



**ECO/525**

**COVID-19: Amendments to the CPR, ERDF and Cohesion Fund**

## **OPINION**

European Economic and Social Committee

**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**

[COM(2020) 450 final – 2018/0196 (COD)]

**Amended proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund**

[COM(2020) 452 final – 2018/0197 (COD)]

Rapporteur: **Mihai IVAȘCU**

Referral	Council of the European Union, 08/06/2020, 10/06/2020 European Parliament, 17/06/2020
Legal basis	Article 177, 178 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	20/07/2020
Adopted at plenary	18/09/2020
Plenary session No	554
Outcome of vote (for/against/abstentions)	217/0/2

## 1. **Conclusions and recommendations**

- 1.1 Following the unprecedented exogenous symmetric shock from the COVID-19 pandemic, forecasts indicate that unemployment and poverty will rise dramatically, while a significant number of businesses will go bankrupt.
- 1.2 The EESC fully supports the initiative of the Commission to use the EU budget to mobilise investment and offer financial support during the post-COVID-19 recovery.
- 1.3 The COVID-19 crisis has generated uncoordinated responses across Member States, depending on the national and regional capacities. The EESC considers that certain amendments to the CPR proposal are absolutely necessary and salutes the intention to add simplification and flexibility for the seven shared management funds.
- 1.4 The EESC considers that the proposed flexibilities are the right approach in a complicated economic and social situation and shall allow Member States to use the available funds where they are most needed. The post-COVID-19 recovery should follow sustainable principles and a correlation of efforts between the ERDF, Cohesion Funds and other European programmes.
- 1.5 On the other hand, the EESC is dissatisfied with disparities on how different Member States include and involve the social partners and civil society organisations in the preparation of Partnership Agreements and in the setting up and implementing of programmes, as well as within the monitoring committees.
- 1.6 The EESC considers that special attention must be given to the regions severely affected by the COVID-19 crisis and which face the most difficulties to resume sustained economic recovery. Social inclusion and reducing disparities both between Member States and between different regions are and should be the top priority of Cohesion Funds.
- 1.7 The EESC agrees that extended timeline flexibility is absolutely necessary and supports the proposal that the transfers could be done at the beginning of the programming period or at any other point during the implementation phase.
- 1.8 Furthermore, ensuring temporary measures to enable the use of the Funds in exceptional circumstances will increase trust and correct imbalances in the economy. Expected high public debt shall have an important impact on the economy, if not efficiently supported by all necessary means.
- 1.9 The Committee believes that it is imperative that the EU budget is allowed to be more flexible when dealing with adverse shocks, especially those that are not economic in origin.
- 1.10 The EESC recommends that the EU should pursue policies for improving trans-border cooperation in times of crisis. Better protocols and enhanced collaboration would allow for a streamlined and prompt European response to any kind of catastrophe.

## 2. **Introduction and the legislative proposal**

- 2.1 More than two years ago, the European Commission proposed the Common Provisions Regulation (CPR)<sup>1</sup> composed of legislative norms for the use of the cohesion policy funds in the period 2021-2027. The proposed legislative framework has added simplification, flexibility to respond to emerging needs, and efficiency in the use of financial instruments. The text was debated with the Member States and relevant stakeholders.
- 2.2 The proposed Regulations introduces certain provisions that would allow room for manoeuvre for the use of the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime and Fisheries Fund. It also amends the financial rules for the above-mentioned funds as well as for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument. The EESC salutes the intention to add simplification and flexibility for the seven shared management funds.
- 2.3 Following the unprecedented exogenous symmetric shock from the COVID-19 pandemic, increased pressure on the European health systems has been immediately followed by severe social and economic difficulties. Forecasts indicate that unemployment and poverty will rise dramatically, while a significant number of businesses will go bankrupt.
- 2.4 For the remaining financial framework (end of the year), two legislative proposals have been immediately adopted as an immediate response to the possible effects of the pandemic: two amendments to Regulation (EU) No 1303/2013 adopted on 30 March 2020 and 23 April 2020 respectively, trying to provide flexibility for the Member States in their attempt to manage the programmes to respond to the COVID-19 crisis.<sup>2</sup>
- 2.5 Ongoing discussions about the sustained exit strategy focus on two pillars: the European Recovery Fund and a strong reinforced multiannual financial framework. The proposed Regulation goes in the direction of supporting the cohesion policy investments in the medium and long term.
- 2.6 The EESC fully supports the initiative of the Commission to use the EU budget to mobilise investment and offer financial support during the post-COVID-19 recovery. This should come in the support of wider plans of increasing the competitiveness and sustainability of the European economy and implementing the European Pillar of Social Rights.
- 2.7 The current COVID-19 crisis has shown us the importance of flexibility and fast coordinated Member State and EU responses. These lessons should be reflected in the new legal and financial framework, which must prove its flexibility and ability to respond to extraordinary circumstances in the future.

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<sup>1</sup> [COM\(2018\) 375 final, 2018/0196\(COD\)](#).

<sup>2</sup> [OJ L 347 20.12.2013, p. 320](#).

### 3. General Comments

- 3.1 The COVID-19 crisis has generated uncoordinated responses across Member States, depending on the national and regional capacities. This could result in an asymmetric recovery and at the same time contribute to increased regional disparities and inequality, which in the long run could undermine the single market and the financial stability of the European Union. The EESC considers it vital to act immediately to prevent further fragmentation of the single market and respect the Treaty objective to promote convergence and reduce disparities.
- 3.2 The economic recovery needs strong public investment, which could be hindered by the significant pressure on public finances, thus extending the downturn. Therefore, for the next multiannual financial framework, certain amendments to the CPR proposal are absolutely necessary.
- 3.3 The European Semester is closely linked with the cohesion policy investments, which, in turn, are well suited to deliver on the needs identified in the European Semester process and actively contribute to the economic recovery. The EESC has repeatedly called for *"the need to put in place a common European framework – similar to the Partnership Agreement under the EU Structural Funds – guaranteeing that there can be strong and meaningful participation of social partners and civil society at large at all stages of the design and implementation of the EU Semester"*<sup>3</sup>.
- 3.4 Article 6 of the Regulation laying down common provisions on the seven funds sets up the way in which each Member State should organise partnerships with competent regional and local authorities, by including at least the urban and other public authorities, economic and social partners, as well as relevant bodies representing civil society, environmental partners and entities representing fundamental rights, etc. All Members States should involve these stakeholders in the preparation of Partnership Agreements and in the setting up and implementing of programmes, as well as within the monitoring committees.
- 3.4.1 Although these lines are clear, the EESC is dissatisfied with disparities on how different Member States include and involve the social partners and civil society organisations. The EESC has already pointed out that *"various Member States have received recommendations on strengthening social dialogue in this year's country-specific recommendations. To further the involvement of the social partners, minimum standards should be introduced concerning the consultation of the national social partners by national governments at various stages during the European Semester"*<sup>4</sup>.
- 3.5 Regarding the current implementation period, the EESC acknowledges certain difficulties for the beneficiaries to finalise in time the approved programmes. Flexibility is key for enabling the successful implication and possible prolongation of the implementation period, while ensuring the correct phasing of operations.

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<sup>3</sup> See the EESC own-initiative opinion on *The European Semester and Cohesion policy - Towards a new European strategy post-2020*, [OJ C 353, 18.10.2019, p. 39](#).

<sup>4</sup> [Annual Growth Survey 2019 \(additional opinion\)](#).

3.6 The EESC considers that the proposed flexibilities are the right approach in a complicated economic and social situation, where exceptional situations are expected for the next implementation period. It is more and more clear that the economic impact of the COVID-19 pandemic shall have long-term effects on the Member States and the only way to ensure a sustainable exit is through debt. Hence, it is extremely useful to create immediately the framework for all countries to be able to add flexibility to their exit strategy and use the available funds where they are most needed.

#### 4. **Specific Comments**

4.1 The EESC believes that special attention must be given to the regions severely affected by the COVID-19 crisis and which face the most difficulties to resume sustained economic recovery.

4.2 Social inclusion and reducing disparities both between Member States and between different regions are and should be the top priority of cohesion funds. As the tourism and cultural sectors have been strongly impacted by the COVID-19 crisis, they should be especially supported. At the same time, social inclusion is not limited to these sectors and the principles of the European Pillar of Social Rights should be fundamental in any approach. Therefore, the EESC supports the creation of a separate objective under policy 4 of the ERDF.

4.3 The EESC salutes the intention to allow more flexibility to the Member States in terms of transferring certain amounts between the different EU funds at any point they deem necessary. The legal framework of the cohesion policy should be quickly adapted to the new realities in order for specifically designed mechanisms to be easily adopted and implemented. Flexibility and derogations to the existing rules could prove paramount in such difficult economic and social stance. Therefore, the EESC supports the empowerment of the European Commission to adopt the necessary implementing acts.

4.4 The proposed amendments introduce some flexibility for the Member States to request transfers between the Funds or from the Funds to any instrument, through direct or indirect management. The EESC agrees that extended timeline flexibility is absolutely necessary and supports the proposal that the transfers could be done at the beginning of the programming period or at any other point during the implementation phase.

4.5 The Stability and Growth Pact supports coordination among the fiscal policies and the application of sound public finances, essential for a sustainable economic recovery and growth. The EESC considers that ensuring temporary measures to enable the use of the Funds in exceptional circumstances would increase trust and correct imbalances in the economy. Expected high public debt shall have an important impact on the economy, if not efficiently supported by all necessary means.

- 4.6 The EESC believes that there should be clear mechanisms of complementarity between the various European funding streams. That being said, the post-COVID-19 recovery should follow sustainable principles and a correlation of efforts between the ERDF, Cohesion Funds and other European programmes.
- 4.7 The EESC salutes the adding of exceptional and unusual circumstances regarding the measures linked to sound economic governance. In line with the need for greater flexibility in responding to extraordinary circumstances, such as the COVID-19 crisis, the EESC finds the proposed change to the title of Chapter III for title 2 necessary.
- 4.8 The EESC fully supports the proposed introduction of Article 15a. The Committee believes that it is imperative that the EU budget is allowed to be more flexible when dealing with adverse shocks, especially those that are not economic in origin. Furthermore, the flexibility introduces a correct approach that interim payments could be exceptionally increased up to 10% above the co-financing rate applicable, but not exceeding the 100% quota.
- 4.9 The EESC finds relevant the inclusion of a justification for transfers in Article 8(d), as this would allow for better oversight and transparency.
- 4.10 Furthermore, the modification of recital (71) ensures the implementing powers regarding temporary measures for the use of the Funds should be granted to the European Commission without committee procedures. Additional flexibility is proposed in any transfer that any Member State might request up to 5% of the total allocation of any Fund to another Fund. Additional transfer of up to 5% can also be asked under the Investment for jobs and growth goal, between the ERDF, the ESF+ and the Cohesion Fund.
- 4.11 The EESC agrees with the importance of the SMEs in the economy and welcomes the added attention to them. Additionally, special focus should be given to SMEs that generate growth and create high-quality jobs, necessary in reducing inequalities and disparities.
- 4.12 The COVID-19 pandemic has shown that digital education presents a lot of challenges. Simply ensuring access to ICT and digital equipment to learners in a disadvantaged background is not enough. The EESC recommends that Member States analyse ways to enable access to digital platforms. Furthermore, learners from disadvantaged backgrounds and some elderly teachers do not have the necessary skills to properly work with digital tools and content. Therefore, the EESC calls for additional immediate investment in upskilling.
- 4.13 The EESC supports the proposed decrease of the threshold from EUR 10 million to EUR 5 million for an operation subject to phased implementation, provided that all the other conditions stipulated in Article 111 are met.
- 4.14 In addition to increased medical equipment and supplies capacity, the EESC recommends that the EU should pursue policies for improving trans-border cooperation in times of crisis. Disasters and natural crises do not stop at the state border. During the pandemic, Member State coordination and joint responses have been very limited, disorganised and driven by inward-looking tendencies. Better protocols and collaboration would eliminate many of the initial

bottlenecks and allow for a streamlined and prompt European response to any kind of catastrophe.

Brussels, 18 September 2020

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The president of the European Economic and Social Committee

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