU Recovery Plan. A budget without a vision risks to increase inequalities. <https://territorialthinkers.eu/2020-07-kremer.html> (accessed on: 13 October 2020).
- Maillard, S. (2020). *A historic agreement, yet to be improved and implemented*. (Policy Brief No. July 2020). Paris: Jacques Delors Institute.

- Odendahl, C. & Springford, J. (2020). *Three ways COVID-19 will cause economic divergence in Europe*. London; Brussels; Berlin: Centre for European Reform.
- Rodríguez-Pose, A. (2020a, June 20). Decay in Government quality and its cost in COVID-19 lives. *El País*. Agenda Publica El País.
- Rodríguez-Pose, A. (2020b). Institutions and the fortunes of territories. *Regional Science Policy & Practice*. <http://doi.org/10.1111/rsp3.12277>
- Rodríguez-Pose, A. & Ketterer, T. (2019). Institutional change and the development of lagging regions in Europe. *Regional Studies*, pp. 1–13. <http://doi.org/10.1080/00343404.2019.1608356>
- Sapir, A. (2020). *Why has COVID-19 hit different European Union economies so differently?* (Policy Contribution 2020/18). Bruegel.
- Valenza, A. & Brignani, N. (2020). Cohesion policy - an effective response to the Covid crisis. <https://www.regionalstudies.org/news/cohesion-policy-an-effective-response-to-the-covid-crisis/> (accessed on:

## LEGAL REFERENCES

- C/2020/1863. Communication from the Commission. Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak 2020/C 91 I/01 (OJ C 91I, 20.3.2020, p. 1–9).
- C/2020/2215. Communication from the Commission. Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak 2020/C 112 I/01 (OJ C 112I, 4.4.2020, p. 1–9).
- C/2020/3156. Communication from the Commission. Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak 2020/C 164/03 (OJ C 164, 13.5.2020, p. 3–15).
- C/2020/4509. Communication from the Commission. Third amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak 2020/C 218/03 (OJ C 218, 2.7.2020, p. 3–8).
- COM(2018) 322 final. Proposal for a COUNCIL REGULATION laying down the multiannual financial framework for the years 2021-2027. Brussels, 2.5.2018.
- COM(2018) 372 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Regional Development Fund and on the Cohesion Fund. Strasbourg, 29.5.2018.
- COM(2018) 375 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument. Strasbourg, 29.5.2018.
- COM(2018) 382 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Social Fund Plus (ESF+). Brussels, 30.5.2018.
- COM(2020) 22 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Just Transition Fund. Brussels, 14.1.2020.
- COM(2020) 113 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 1303/2013, Regulation (EU) No 1301/2013 and Regulation (EU) No 508/2014 as regards specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak [Coronavirus Response Investment Initiative]. Brussels, 13.3.2020.
- COM(2020) 138 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 1303/2013 and Regulation (EU) No 1301/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak. Brussels, 2.4.2020.
- COM(2020) 405 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a Programme for the Union's action in the field of health – for the period 2021-2027 and repealing Regulation (EU) No 282/2014 ('EU4Health Programme'). Brussels, 28.5.2020.
- COM(2020) 423 final. DRAFT AMENDING BUDGET No 6 TO THE GENERAL BUDGET 2020. Reflecting in the budget 2020 the launch of the recovery plan for Europe. Brussels, 3.6.2020.
- COM(2020) 441 final. Proposal for a COUNCIL REGULATION establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic. Brussels, 28.5.2020.

- COM(2020) 442 final. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. The EU budget powering the recovery plan for Europe. Brussels, 27.5.2020.
- COM(2020) 443 final. Amended proposal for a COUNCIL REGULATION laying down the multiannual financial framework for the years 2021 to 2027. Brussels, 28.5.2020.
- COM(2020) 447 final. Amended proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Social Fund Plus (ESF+). Brussels, 28.5.2020.
- COM(2020) 450 final. Amended proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument. Brussels, 28.5.2020.
- COM(2020) 451 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 1303/2013 as regards exceptional additional resources and implementing arrangements under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy (REACT-EU). Brussels, 28.5.2020.
- COM(2020) 452 final. Amended proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Regional Development Fund and on the Cohesion Fund. Brussels, 28.5.2020.
- COM(2020) 459 final. Amended proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on establishing the specific programme implementing Horizon Europe – the Framework Programme for Research and Innovation, REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Neighbourhood, Development and International Cooperation Instrument, REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council. Brussels, 29.5.2020.
- COM(2020) 460 final. Amended proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Just Transition Fund. Brussels, 28.5.2020.
- Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak (OJ L 159, 20.5.2020, p. 1–7).
- EUCO 10/20. Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions. Brussels, 21 July 2020.
- Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 (OJ L 347, 20.12.2013, p. 289–302).

Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJL 347, 20.12.2013, p. 320–469).

Regulation (EU) No 508/2014 of the European Parliament and of the Council of 15 May 2014 on the European Maritime and Fisheries Fund and repealing Council Regulations (EC) No 2328/2003, (EC) No 861/2006, (EC) No 1198/2006 and (EC) No 791/2007 and Regulation (EU) No 1255/2011 of the European Parliament and of the Council (OJL 149, 20.5.2014, p. 1–66).

Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative) (OJL 99, 31.3.2020, p. 5–8).

Regulation (EU) 2020/558 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak (OJL 130, 24.4.2020, p. 1–6).



---

The EU has been very active in setting up policy and funding instruments to swiftly and pragmatically mobilise initial support during the health crisis, immediately followed by efforts to get the economy back on track.

This paper provides a first review of Cohesion Policy measures in response to the COVID-19 pandemic, including preliminary insights on their uptake and reflections on their impact. It concludes with policy pointers on how to use the measures as accelerators for structural change.

---

---

PE 652.216

IP/B/REGI/2020-087

Print ISBN 978-92-846-7362-9 | doi: 10.2861/360466 | QA-QA-03-20-667-EN-C

PDF ISBN 978-92-846-7361-2 | doi: 10.2861/024027 | QA-QA-03-20-667-EN-C