COTER – Commission for Territorial Cohesion Policy

European Committee of the Regions

Brussels, 22 June 2021

Implementation of the Coronavirus Response Investment Initiative (CRII & CRII +):

Results of the COTER targeted survey

1. Introduction

This note provides information about the recent **survey of the COTER secretariat on how the managing authorities of structural funds have been managing the so-called CRII & CRII+ measures**. The survey was aimed at determining both the shortcomings and the benefits of the European Commission's initiatives.

The result of the **survey shows a clear request to extend the flexibility measures included under CRII & CRII+,** in order to duly certify all eligible costs, to increase permitted abortion rates and to reduce potential errors.

Along these lines, the **European Commission should consider an extension of the legal rules to make possible a 100% EU co-financing rate beyond 30 June 2021,** an extension of the "N+3" rule and an exemption from complying with the thematic concentration, and should also consider a temporary increase in the "de minimis" state aid threshold.

The extension of the flexible rules would **alleviate the workload of hundreds of regional managing authorities that are under enormous stress due to the overlapping of the two programming periods and the additional recovery plans**.

Regions and cities must continue providing investments in the public healthcare sector, supporting small and medium-sized enterprises (SMEs) in dealing with the pandemic effects, ensuring that public services such as public transport continue working properly and promoting measures that focus in particular on job retention schemes.

The results of this survey will **feed into the political work of the CoR COTER Commission**, which will hold a more **in-depth discussion on the matter at upcoming meetings with the European Parliament's REGI committee**. It will also be a **central element of the next event held by the "Cohesion Alliance" and of its communication campaign**.

Moreover, it is suggested that the survey results be used to **send political conclusions and recommendations to the European Commission for action**.

2. Background

The Coronavirus Response Investment Initiative (CRII), which was aimed at mobilising funds still available from the 2014-2020 European Structural and Investment Funds to provide Member States with immediate liquidity to finance investments related to the COVID-19 outbreak (e.g. investments in the healthcare sector, support for SMEs, and the labour market), entered into force on 24 March 2020.

The initiative was complemented by a second package called "Coronavirus Response Investment Initiative Plus" (CRII+), which introduced additional exceptional flexibility measures such as transfers across the three cohesion policy funds (ERDF, ESF and Cohesion Fund) and between the different categories of regions; more flexibility with regard to thematic concentration; and the possibility of a 100% EU co-financing rate. These new provisions entered into force on 1 May 2020.

In addition, the new REACT-EU programme, which is an emergency legislative initiative to release EUR 47.5 billion through structural funds, targeted at the hardest hit member states and regions, has just begun to be implemented by the Member States.

In May 2021, the COTER Commission of the European Committee of the Regions, which is in charge of consultative work on cohesion policy, launched a survey among CoR members to obtain further information on the state of play of the implementation of these emergency measures and their benefits and drawbacks, from the experiences of the regions and managing authorities.

This survey gathered the views and experiences of **67 representatives of local and regional authorities** (officials, politicians or other), the managing authorities of Structural Funds Operational Programmes, and from other stakeholders at local and regional level **concerned by the Coronavirus Response Investment Initiative (CRII & CRII+) and REACT-EU in 20 EU Member States**[1].

3. Involvement of local and regional authorities in the reprogramming exercise

In order to understand the extent to which the CRII and CRII+ have actually been used, respondents were asked about the situation in their Member States. **67% confirmed that their countries and regions had made use of these emergency instruments,** particularly in Member States where regional authorities have been delegated as managing authorities, including Germany, Spain, France and Italy.

However, **only approximately one third of regional and local authorities replied that they had been genuinely involved in the final decision of re-programming** the Operational programmes funded by the ERDF, Cohesion Fund or European Social Fund.

[1] Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, Spain, and Sweden.

4. Implementation of CRII and CRII+

With regard to the implementation of CRII & CRII+, **in many cases,** managing authorities reallocated funds to finance operations related to health systems (i.e. increasing the capacity of hospitals) and to provide working capital to SMEs affected by the COVID-19 outbreak. **61.19% of respondents confirmed the transfer of funds between EU Funds to tackle these new needs**. Conversely, only 14.93% of respondents stated that they had benefited from the transfer of EU Funds between categories of regions.

The possibility of avoiding **the obligation to comply with the thematic concentration was corroborated by almost half of the respondents**. It is therefore not surprising that approximately **61% of respondents indicated that their regions had opted for the 100% EU co-financing option for expenditure incurred during the financial year 2020-2021**. This option was least likely to be considered in Member States where the budgets of the Operational Programmes were already almost fully committed, such as the Netherlands and in some German and French regions where they did not want to apply different co-funding rates to the beneficiaries.

While European rules allow for expenditure related to the health category to be supported under a single axis of a thematic objective, it is interesting to note that **34% of respondents reported issues with doing this within the existing expenditure categories of the Operational Programmes**.

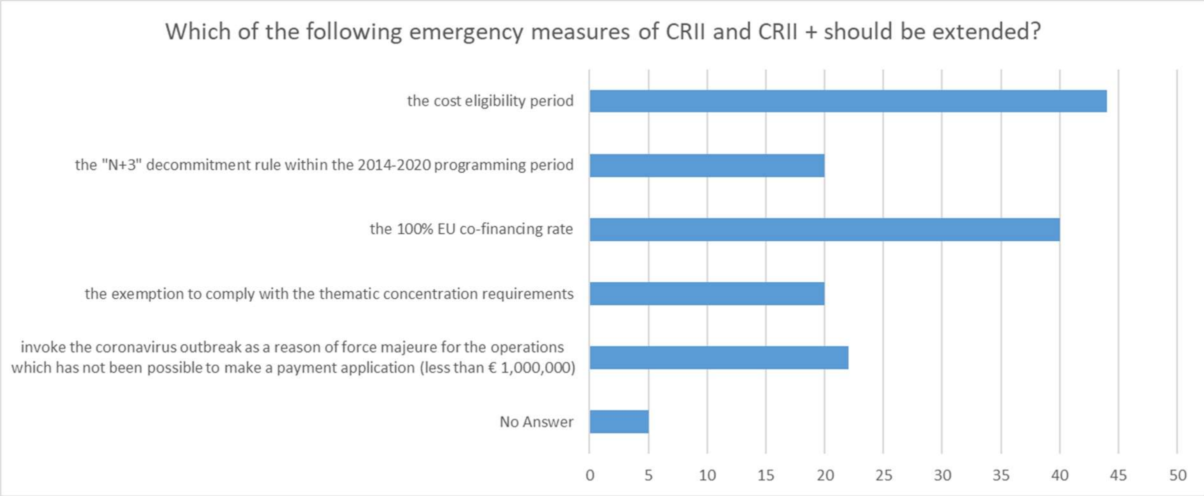
It is a good sign that **more than three quarters (76%) of respondents do not expect the reallocation of funding within the framework of the CRII & CRII+ to hamper the realisation of essential investments in their region**. Nevertheless, two respondents from Spain considered that when redirecting the allocation towards basic needs (the health system), the authorities must put aside other possible investments in sectors such as research and development. Apparently, funds from the multiregional Operational Programme from this Member State in particular were transferred to dealing with the pandemic.

5. Extension of the flexibility measures introduced by CRII & CRII+

Europe's local and regional authorities have been at the forefront of Covid-19 crisis management over the last year. They have predominantly reacted with short-term emergency measures addressing the first-identified effects of the pandemic.

Even if the worst is behind us, the consequences are still being felt and the **result of the survey shows a clear request to extend the flexibility measures included under CRII+** (*See Figure 1*). These include, in particular, the **extension of the period to apply the 100% EU co-financing rate beyond 30 June 2021, the "N+3" recommitment rule, the exemption from complying with the thematic concentration requirement and the possibility of invoking *force majeure* for operations** for which it has not been possible to make a payment application.

Figure 1:



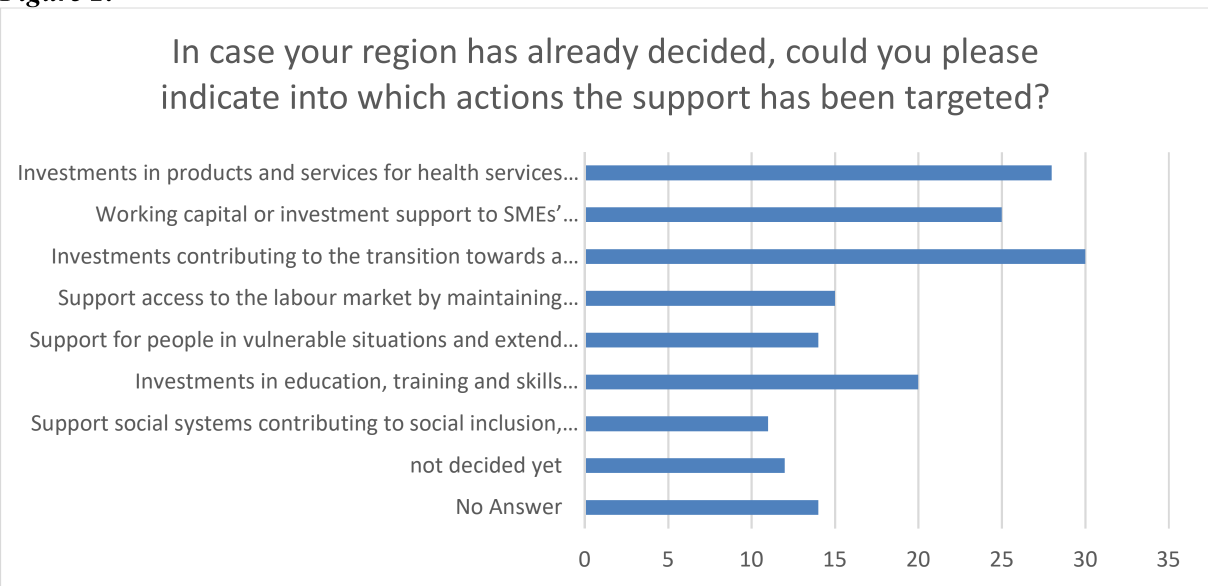
Considering the possibility of **temporarily increasing the de minimis state aid threshold, a large majority of almost 60% is asking for this extension. Some respondents supported the idea of extending the threshold to EUR 500 000** to be consistent with the rules under the European recovery plan.

6. State of play of REACT-EU

While the REACT-EU programming exercise has been one of the main tasks for the managing authorities of Structural Funds across EU in the first semester of 2021, **it is disappointing to discover that two thirds of respondents were not aware of the state play of this programming exercise**. Some stakeholders criticised the lack of transparency and involvement of civil society.

In regions where the decision on reprogramming has been already taken, **investments will be allocated to measures related to health services, supporting SMEs, maintaining the jobs of employees and contributing towards a digital and green economy** (*See figure 2*).

Figure 2:



Again, it is no surprise to see that **58% of respondents confirmed that their regions will apply 100% co-funding rates**. **60% of respondents also stated their intention to opt for financial instruments to support SMEs**. However, almost one third of respondents will opt for the grants option, arguing that REACT-EU must be deployed in the short term and that financial instruments are better used for longer-term investments.

Finally, respondents were invited to express any comments they may consider useful. Several respondents complained about the lack of simplified measures in terms of audits within CRII & CRII+ and the lack of flexibility in terms of public procurement. One French respondent explained that with regard to REACT-EU technical assistance, it is regrettable that a rate of 50% has been imposed by the European Commission for French managing authorities beyond what is provided for in the CPR Regulation, which allows a 100% co-funding rate. Another respondent argued that the main concern was the short implementation period of React-EU (by the end of 2023), asking for an extension of the eligibility period; Finally, a respondent from the Netherlands stated that REACT-EU would provide important support for the digital and green recovery of his region to the tune of some EUR 90 million.